UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended September 30, 2004

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File No. 1-7170

IMCO Recycling Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

75-2008280

(I.R.S. Employer Identification No.)

5215 North O Connor Blvd., Suite 1500

Central Tower at Williams Square

Irving, Texas 75039

(Address of principal executive offices) (Zip Code)

(972) 401-7200

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes x No ¨

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the close of business on October 29, 2004.

Common Stock, $0.10 par value, 15,620,996

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INTRODUCTORY NOTE

On July 21, 2004, IMCO Recycling Inc. (IMCO) filed a Registration Statement on Form S-4 (No. 333-117548) with the Securities and Exchange Commission (SEC) containing a preliminary joint proxy statement/prospectus regarding a proposed merger between IMCO and Commonwealth Industries, Inc. (Commonwealth). Information concerning IMCO and the proposed merger with Commonwealth is contained in the Registration Statement and the joint proxy statement/prospectus, which, along with other filings containing information about IMCO, can be found at the SEC s Internet site (http://www.sec.gov). See NOTE B - IMCO RECYCLING INC. AND COMMONWEALTH INDUSTRIES, INC. PROPOSED MERGER of the Notes to Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q.

The Registration Statement was declared effective on November 5, 2004.

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

IMCO RECYCLING INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	September 30, 2004	December 31, 2003
	(unaudited)	Restated
ASSETS		
Current Assets		
Cash and cash equivalents	$ 9,390	$ 14,760
Accounts receivable (net of allowance of $1,346 and $1,228 at September 30, 2004 and December 31, 2003, respectively)	124,425	111,562
Inventories	81,074	78,270
Deferred income taxes	1,706	11,444
Other current assets	11,579	12,382
Total Current Assets	228,174	228,418
Property and equipment, net	217,354	219,668
Goodwill	63,940	63,617
Restricted cash	14,117	24,846
Investments in joint ventures	741	976
Other assets, net	15,601	13,209
	$ 539,927	$ 550,734
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable	$ 97,356	$ 96,207
Accrued liabilities	43,707	30,955
Current maturities of long-term debt	10,629	33,017
Total Current Liabilities	151,692	160,179
Long-term debt	223,260	223,176
Deferred income taxes	8,210	20,390
Other long-term liabilities	26,611	25,244
STOCKHOLDERS EQUITY		
Preferred stock; par value $.10; 8,000,000 shares authorized; none issued		
Common stock; par value $.10; 40,000,000 shares authorized; 17,160,441 issued at September 30, 2004; 17,155,211 issued at December 31, 2003	1,716	1,716
Additional paid-in capital	103,586	103,264
Deferred stock compensation	(1,279)	(4,153)
Retained earnings	48,091	45,406

Accumulated other comprehensive loss	(4,307)	(4,825)
Treasury stock, at cost; 1,645,945 shares at September 30, 2004; 1,843,403 shares at December 31, 2003	(17,653)	(19,663)
Total Stockholders Equity	130,154	121,745
	$ 539,927	$ 550,734

See Notes to Consolidated Financial Statements.

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IMCO RECYCLING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share data)

	For the three months ended September 30,		For the nine months ended September 30,	
	2004	**2003**	**2004**	**2003**
		Restated		**Restated**
Revenues	$ 283,044	$ 219,552	$ 853,991	$ 654,087
Cost of sales	265,139	206,314	790,523	611,103
Gross profit	17,905	13,238	63,468	42,984
Selling, general and administrative expense	11,119	10,182	37,767	27,639
Interest expense	6,643	3,466	19,948	9,519
Fees on receivables sale		240		821
Other (income) expense, net	152	405	336	427
Equity in net loss (earnings) of affiliates	90	64	135	(847)
Earnings (loss) before income taxes and minority interest	(99)	(1,119)	5,282	5,425
Provision for (benefit from) income taxes	180	(534)	2,475	1,959
Earnings (loss) before minority interests	(279)	(585)	2,807	3,466
Minority interests, net of provision for income taxes	35	108	122	373
Net earnings (loss)	$ (314)	$ (693)	$ 2,685	$ 3,093
Net earnings (loss) per common share:				
Basic	$ (0.02)	$ (0.05)	$ 0.18	$ 0.21
Diluted	(0.02)	(0.05)	0.18	0.21
Weighted average shares outstanding:				
Basic	15,186	14,463	14,835	14,474
Diluted	15,186	14,463	15,277	14,534

See Notes to Consolidated Financial Statements.

