

**AUTOMATIC DIVIDEND
REINVESTMENT
AND
DIRECT PURCHASE PLAN**

*FOR SHAREHOLDERS OF
LIBERTY ALL-STAR® EQUITY FUND*

ALL STAR®
EQUITY FUND

What is the Automatic Dividend Reinvestment and Direct Purchase Plan?

The Automatic Dividend Reinvestment and Direct Purchase Plan (the “Plan”) offers holders of shares of beneficial interest (“Shares”) of the Liberty All-Star Equity Fund (the “Fund”) a convenient way to reinvest their dividends and distributions in additional Shares of the Fund.

The Plan also gives holders of Shares (“Shareholders”) the option of making additional investments in Fund Shares through the Plan Agent.

Computershare Trust Company, N.A., (the “Plan Agent”), acts as Plan Agent for Shareholders in administering the Plan. The complete terms and conditions of the Plan appear later in this document.

This is a summary of the Plan and is subject to, and qualified by reference to, the Plan itself, which is attached to this summary.

How do I enroll in the Plan if Shares are registered in my name?

No enrollment is necessary. If your Shares are registered in your name, you will automatically participate in the Plan, unless you have notified the Plan Agent that you do not wish to participate and instead wish to receive dividends and distributions in cash. You may contact the Plan Agent by telephone at 1-800-LIB-FUND (1-800-542-3863), through the Plan Agent’s website at www.computershare.com/investor or by sending written instructions to the Plan Agent.

What if my Shares are held by a broker, bank or other nominee?

When brokers, banks or other nominees hold Shares for others who are beneficial owners, the Plan Agent will administer the Plan based on the information provided to the Plan Agent by the registered Shareholder (i.e. the broker, bank or other nominee). Certain brokers, banks and other nominees do not permit their clients to participate in the Plan or only permit their clients to participate in the reinvestment of dividends and distributions component of the Plan. You should contact the broker, bank or other nominee holding your Shares to determine whether and how you may participate in the Plan and to ensure that your account is properly represented.

What does the Plan offer?

The Plan has two components: reinvestment of dividends and distributions, and an optional direct purchase feature.

Reinvestment of Dividends and Distributions. By participating in the Plan, your dividends and distributions will be invested in additional Shares, thereby increasing your holdings in the Fund. All reinvestments will be in full and fractional Shares.

Dividends or Distributions Payable in Cash. If the net asset value per Share exceeds the market price per Share plus estimated brokerage commissions on the payable date for a dividend or distribution payable in cash, participants will receive Shares purchased with the dividend or distribution on the New York Stock Exchange (“Exchange”) or otherwise on the open market within thirty (30) days of the payable date. If at the close of business on any day before the Plan Agent has completed its purchases the market price per share plus estimated brokerage commissions equals or exceeds the net asset value per Share, the Plan Agent will cease purchasing Shares and will request that the Fund issue the remaining Shares at net asset value (but not at a discount of more than 5% from the then current market price.) The Funds will issue new Shares at the close of business on the earlier of the last day of the purchase period or the first day during the purchase period on which the net asset value per Share equals or is less than the market price per Share plus estimated brokerage commissions. The Plan Agent will make open-market purchases through participating brokers who act as trade executing agents for the Plan. Open-market purchases may be made on any securities exchange where Shares are traded, in the over-the-counter market or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Plan Agent shall determine. Participants should note that they will not be able to instruct the Plan Agent to purchase Shares at a specific time, at a specific price or through a specific broker.

Dividends or Distributions Payable in Shares. In the event that a dividend or distribution is declared payable in Shares, the number of Shares issued to you will be determined by dividing the total amount payable to you by the lower of (i) the market price per Share on the valuation date for the dividend or distribution, or (ii) the net asset value per Share on such date, provided that the Fund will not issue new Shares at a discount of more than 5% from the then current market price.

Note that if you elect not to participate in the Plan, it is possible that your interest in the Fund may be diluted.

