

The Depository Trust Company  
**IMPORTANT**

**B#:** 2434-07  
**DATE:** November 9, 2007  
**TO:** All Participants  
**CATEGORY:** Dividends  
**FROM:** Supervisor, Stock Dividend Department  
**ATTENTION:** Dividend Managers, Cashiers, and Reorganization Managers  
**SUBJECT:** Optional Stock Dividend: Liberty All-Star Equity Fund  
CUSIP 530158104 R/D: 11/09/07 P/D: 01/02/08  
Rate: \$0.22 per share in Stock or Cash  
DTC EDS Cut Off 12/05/07 before 8:00 P.M. EST

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

Participants who have positions in the above captioned security may elect to receive the dividend distribution of \$0.22 paid in Stock or cash, as follows:

**Stock Option #1:** You may elect to receive additional common shares of **Liberty All-Star Equity Fund, Inc.** for the \$0.22 per share, Fractional shares will be paid in cash. The number of shares to be issued will be determined by the market value per share of common stock in the fund on December 7, 2007 or by the net asset value per share on that date, whichever is lower “(but not less than 95% of market value)”. The market value of the fund’s shares for this purpose will be the last sale price of the New York Stock Exchange on December 7, 2007.

**Cash Option #2:** You may elect to receive cash at \$0.22 per share held.

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

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Participants not responding to the above option by 12/05/07 no later than 8:00 PM Eastern Standard time will receive the mandatory distribution in accordance with Option #1 (Stock with Fractions in cash).

To confirm your record Date positions, DTCC participants should access the Dividend and Allocation History (DPAL) Menu Option, via the PTS Dividend Announcement Inquiry function (DIVA).

If there are any questions regarding this Important Notice or the processing of related instructions via EDS, participants should contact DTCC's Customer Service Center at (888) 382-2721.