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IMCO RECYCLING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

(in thousands)

	For the nine months ended September 30, 2004	2003 Restated
OPERATING ACTIVITIES		
Net earnings	$ 2,685	$ 3,093
Depreciation and amortization	21,113	20,000
Provision for (benefit from) deferred income taxes	(3,756)	2,388
Equity in loss (earnings) of affiliates	135	(847)
Non-cash retirement charge	1,576	
Other non-cash charges	3,937	6,341
Changes in operating assets and liabilities:		
Accounts receivable	(13,558)	11,889
Net change in accounts receivable sales facility		(15,000)
Inventories	(3,033)	(2,761)
Other current assets	1,722	4,094
Accounts payable and accrued liabilities	19,158	(28,853)
Net cash from operating activities	29,979	344
INVESTING ACTIVITIES		
Payments for property and equipment	(22,302)	(13,577)
Net cash acquired in acquisition of remaining 50% of VAW-IMCO		15,670
Acquisition costs	(3,458)	
Other	(100)	828
Net cash from (used by) investing activities	(25,860)	2,921
FINANCING ACTIVITIES		
Net (payments of) proceeds from long-term revolving credit facility	(22,391)	24,300
Net payments of long-term debt		(1,789)
Change in restricted cash	10,729	
Debt issuance costs	(765)	(1,386)
Other	2,801	(414)
Net cash from (used by) financing activities	(9,626)	20,711
Effect of exchange rate differences on cash and cash equivalents	137	540
Net increase (decrease) in cash and cash equivalents	(5,370)	24,516
Cash and cash equivalents at January 1	14,760	6,875
Cash and cash equivalents at September 30	$ 9,390	$ 31,391

SUPPLEMENTARY INFORMATION		
Cash payments for interest	$ 13,259	$ 6,468
Cash payments for income taxes, net of refunds	$ 5,839	$ (378)

See Notes to Consolidated Financial Statements.

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IMCO RECYCLING INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2004

(dollars in tables are in thousands, except per share data)

NOTE A BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. The accompanying financial statements include the accounts of IMCO Recycling Inc. and all of its subsidiaries (collectively, except where the context otherwise requires, referred to as IMCO , the company , we, us, our or similar terms All significant intercompany accounts and transactions have been eliminated. For further information, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K (as amended) for the year ended December 31, 2003. Certain reclassifications have been made to prior period statements to conform to the current period presentation.

Restatement of prior period financial statements

We restated our Consolidated Statements of Operations for the three and nine month periods ended September 30, 2003 to record legal expenses of $566,000 in selling, general and administrative expense in the third quarter of 2003 related to the Bland litigation previously recorded in Accounts receivable, see NOTE F COMMITMENTS AND CONTINGENCIES, and increased our benefit from income taxes in that quarter by $215,000. These revisions decreased net earnings for the three and nine month periods ended September 30, 2003 by $351,000 or $0.02 per share.

We restated our Consolidated Balance Sheet as of December 31, 2003 to reclassify $32,991,000 outstanding under our senior credit facility as a current liability. This restatement had no impact on our results of operations or cash flows for the year ended December 31, 2003. See NOTE G LONG-TERM DEBT of the audited financial statements.

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NOTE B IMCO RECYCLING INC. AND COMMONWEALTH INDUSTRIES INC. PROPOSED MERGER

On June 16, 2004, we announced the execution of a definitive merger agreement for a business combination of IMCO with Commonwealth Industries, Inc. (Commonwealth). Under the merger, we will acquire each outstanding share of Commonwealth common stock in exchange for 0.815 shares of IMCO common stock. The merger is expected to give IMCO and Commonwealth approximately equal representation on the combined company s board of directors, and IMCO s stockholders are expected to own approximately 54% of the combined company immediately following the merger. The transaction is expected to close in December 2004, and its completion is subject to successful completion of the refinancing of certain indebtedness of the two companies, and stockholder approval by both companies, as well as other customary closing conditions. Certain financing has been completed. See NOTE D LONG-TERM DEBT. We have capitalized $3,458,000 in acquisition costs related to this transaction as of September 30, 2004.

Commonwealth is a manufacturer of aluminum sheet for distributors, transportation, construction and consumer durables end-use markets. Commonwealth has direct-chill casting facilities in Lewisport, Kentucky and continuous casting mini-mills in Urichsville, Ohio and Carson, California. The combination is anticipated to create a new vertically integrated company that can be a strong competitor in the global aluminum recycling and production industries, having benefits from procurement savings and cost synergies, an enhanced competitive position, increased scope and scale, greater technological capabilities, and improved access to capital. As of December 31, 2003, Commonwealth had total assets and total property and equipment of $380.1 million and $127.6 million, respectively. For the year ended December 31, 2003 Commonwealth had revenues of $817.7 million and income from continuing operations of $142,000.