Direct Purchases. Plan participants have the option of making additional investments in Fund Shares through the Plan Agent. You may invest \$100 or more on a monthly basis up to a maximum of \$120,000 in a calendar year. The Plan Agent will purchase Shares for you on the Exchange or otherwise in the open market on or shortly after the 15th day of each month, and in any event no more than thirty-five (35) days after such date except in the event that curtailment or suspension of purchases is necessary for compliance with applicable law. If you hold Shares that are registered in your own name, you should ensure that the Plan Agent receives your payment at least two (2) business days prior to the next investment date. You may contact the Plan Agent as follows:

Mail: Liberty All-Star Equity Fund
c/o Computershare
P.O. Box 43078
Providence, RI 02940-3078

Phone: 1-800-LIB-FUND (1-800-542-3863)

Internet: www.computershare.com/investor

A Shareholder whose Shares are held by a broker, bank or other nominee must send the direct purchase to that institution, which (as the registered Shareholder) may forward the payment to the Plan Agent. You should contact your broker, bank or other nominee to determine whether you can participate in the optional direct purchase component of the Plan and for more information regarding how to participate.

You should not send your check prior to the 15th day of the month prior to the month in which you want the check to be invested. You will not receive interest on uninvested direct purchases. You may withdraw a direct purchase by written notice, if the notice is received by the Plan Agent not less than two (2) business days before the investment date.

Checks (in U.S. dollars and drawn from a U.S. bank) should be made payable to “Computershare.” Please include your account number and reference “Liberty All-Star Equity Fund” on your check. The Plan Agent will not accept cash, travelers’ checks, money orders, or third party checks for direct purchases.

You may also make direct purchases by accessing your account online at www.computershare.com/investor and making an online bank debit. When you are investing online, please refer to your

Confirmation Page for the estimated timeframe for your one-time online debit and purchase.

If you wish to make regular monthly direct purchases, you can authorize an automatic monthly deduction from your checking or savings account at a U.S. bank or other U.S. financial institution. This feature enables you to make ongoing investments without writing a check. To initiate automatic monthly deductions, you may enroll by accessing your account online at www.computershare.com/investor.

Alternatively, you can complete and sign a Direct Debit Authorization Form and return it to the Plan Agent together with a voided blank check or savings account deposit slip, from the bank or other institution from which the funds are to be withdrawn. Your Direct Debit Authorization Form for automatic deductions will be processed and will become effective as promptly as practicable. However, you should allow at least four to six weeks for your first investment to be initiated. Once automatic deductions are initiated, funds will be drawn from your specified account on the ninth (9th) day of each month, or the next business day if the ninth (9th) is not a business day. You will be charged a service fee of \$2.00 for each automatic investment and a per Share fee, which is currently \$0.02. The per Share fee includes any brokerage commissions the Plan Agent is required to pay. Automatic monthly deductions will continue until you notify the Plan Agent to the contrary. You may change or discontinue automatic monthly deductions by accessing your account online at www.computershare.com/investor or by completing and submitting to the Plan Agent a new Direct Debit Authorization Form. When you transfer Shares or otherwise establish a new account, a new Direct Debit Authorization Form must be completed. To be effective with respect to a particular monthly purchase, the Plan Agent must receive the new Direct Debit Authorization Form at least seven (7) business days preceding the monthly investment date.

In the event that any check, draft or electronic funds transfer you may tender or order as payment to the Plan Agent to purchase Shares is dishonored, refused or returned, you agree that the purchased Shares when credited to your account may be sold, on the Plan Agent's order without your consent or approval, to satisfy the amount owing on the purchase. The "amount owing" will include the purchase price paid, any purchase and sale transaction fees, any per Share fees and the Plan Agent's returned check or

failed electronic payment fee. If the sale proceeds of purchased Shares are insufficient to satisfy the amount owing, you authorize the Plan Agent to sell additional Shares then credited to your account as necessary to cover the amount owing, without your further consent or authorization. The Plan Agent may sell Shares to cover an amount owing as a result of your order in any manner consistent with applicable securities laws and the applicable Fund's organizational documents. Any sale for that purpose in a national securities market would be commercially reasonable. You grant the Plan Agent a security interest in all Shares credited to your account including securities subsequently acquired and held or tendered for deposit, for purposes of securing any amount owing as described in this paragraph.

Is there a cost to participate?

