

The Depository Trust Company

IMPORTANT

B#: 2055

DATE: May 25, 2001

TO: All Participants

CATEGORY: Dividends

FROM: Nilesh Desai, Supervisor, Dividend Department

ATTENTION: Dividend Managers, Cashiers and Reorganization Managers

SUBJECT: Optional Dividend: Liberty All-Star Equity Fund, Inc.
Cusip#: 530158104 R/D: 05/18/01 P/D: 07/02/01
Rate: \$ 0.31 in Stock or Cash (realized capital gains)
DTC Cut-off 06/13/2001

***** WARNING TIME CRITICAL *****

Participants who have positions in the above captioned security may elect to receive the dividend distribution of \$ **0.31** Paid in stock or cash, as follows:

Stock Option #1: You may elect to receive additional common shares of **LibertyAll-Star Equity Fund** for the \$ **0.31** per share. Fractional shares will be paid in cash. The market value of the fund's common stock for this purpose will be the last sales price on the New York Stock Exchange on June 15, 2001.

Cash Option #2: You may elect to receive cash at \$ **0.31** per share held.

PARTICIPANTS SHOULD SUBMIT ELECTION INSTRUCTIONS OVER THE PARTICIPANT TERMINAL SYSTEM (PTS) THROUGH THE ELECTIVE DIVIDEND SYSTEM (EDS) FUNCTION.

Participants not responding to the above option by 06/13/01, will receive the mandatory distribution in accordance with Option #1 (Stock with Fractions in cash).

To confirm your Record Date positions, DTC participants should access the Dividend and Allocation History (DPAL) Option, via the PTS Dividend Announcements Inquiry (DIVA) function.

If there are any questions regarding this Important Notice or the processing of related instructions via EDS, DTC participants should contact Mr. John McCarthy or Mr. Ray Lew of DTC's Dividend Department at (212) 855-4521/4523.