NOTE C INVENTORIES

The components of inventories are:

	September 30, 2004	December 31, 2003
Finished goods	$ 37,836	$ 36,329
Raw materials	36,096	33,428
Work in process	3,962	4,613
Supplies	3,180	3,900
	$ 81,074	$ 78,270

NOTE D LONG-TERM DEBT

Our long-term debt is summarized as follows:

September 30,

	2004	December 31, 2003
		Restated
Senior Credit Facility, expiring in October 2007	$ 10,600	$ 32,991
10 3/8% Senior Secured Notes, due October 6, 2010 (net of discount)	208,837	208,751
7.65% Morgantown, Kentucky Solid Waste Disposal Facilities		
Revenue Bonds - 1996 Series, Due May 1, 2016 (net of discount)	5,707	5,705
7.45% Morgantown, Kentucky Solid Waste Disposal Facilities		
Revenue Bonds - 1997 Series, Due May 1, 2022	4,600	4,600
6.00% Morgantown, Kentucky Solid Waste Disposal Facilities		
Revenue Bonds - 1998 Series, Due May 1, 2023	4,100	4,100
Other	45	46
Subtotal	233,889	256,193
Less current maturities	10,629	33,017
Total	$ 223,260	$ 223,176

Senior Secured Notes

In October 2003, we issued $210,000,000 principal amount of senior secured notes as part of a refinancing of our debt facilities. The issue was priced at 99.383% to yield 10.50% and provided $208,704,000 of gross proceeds, after offering discount. Interest is payable

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semi-annually, on April 15 and October 15 of each year, commencing on April 15, 2004. In addition, in October 2003 we established a new four-year $120,000,000 senior secured revolving credit facility (senior credit facility). Our former senior credit facility and former receivables sale facility, which were both scheduled to expire by their terms in the fourth quarter of 2003, were replaced by the senior secured notes and the new senior credit facility.

The senior secured notes are redeemable at our option, in whole or in part, at any time after October 15, 2007. At any time prior to October 15, 2006, we may redeem up to 35% of the aggregate principal amount of the senior secured notes with the proceeds of one or more equity offerings of our common shares at a redemption price of 110.375% of the principal amount of the senior secured notes, together with accrued and unpaid interest, if any, to the date of the redemption.

The senior secured notes are jointly and severally, unconditionally guaranteed on a senior basis by all of our existing 100% owned domestic subsidiaries that are co-borrowers under the senior credit facility and by any future domestic restricted subsidiaries. The senior secured notes are not guaranteed by any of our current foreign subsidiaries. See NOTE M CONDENSED CONSOLIDATING FINANCIAL STATEMENTS. The senior secured notes and guarantees are secured by first-priority liens, subject to permitted liens, on the real property, fixtures and equipment relating to our wholly-owned domestic operating plants and on the fixtures and equipment relating to substantially all of our leased domestic operating plants. The liens securing the senior secured notes do not extend to any of our inventory, accounts receivable and related property (which secure the senior credit facility) or to any of our foreign real or personal property.

Upon the occurrence of a change of control (as defined under the indenture governing the senior secured notes), we are required to offer to purchase the senior secured notes at a price equal to 101% of the principal amount of the outstanding senior secured notes plus accrued interest. The proposed merger of IMCO and Commonwealth is not expected to cause a change of control of IMCO under the indenture.

The indenture governing the senior secured notes, among other things, contains covenants limiting our ability and the ability of our restricted subsidiaries to incur additional debt; grant liens; make restricted payments, including paying dividends or making investments; sell or otherwise dispose of assets, including capital stock of subsidiaries; engage in sale-leaseback transactions; create liens on our or our subsidiaries assets; restrict distributions from our subsidiaries; engage in transactions with affiliates; and merge or sell substantially all of our or our subsidiaries assets. The proposed merger of IMCO and Commonwealth has been structured so as to not violate any covenants under the indenture.

Senior Credit Facility

As of September 30, 2004, we had $10,600,000 of indebtedness outstanding under our senior credit facility. Under this facility, we are subject to a borrowing base limitation based on eligible domestic inventory and receivables. As of September 30, 2004, we estimated that our borrowing base would have supported additional borrowings of $65,460,000 after giving effect to outstanding borrowings of $10,600,000 and outstanding letters of credit of $6,075,000. As of September 30, 2004, our total borrowing base was estimated to be approximately $82,135,000.

The terms of our senior credit facility include, among other covenants, (i) prohibitions against incurring certain indebtedness and granting liens, (ii) limitations on dividends and repurchases of shares of capital stock, and (iii) limitations on capital expenditures, investments and acquisitions. The indebtedness under the senior secured credit facility is secured by IMCO s and its co-borrowers inventories, receivables, general intangibles and the proceeds thereof. We are subject to the terms of a lockbox arrangement with the administrative agent bank under the senior credit facility, whereby funds deposited from collections of receivables are applied by the lenders to reduce outstanding balances of the borrowings under the senior credit facility. If at any time during specified periods, our undrawn availability under this facility is less than $50,000,000, we will also be required to maintain a minimum fixed coverage ratio and minimum tangible net worth, as follows:

a minimum fixed charge coverage ratio of 1.0 to 1.0 (calculated based on our parent entity and wholly-owned domestic subsidiaries), and

a minimum tangible net worth of $44,500,000 plus 50% of future net income on a consolidated basis.