There is no direct charge to participants for reinvesting dividends or distributions in additional Shares, since the Plan Agent's fees and expenses are paid by the Funds. There are no brokerage charges for Shares issued directly by the Fund. Whenever Shares are purchased on the Exchange or otherwise on the open market, each participant will pay a per Share fee. Brokerage charges for purchasing Shares through the Plan, whether with reinvested dividends or distributions or direct purchases, are expected to be less than the usual brokerage charges for individual transactions, because the Plan Agent will purchase Shares for all participants in blocks, which is expected to result in lower commissions for each individual participant.

Direct purchases will be subject to the applicable service fee (\$1.25 for purchases by check and \$2.00 for automatic investment transactions) for each investment, in addition to a per Share fee, which is currently \$0.02. The per Share fee includes any brokerage commissions the Plan Agent is required to pay. Sales of Shares held in the Plan will also be subject to a service fee of \$2.50 and a per Share fee, which is currently \$0.10. All fees described in this summary are subject to change. Please contact the Plan Agent for the current fees.

What are the tax implications for participants?

You will receive tax information annually for your personal records and to help you prepare your federal income tax return. The automatic reinvestment of dividends or distributions does not relieve you of any income tax that may be payable on your dividends or distributions.

How do I terminate my Dividend Reinvestment and Direct Purchase Plan account?

You may withdraw from the Plan without penalty at any time by written notice to the Plan Agent, by telephone or through the Internet. Your withdrawal will be effective as specified in Paragraph 13 of the Plan. *Upon withdrawal, you will receive all subsequent dividends and distributions in cash instead of Shares.* To sell Shares held by the Plan Agent, you may contact the Plan Agent by telephone, through the Internet or by written instructions signed by all registered owners to the Plan Agent. You may contact the Plan Agent directly by calling 1-800-LIB-FUND (1-800-542-3863) between 9:00 a.m. and 5:00 p.m., Eastern Time, Monday through Friday, or go to the Plan Agent's web site, www.computershare.com/investor.

If you withdraw, your whole Shares will continue to be held in your account and you will receive a check for any fractional Share, less any applicable fees. All further dividends and distributions will be paid in cash, or if you request, the Plan Agent will sell all of the Shares in your Plan account (including any other Shares deposited by you) through a broker selected by it and send you the proceeds, less the applicable fees.

All sale instructions are final when the Plan Agent receives them. Your sale instructions cannot be stopped or cancelled. The Plan Agent may, for various reasons, require a transaction request to be submitted in writing. Please contact the Plan Agent to determine if there are any limitations applicable to your particular sale request.

If at any time you wish to re-enroll in the Plan, simply send written instructions signed by all registered owners to the Plan Agent.

How does the custody of Shares work? Will I be issued stock certificates for transactions in the Plan?

All Shares that are issued to you in payment of dividends or distributions or that are purchased by you through the Direct Purchase Plan are credited to your Plan account in book-entry or non-certificated form and the Shares are added to your Plan account balance. The Plan Agent will send a confirmation statement to you shortly after any activity in your account.

AUTOMATIC DIVIDEND REINVESTMENT AND DIRECT PURCHASE PLAN

LIBERTY ALL-STAR® EQUITY FUND

Terms and Conditions of Automatic Dividend Reinvestment and Direct Purchase Plan

(as amended effective December 1, 2009)

Liberty All-Star Equity Fund, a Massachusetts business trust (the “Fund”), hereby adopts the following plan (the “Plan”) with respect to (i) net investment income dividends and capital gains and return of capital distributions declared by its Board of Trustees from time to time on its shares of beneficial interest (“Shares”) and (ii) direct purchases of Fund Shares:

1. Each record holder of Shares (each, a “Shareholder”) will automatically be a participant in the Plan unless the Shareholder specifically elects otherwise by notifying the Plan Agent by telephone, through the Internet or in writing. All dividends and distributions of the Fund will be automatically reinvested by Computershare Trust Company, N.A., (the “Plan Agent”), in whole and/or fractional Shares, as the case may be, for the accounts of Plan participants, as hereinafter provided.
2. Whenever the Fund declares a dividend or distribution each participant shall automatically receive Shares, including fractional Shares, for his or her account. Shareholders who wish to receive dividends and distributions in cash should elect not to participate in the Plan.
3. In the event that the net asset value per Share exceeds the market price per Share plus estimated brokerage commissions on the payable date for a dividend or distribution payable in cash, the Plan Agent shall apply the amount of such dividend or distribution payable on the Shares of each participant in the Plan (less his or her per Share fees which include any brokerage commissions the Plan Agent is required to pay that are incurred with respect to the Plan Agent’s open-market purchases in connection with the reinvestment of such dividend or distribution) to the purchase on the open market of Shares for his or her account.