For the quarter ended September 30, 2004, our average undrawn availability exceeded $50,000,000. Under our senior credit facility, we are restricted in our ability to pay cash dividends to our stockholders. As of September 30, 2004, we were in compliance with all applicable financial covenants under this facility.

The terms of our senior credit facility also include covenants prohibiting certain mergers and acquisitions (including the completion of the proposed merger of IMCO and Commonwealth) without the consent of the lenders under the facility. However, the indebtedness under the senior credit facility is expected to be refinanced and replaced by an amended and restated facility at or before the completion of

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the proposed merger with Commonwealth, which is conditioned upon, among other things, the refinancing of certain outstanding indebtedness of the two companies. See NOTE B IMCO RECYCLING INC. AND COMMONWEALTH INDUSTRIES, INC. PROPOSED MERGER.

On May 26, 2004, IMCO and its co-borrower subsidiaries under our senior credit facility entered into a First Amendment to Revolving Credit and Security Agreement with the lenders parties thereto. This amendment revised the definitions of EBITDA and Fixed Charge Ratio contained in the senior credit facility. The changes were made to enable IMCO to make withdrawals from a cash collateral account established under the terms of our senior secured notes indenture without having the amounts withdrawn being deemed capital expenditures for purposes of complying with the fixed charge coverage ratio covenant. In addition, the covenant restricting annual capital expenditures was amended to permit capital expenditures in fiscal 2004 of up to $25 million for IMCO and its co-borrowers, and then up to $20 million for IMCO and its co-borrowers for fiscal 2005 and each fiscal year thereafter during the term of the facility.

On July 16, 2004, IMCO and its co-borrower subsidiaries entered into a Second Amendment to Revolving Credit and Security Agreement. This amendment modified a section of the senior credit facility that had provided that any change in the condition or affairs of IMCO or its co-borrowers which, in the lenders agent s reasonable opinion, has a material adverse effect (as defined in the senior credit facility), would be deemed an event of default under the senior credit facility. The Second Amendment to Revolving Credit and Security Agreement revised this provision so that it now provides that such an event of default will not be applicable and that the agent and the lenders will have no rights under the provision, so long as IMCO was in compliance with certain undrawn availability tests under the senior credit facility. If the level of undrawn availability falls below $3,000,000 for three consecutive business days or below an average of $10,000,000 per day for any calendar month, then the lenders rights under this provision would be reinstated.

VAW-IMCO

Our German subsidiary, VAW-IMCO, has two lines of credit available for its working capital needs. The total amount of credit available under these facilities is 15,000,000 Euros ($18,654,000 U.S. Dollars). During the second quarter of 2004, the terms of these credit facilities were renewed and extended, and these facilities now are scheduled to expire in April and May of 2006. As of September 30, 2004, no amounts were outstanding under these lines of credit.

In February 2004, VAW-IMCO paid IMCO approximately 20,000,000 Euros (U.S. $24,846,000, including interest), repaying in full VAW-IMCO s indebtedness owed to IMCO under an intercompany note that IMCO had pledged in October 2003 as part of the collateral security for the senior secured notes. The prepayment of this intercompany note, which was denominated in U.S. Dollars, resulted in a recognized gain of $278,000 for the first quarter of 2004. The funds were deposited in a collateral account held by the trustee under the indenture governing the senior secured notes, which permits us for a one-year period to use these funds for acquisitions and construction of assets and properties to be used in our domestic business, which will be added to and form a part of the collateral security for the senior secured notes. For the nine months ended September 30, 2004, we have withdrawn $10,729,000 for capital expenditures relating to manufacturing equipment, pollution control equipment and buildings. These assets now form part of the collateral security for the senior secured notes.

Placement of $125 million in senior notes

The merger agreement between IMCO and Commonwealth requires that certain indebtedness of these companies be refinanced prior to the merger. The requirement has been partially satisfied with the placement of $125 million of unsecured senior notes.

On November 4, 2004, a wholly-owned subsidiary of IMCO Recycling Inc. issued $125 million in aggregate principal amount of 9% Senior Notes due 2014. The gross proceeds from this issue were deposited in an escrow account pending the completion of IMCO s proposed merger with Commonwealth.

Upon release of the funds from the escrow account, they will be applied, along with borrowings under the proposed amended and restated senior secured revolving credit facility, to refinance certain indebtedness of IMCO and Commonwealth. After the merger is completed, the senior notes will be assumed by IMCO and guaranteed by IMCO s wholly-owned U.S. subsidiaries, Commonwealth, and Commonwealth s subsidiaries, and the proceeds will be released from escrow.

If the merger is terminated or is not completed by January 31, 2005, the subsidiary, IMCO Recycling Escrow Inc., will be required to redeem the senior notes at a redemption price of 101% of their issue price plus accrued interest to the date of redemption.

The senior notes were issued at an issue price of 100%, bear interest at the rate of 9.0% per annum and mature on November 15, 2014. Interest will be payable on May 15 and November 15 of each year, with the first interest payment being payable on May 15, 2005. Some or all of the senior notes may be redeemed at any time after November 15, 2009. In addition, up to 35 percent of the senior notes may be redeemed using the proceeds of certain equity offerings completed before November 15, 2007.

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The senior notes were issued and sold under an indenture between IMCO Recycling Escrow Inc. and LaSalle Bank National Association, as Trustee. The indenture contains covenants that will restrict IMCO and its restricted subsidiaries ability to (1) incur additional debt, (2) pay dividends, (3) grant liens, (4) engage in transactions with affiliates, (5) make investments, (6) transfer or sell assets, (7) restrict distributions from its restricted subsidiaries, (8) issue or sell stock of its subsidiaries and (9) consolidate, merge or transfer all or substantially all of its or its restricted subsidiaries assets. The indenture contains customary default provisions for an issue of senior notes of this nature, including defaults in payment of principal, premium or interest, covenant defaults, cross-defaults to other indebtedness, failures to satisfy or discharge certain outstanding judgments and certain acts of insolvency.

Additionally, we entered into a registration rights agreement with the initial purchasers of the senior notes, pursuant to which, upon completion of the merger with Commonwealth, IMCO and the guarantors of the senior notes will use their reasonable best efforts to (i) file with the SEC, within 60 days after the merger is completed, a registration statement to enable holders of senior notes to exchange their unregistered notes for publicly registered senior notes having substantially identical terms, (ii) cause the registration statement to become effective under the Securities Act of 1933 within 150 days after the merger is completed and (iii) effect the exchange offer on or before the 195th day following completion of the merger. If we are not permitted to effect an exchange offer under certain circumstances, then we may be required to file a shelf registration with the SEC for the resale of the senior notes. Failure to timely fulfill these obligations will result in our being required to pay, as liquidated damages, additional interest on the senior notes.

Morgantown, Kentucky Solid Waste Disposal Facilities Revenue Bonds

On October 6, 2004, a new series of $5,000,000 of Morgantown, Kentucky Solid Waste Disposal Facilities Variable Rate Revenue Bonds (Series 2004) was issued. These bonds mature on October 1, 2027, and bear interest at variable rates (based on prevailing market rates on short-term investments), reset on a weekly basis. The bonds were issued in conjunction with an expansion of our landfill in Morgantown, Kentucky. The net proceeds from the bonds were deposited into an escrow fund, which will be disbursed to us as we incur costs to expand the landfill. As of October 31, 2004, we had drawn against and received approximately $1,734,000 in cash proceeds from the escrow fund.

NOTE E NET EARNINGS (LOSS) PER SHARE

The following table set forth the reconciliation between weighted average shares used for calculating basic and diluted earnings (loss) per share (EPS):

	Three months ended September 30,		Nine months ended September 30,	
	2004	**2003**	**2004**	**2003**
		Restated		**Restated**
	(dollars in thousands, except per-share amounts)			
Numerators for basic and diluted earnings (loss) per share	$ (314)	$ (693)	$ 2,685	$ 3,093
Denominator:				
Denominator for basic earnings (loss) per share-weighted-average shares	15,186,072	14,462,889	14,834,999	14,473,973
Dilutive potential common shares-stock options			442,316	60,221

Denominator for diluted earnings (loss) per share		15,186,072		14,462,889		15,277,315		14,534,194
Net earnings (loss) per share:								
Basic	$	(0.02)	$	(0.05)	$	0.18	$	0.21
Diluted	$	(0.02)	$	(0.05)	$	0.18	$	0.21

As of September 30, 2004, we had a total of 330,000 shares of restricted stock outstanding. All outstanding shares of restricted stock were unvested and therefore were excluded from our basic earnings per share calculation. We also had stock options outstanding to purchase up to 890,104 shares that were anti-dilutive.

NOTE F COMMITMENTS AND CONTINGENCIES

General

Our operations, like those of other basic industries, are subject to federal, state, local and foreign laws, regulations and ordinances. These laws and regulations (i) govern activities or operations that may have adverse environmental effects, such as discharges to air and water, as well as handling and disposal practices for solid and hazardous wastes and (ii) impose liability for costs of cleaning up, and certain damages resulting from past spills, disposals or other releases of hazardous substances. It can be anticipated that more rigorous environmental laws will be enacted that could require us to make substantial expenditures in addition to those described herein.

From time to time, our operations have resulted, or may result, in certain non-compliance with applicable requirements under environmental laws. However, we believe that any such non-compliance under such environmental laws would not have a material adverse effect on our financial position or results of operations.