Such purchases will be made on or shortly after the payable date for such dividend or distribution, and in no event more than thirty (30) days after such date except where temporary curtailment or suspension of purchases is necessary to comply with applicable provisions of federal securities law.

In the event that prior to the Plan Agent's completion of all such purchases necessary in connection with such dividend or distribution, the Fund market price per Share plus estimated brokerage commissions equals or exceeds its net asset value per Share, then the Plan Agent will cease purchasing Shares and will request that the Fund issue the remaining Shares necessary for the payment of such dividend or distribution at the net asset value (but not at a discount of more than 5% from the current market price). The Fund will issue new Shares at the close of business on the earlier of the last day of the purchase period or the first day during the purchase period on which the net asset value per Share equals or is less than the market price per Share plus estimated brokerage commissions.

In the event that the Plan Agent has terminated open-market purchases and the Fund has issued the remaining Shares, the number of Shares received by the participants with respect to such dividend or distribution will be based on the weighted average of prices paid for Shares purchased in the open market and the price at which the Fund issued the remaining Shares. The Plan Agent will make open-market purchases through participating brokers who act as trade executing agents for the Plan. Open-market purchases may be made on any securities exchange on which Shares are traded, in the over-the-counter market or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Plan Agent shall determine. Participants should note that they will not be able to instruct the Plan Agent to purchase Shares at a specific time, at a specific price or through a specific broker.

4. In the event of a dividend or distribution that is declared payable in shares, the number of Shares to be credited to the account of each participant in the Plan shall be determined by dividing the dollar amount of the dividend or

distribution payable on his or her Shares by the lower of (i) the market price per Share on the valuation date, or (ii) the net asset value per Share on the valuation date; provided that the Fund will not issue Shares at a discount of more than 5% from the then current market value of the Shares. Accordingly, if the net asset value per Fund Share is less than 95% of the market price per Share on the valuation date, the dollar amount of the dividend will be divided by 95% of the market price per Share on the valuation date. The Board of Trustees shall determine the valuation date, which will be on or before the payable date of the dividend or distribution.

5. For purposes of the Plan, (a) the market price of Shares on a particular date shall be the last sale price on the New York Stock Exchange (the "Exchange") at the close of the trading day on that date or, if there is no sale on the Exchange on that date, then the mean between the closing bid and asked quotations for Shares on the Exchange on such date, and (b) the net asset value per Share on a particular date shall be as determined by or on behalf of the Fund in accordance with procedures adopted by the Fund's Board of Trustees.
6. The open-market purchases provided for above may be made on any securities exchange on which the Shares are traded, in the over-the-counter markets or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Plan Agent shall determine.
7. The entire amount of a participant's dividend or distribution will be reinvested by the Plan Agent in Shares as provided above. For any balance that is insufficient to purchase a whole Share, the Plan Agent will credit a participant's account with a fractional Share interest. The fractional Share interest is included in all subsequent distributions, and a participant has voting rights on full and fractional Shares acquired under the Plan. However, if a participant's Shares are held by a broker, bank or other nominee, any cash amount not sufficient to purchase a whole Share may be credited to a participant's account in lieu of the fractional Share interest.