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Environmental proceedings

In 1997, the Illinois Environmental Protection Agency (IEPA) notified us that two of our zinc subsidiaries were potentially responsible parties (PRP) pursuant to the Illinois Environmental Protection Act for the cleanup of contamination at a site in Marion County, Illinois to which these subsidiaries, among others, in the past had sent zinc oxide for processing and resale. The site has not been fully investigated and final estimated cleanup costs have not yet been determined. Because of the nature of this matter, we cannot make an estimate of reasonable possible losses. We have been informed by the IEPA that the agency is preparing a revised list of companies that may have sent materials to the site and the volume of materials sent by each company. Once we receive this information, we may seek, possibly in connection with other PRPs, an agreed resolution of the IEPA s claims.

On March 17, 2004, we were named as a co-defendant in a lawsuit filed in the U.S. District Court for the Central District of California. The listed claimants are the current owners of a Corona, California property formerly owned by one of our subsidiaries. The petition seeks declaratory relief and damages in an unspecified amount in connection with an alleged release of hazardous substances on the property. Because of the nature of this matter, we cannot make an estimate of reasonable possible losses. We believe that we have meritorious defenses to the claims contained in the petition. We plan a vigorous defense against these claims and are seeking indemnification from certain of the other co-defendants.

There is the possibility that expenditures could be required at our other facilities from time to time, because of new or revised regulations that could require that additional expenditures be made for compliance purposes. These expenditures could materially affect our results of operations and financial condition in future periods.

Other legal proceedings

In 1998, an employee filed a personal injury claim against IMCO in Missouri state court (the Bland case). In August 2002 the trial court entered a final judgment against IMCO for $4.0 million. In connection with this matter, IMCO also became involved in litigation (i) in Missouri state court with the surety for the appeal bond that was levied to secure the judgment in the Bland case and (ii) in federal district court in Missouri with IMCO s umbrella coverage insurer to resolve a dispute as to coverage in the Bland case. In March 2004, the federal district court entered a judgment in IMCO s favor, and in the third quarter of 2004, IMCO recovered and recorded $625,000 of its attorneys fees and costs previously expensed in the matter. In October 2004, IMCO entered into a final settlement agreement, resolving all litigation relating to the Bland case and resulting in no liability for IMCO.

We are also a party from time to time to what we believe are routine litigation and proceedings considered part of the ordinary course of our business. We believe that the outcome of such proceedings would not have a material adverse effect on our financial position or results of operations.

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NOTE G OTHER COMPREHENSIVE EARNINGS (LOSS)

The following table presents the components of other comprehensive earnings (loss). These items change equity during the reporting period, but are not included in earnings.

	Total	Unrealized Gain (Loss) on Derivative Financial Instruments	Foreign Currency Translation, Unrealized Gain (Loss)
Balance at December 31, 2003	$ (4,825)	$ 1,939	$ (6,764)
Current period net change	(79)		(79)
Change in fair value of derivative financial instruments	3,988	3,988	
Reclassification of (gains) on derivative financial instruments into earnings	(3,028)	(3,028)	
Income tax effect	(363)	(363)	
Balance at September 30, 2004	$ (4,307)	$ 2,536	$ (6,843)

We translate the balance sheets of our foreign subsidiaries using fiscal period-end exchange rates. The consolidated statements of earnings are translated using the average exchange rates for the period. The cumulative effect of such translations is included in stockholders equity, other than for current intercompany accounts, as a component of other comprehensive earnings (loss). Foreign currency translation adjustments, unrealized gains or losses, accumulate in equity until the final disposition of their respective operations.

See NOTE O MARKET RISK MANAGEMENT USING FINANCIAL INSTRUMENTS for further information in regards to our deferred hedging activities.

NOTE H SEGMENT REPORTING

Description of the Types of Products and Services from which Each Reportable Segment Derives its Revenues:

With the consolidation of VAW-IMCO in 2003, we now have the following product lines: Aluminum Recycling, Specialty Alloy, Zinc and International Aluminum.

Factors Management Used to Identify Our Reportable Segments:

The Aluminum Recycling and Specialty Alloy product lines have been aggregated for reporting purposes into one business segment Domestic Aluminum and represents all of our aluminum melting, processing, alloying, trading and salt cake recycling activities within the United States. We have aggregated these businesses because the products produced are identical (except for minor differences in chemical composition) and are delivered in the same manner (either molten or in bars), the raw materials used are very similar, the production processes and equipment used are identical, and both businesses report to the same member of executive management. Our international aluminum segment represents all of our aluminum melting, processing, alloying and trading activities outside the United States. Our zinc segment represents all of our zinc melting, processing and trading activities.