8. The Plan Agent will maintain all Shareholder accounts in the Plan and furnish confirmations of all transactions in the accounts, including information needed by Shareholders for personal and tax records. Shares in the account of each Plan participant will be held by the Plan Agent in book-entry or non-certificated form in the name of the participant and each Shareholder's proxy will include those Shares purchased pursuant to the Plan.
9. In the case of Shareholders, such as brokers, banks or other nominees, that hold Shares for others who are beneficial owners, the Plan Agent will administer the Plan based on the instructions provided by the broker, bank or other nominee as representing the total amount registered in the Shareholder's name and held for the account of beneficial owners who are to participate in the Plan.
10. Participants in the Plan have the option of making additional direct purchases on a monthly basis for investment in Shares. These payments can be in amounts of \$100 or more up to a maximum of \$120,000 in a calendar year. The Plan Agent will use all funds received to purchase Shares in the open market on or shortly after the 15th day of each calendar month at the weighted average price per share and in no event more than thirty-five (35) days after such date except where temporary curtailment or suspension of purchases is necessary to comply with applicable provisions of federal securities laws.

For purchases and sales made in the open market, no one will have any authority or power to direct the time or price at which shares for the Plan are purchased or sold, and no one other than the Plan Agent will select the broker(s) or dealer(s) through or from whom purchases or sales are to be made.

11. Registered Shareholders should send payments for direct purchases to the Plan Agent in a manner that ensures that the Plan Agent will receive these payments at least two (2) business days before the next investment date. For Shareholders whose Shares are held by a broker, bank or other nominee, the Shareholder must send the direct purchase payments to their nominee, which (as the registered Shareholder) may forward the payment to the Plan Agent. A

participant may withdraw a direct purchase by written notice if the notice is received by the Plan Agent at least two (2) business days before the investment date.

Participants may authorize an automatic monthly deduction from their checking or savings account at a U.S. bank or other U.S. financial institution. To initiate automatic monthly deductions, participants must enroll through the Plan Agent's web site or complete and sign enrollment forms and return them to the Plan Agent together with a voided blank check or savings account deposit slip, from the bank or other institution from which the funds are to be withdrawn. Enrollment will become effective as promptly as practicable. Once automatic deductions are initiated, funds will be drawn from the specified account on the ninth (9th) day of each month, or the next business day if the ninth (9th) is not a business day. Enrolled Plan participants will be charged a service fee for each automatic investment and a per Share fee which includes any brokerage commissions the Plan Agent is required to pay. Participants may change or discontinue automatic monthly deductions by following the Plan Agent's procedures. When participants transfer Shares or otherwise establish a new account, participants must re-enroll. To be effective with respect to a particular monthly purchase, the Plan Agent must receive the necessary material at least seven (7) business days preceding the monthly investment date.

In the event that any check, draft or electronic funds transfer participants may tender or order as payment to the Plan Agent to purchase Shares is dishonored, refused or returned, each participant agrees that the purchased Shares when credited to the participant's account may be sold, on the Plan Agent's order without the participant's consent or approval, to satisfy the amount owing on the purchase. The "amount owing" will include the purchase price paid, any purchase and sale transaction fees, any per Share fees and the Plan Agent's returned check or failed electronic payment fee. If the sale proceeds of purchased Shares are insufficient to satisfy the amount owing, each participant authorizes the Plan Agent to sell additional Shares then credited to the participant's account as necessary to cover

the amount owing, without the participant's further consent or authorization. The Plan Agent may sell Shares to cover an amount owing as a result of a participant's order in any manner consistent with applicable securities laws and the Fund's organizational documents. Any sale for that purpose in a national securities market would be commercially reasonable. Participants grant the Plan Agent a security interest in all Shares credited to their accounts including Shares subsequently acquired and held or tendered for deposit, for purposes of securing any amount owing as described in this paragraph.

12. The Plan Agent's fee for handling the reinvestment of dividends and distributions will be paid by the Fund and, therefore, indirectly by Shareholders. The Plan Agent will charge participants the applicable service fee for each direct purchase (\$1.25 for purchases by check and \$2.00 for automatic investment transactions for each investment) in addition to a per Share fee, which is currently \$0.02. The per Share fee includes any brokerage commissions the Plan Agent is required to pay. Sales of Shares held in the Plan will also be subject to a service fee of \$2.50 and a per Share fee, which is currently \$0.10. All fees described herein are subject to change. Please contact the Plan Agent for the current fees.
13. A Shareholder may terminate his or her account under the Plan by notifying the Plan Agent by telephone, through the Internet or in writing. Such termination will be effective immediately if notice is received by the Plan Agent prior to any dividend or distribution record date. In the event a Shareholder's notice of termination is after a record date for an account whose dividends are reinvested, the Plan Agent, in its sole discretion, may either distribute such dividends in cash or reinvest them in Shares on behalf of the terminating Shareholder. In the event reinvestment is made, the Plan Agent will process the termination as soon as practicable, but in no event later than five (5) business days after the investment is completed.