Measurement of Segment Profit or Loss and Segment Assets:

The accounting policies of the reportable segments are the same as those described in NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES of our Form 10-K for the year ended December 31, 2003. We evaluate performance based on gross profit or loss from operations, net of selling expenses, which we title Segment Income. Provision for income taxes, interest expense, certain amounts of other (income) expense, net, corporate general and administrative costs, including depreciation of corporate assets and amortization of capitalized debt costs, are not allocated to the reportable segments. Intersegment sales and transfers are recorded at market value; net profits on intersegment sales and transfers were immaterial for the periods presented. Consolidated cash, net unamortized debt costs, net current deferred tax assets and assets located at our headquarters office in Irving, Texas are not allocated to the reportable segments.

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The following table shows our segment assets for the indicated periods:

	September 30, 2004	December 31, 2003
		Restated
Assets:		
Domestic Aluminum	$ 238,493	$ 232,209
International Aluminum	173,835	175,345
Zinc	104,754	109,815
Other unallocated assets	22,845	33,365
Total assets	$ 539,927	$ 550,734

The following table shows our revenues and income for the three and nine month periods ended September 30, 2004 and September 30, 2003, respectively.

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
		Restated		Restated
Revenues:				
Domestic Aluminum	$ 138,072	$ 110,402	$ 419,682	$ 359,376
International Aluminum	93,472	69,895	276,739	183,717
Zinc	51,500	39,255	157,570	110,994
Total revenues	$ 283,044	$ 219,552	$ 853,991	$ 654,087
Income:				
Domestic Aluminum	$ 4,138	$ 4,012	$ 20,025	$ 15,188
International Aluminum	5,423	2,392	17,366	11,617
Zinc	2,384	1,550	9,161	4,060
Total segment income	$ 11,945	$ 7,954	$ 46,552	$ 30,865
Unallocated amounts:				
General and administrative expenses	$ (5,457)	$ (4,790)	$ (21,350)	$ (14,501)
Interest expense	(6,643)	(3,466)	(19,948)	(9,519)
Fees on receivables sale		(240)		(821)
Interest and other income	56	(577)	28	(599)
Earnings (loss) before provision for income taxes and minority interests	$ (99)	$ (1,119)	$ 5,282	$ 5,425

NOTE I VAW-IMCO

VAW-IMCO owns and operates two aluminum recycling foundry alloy facilities in Grevenbroich and Töging, Germany, that together have an annual melting capacity in excess of 700 million pounds. VAW-IMCO supplies specialty alloys to the European automobile industry and serves other European aluminum industries.

Through a wholly-owned subsidiary, we had previously owned a 50% share interest in VAW-IMCO, with Hydro Aluminium Deutschland GmbH (Hydro) owning the remaining 50% share interest. On March 14, 2003, we entered into an agreement with Hydro and VAW-IMCO, finalizing the terms and conditions whereby VAW-IMCO would redeem its shares owned by Hydro. As a result of

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this agreement, voting control of VAW-IMCO was effectively vested in a wholly-owned subsidiary of ours, and effective March 1, 2003, the accounts of VAW-IMCO were consolidated with those of ours and reflected within our consolidated financial statements. Prior to that date, the accounts of VAW-IMCO were reflected in our financial statements under the equity method of accounting. This effective acquisition of the remaining 50% interest in VAW-IMCO was an important step in the ongoing expansion of our international operations.

The following table represents our condensed unaudited pro forma statement of operations for the nine months ended September 30, 2003. The unaudited pro forma information is not necessarily indicative of the results of operations that would have occurred had the acquisition been made at the beginning of the periods presented or the future results of the combined operations. The condensed unaudited pro forma statement of operations assumes that the consolidation of VAW-IMCO occurred on January 1, 2003.

	Nine months ended September 30, 2003
	Restated
Revenues	$ 705,532
Gross profit	48,929
Net earnings	3,737
Net earnings per commons share:	
Basic	$ 0.26
Diluted	$ 0.26
Weighted average shares outstanding:	
Basic	14,474
Diluted	14,534

NOTE J STOCK BASED COMPENSATION

We follow Accounting Principles Board Opinion No. 25 (APB 25), Accounting for Stock Issued to Employees, and related interpretations in accounting for our employee stock options. Under APB 25, if the exercise price of employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recorded. We have adopted the pro forma disclosure features of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. Our net earnings and earnings per share would have been reduced to the pro forma amounts shown below if compensation cost had been determined based on the fair value at the grant dates.

Our pro forma information below is presented as if we had applied the fair value recognition provision of SFAS 123 Accounting for Stock-Based Compensation.