The Plan may be terminated by the Plan Agent or the Fund upon notice to Shareholders at least thirty (30) days prior to any record date for the payment of any dividend or distribution

by the Fund. Upon any termination, the Plan Agent will send each participant confirmation statements indicating the number of whole Shares held in the participant's Plan account. Fractional Shares will be sold and a check mailed to the Shareholder less any applicable fees. The payment for the fractional Share interest will be valued at the closing price of Shares on the date the discontinuance is effective.

If, prior to the termination of a Shareholder's account under the Plan, the Shareholder elects by notice to the Plan Agent by telephone, through the Internet or in writing to have the Plan Agent sell the Shares credited to his or her account and remit the proceeds to him or her, the Plan Agent is authorized to deduct from the proceeds any applicable transaction fees incurred in connection with such sale.

All sale instructions are final when the Plan Agent receives them. A Shareholder's sale instructions cannot be stopped or cancelled. The Plan Agent may, for various reasons, require a transaction request to be submitted in writing. Shareholders should contact the Plan Agent to determine if there are any limitations applicable to his or her particular sale request.

Terminations in which the Shareholder has requested that the Plan Agent sell his or her Shares will be processed no later than five (5) business days after the date on which the order is received or such later date as required by applicable law.

14. These terms and conditions may be amended or supplemented by the Plan Agent or the Fund at any time or times but, except when necessary or appropriate to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory authority, only by notifying the Shareholder at least thirty (30) days prior to the effective date thereof. The amendment or supplement shall be deemed to be accepted by the Shareholder unless, prior to the effective date thereof, the Plan Agent receives telephonic, Internet or written notice of the termination of the Shareholder account under the Plan. Subject to approval of the Fund's Board of Trustees, any such amendment may

include an appointment of a successor agent under the Plan, with full power and authority to perform all or any of the acts to be performed by the Plan Agent under the Plan.

15. The Plan Agent shall at all times act in good faith and agrees to use its best efforts within reasonable limits to ensure the accuracy of all services performed under this Plan and to comply with applicable law, but assumes no responsibility and shall not be liable for loss or damage due to error unless such error is caused by the Plan Agent's negligence, bad faith, or willful misconduct or that of its employees or agents. Each participant's uninvested funds held by the Plan Agent will not bear interest. Each participant agrees and understands that the Plan Agent may not be able to effect transactions within the time periods set forth in this Plan by reason of applicable law or events beyond the reasonable control of the Plan Agent. Neither the Fund nor the Plan Agent shall have any liability in connection with any inability to purchase or sell Shares within the time provided, or with the timing of any purchases affected. The Plan Agent shall have no responsibility for the value of Shares acquired or sold.
16. These terms and conditions of the Plan shall be governed by the laws of The Commonwealth of Massachusetts.

Whom should I contact for additional information?

You may contact the Plan Agent directly by calling 1-800-LIB-FUND (1-800-542-3863) between 9:00 a.m. and 5:00 p.m., Eastern Time, Monday through Friday. You may also visit the Plan Agent's web site, www.computershare.com/investor.

If you hold Shares in your own name, please address all notices, correspondence, questions or other communications regarding the Plan to:

Liberty All-Star Equity Fund
c/o Computershare
P.O. Box 43078
Providence, RI 02940-3078

If your Shares are not held in your name, you should contact your broker, bank or other nominee for more information.

Either Liberty All-Star Equity Fund or the Plan Agent may amend or supplement the Plan at any time or times. When necessary or appropriate, Shareholders will receive at least thirty (30) days notice of any change. In addition, the Plan may be terminated by providing notice at least thirty (30) days before the record date of any dividend or distribution by the Fund.