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
		Restated		Restated
Net earnings (loss), as reported	$ (314)	$ (693)	$ 2,685	$ 3,093

Add: stock-based compensation expense included in reported net income, net of tax	82	190	1,366	378
Less: compensation cost determined under the fair value method, net of tax	(239)	(360)	(1,854)	(891)
Pro forma net earnings (loss)	$ (471)	$ (863)	$ 2,197	$ 2,580
Basic earnings (loss) per share:				
As reported	$ (0.02)	$ (0.05)	$ 0.18	$ 0.21
Pro forma	(0.03)	(0.06)	0.15	0.18
Diluted earnings (loss) per share:				
As reported	$ (0.02)	$ (0.05)	$ 0.18	$ 0.21
Pro forma	(0.03)	(0.06)	0.14	0.18

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NOTE K STOCKHOLDERS EQUITY

In February and May 2004, we awarded a total of 147,000 restricted stock units to certain of our officers and key employees. The restricted stock units cannot be transferred or pledged and are subject to forfeiture if the holder s employment with us terminates for any reason other than death, disability or retirement. The restricted stock units fully vest upon the earlier of the fifth anniversary of the date of grant, a change of control of the company or upon the holder s death, disability or retirement. The vested restricted stock units are exchangeable into shares of IMCO common stock. While the completion of the Commonwealth merger will not by itself constitute a change of control under the terms of our Amended and Restated 2000 Restricted Stock Plan under which the restricted stock units were granted, the expected retirement of certain IMCO executive officers at or about the time of the completion of the merger will constitute a vesting event for their restricted stock units.

Don V. Ingram resigned as chairman of the board, president and chief executive officer of the company in April 2004. In 2000 and 2002, our board of directors had approved grants of contractual restricted stock awards to Mr. Ingram for a total of 600,000 shares. As a consequence of Mr. Ingram s resignation, as of May 7, 2004, 450,000 shares of common stock were fully vested in accordance with the terms of his restricted stock award agreement resulting in a charge of $1,576,000. The remaining 150,000 shares of his restricted stock were cancelled and returned to treasury stock. In addition, Mr. Ingram received a cash severance payment of $1,500,000. The total charge of $3,665,000 relating to the cash payment, vesting of the 450,000 shares of restricted common stock and certain legal expenses was recognized in the second quarter of 2004 in selling, general and administrative expense.

NOTE L INCOME TAXES

Our effective tax rate was 47% for the nine months ended September 30, 2004. This compares to an effective tax rate of 36% for the comparable period in 2003. The effective tax rate for the nine-month period ended September 30, 2004 was impacted because we have not recognized deferred state income tax benefits for 2004 as a result of continuing operating losses for our U.S. operations. Our provision for income tax in 2003 excluded the equity income from VAW-IMCO, which was recorded on an after tax basis.

Higher interest expense and payments for departing executives generated net operating losses in the U.S. for federal income tax purposes for the nine month period ended September 30, 2004. Deferred tax benefits related to these net operating losses have been recorded for U.S. federal income tax purposes. While our overall effective tax rate for 2004 contemplates the utilization of such operating loss carryforwards, if further profit improvements in our domestic operations do not occur, the recording of additional U.S. federal income tax benefits for 2004 will need to be re-evaluated.

We have recorded net deferred tax assets in various state jurisdictions totaling $7,993,000, which includes amounts recorded related to the benefit for loss carryforwards and tax credits, and which expire in varying amounts between 2005 and 2024. A valuation allowance of $3,859,000 has been provided related to such net deferred tax assets. As indicated above, no net state deferred tax benefits have been recorded for the nine month period ended September 30, 2004. Realization of such net deferred tax assets is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards. Although realization is not assured, management believes it is more likely than not that all of the deferred tax asset (net of valuation allowance) will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

Finally, our deferred tax asset and liability positions for both U.S. federal and various state jurisdictions will be taken into consideration in accounting for the proposed acquisition of Commonwealth (see NOTE B IMCO RECYCLING INC. AND COMMONWEALTH INDUSTRIES, INC. PROPOSED MERGER), and the amount of deferred tax positions recorded in conjunction with the purchase price allocation could be impacted.

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The provision for income taxes was as follows:

	For the nine months ended September 30,	
	2004	2003
		Restated
Current:		
Federal	$ 69	$ (3,326)
State	292	(55)
Foreign	5,870	2,952
	6,231	(429)
Deferred:		
Federal	(3,909)	2,392
State		145
Foreign	153	(149)
	(3,756)	2,388
Provision for income taxes	$ 2,475	$ 1,959

The income tax expense (benefit), computed by applying the federal statutory rate to earnings (loss) before income taxes, differed from the provision for income taxes as follows:

	For the nine months ended September 30,	
	2004	2003
		Restated
Income taxes at the federal statutory rate	$ 1,853	$ 2,097
Foreign tax rate difference	73	271
State income taxes, net	(1,338)	132
Foreign income not currently taxable	51	(298)
Increase in valuation allowance	1,492	39
Other, net	344	(282)
Provisions for income taxes	$ 2,475	$ 1,959

NOTE M CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Certain of our subsidiaries are guarantors of the indebtedness of IMCO under its senior secured notes. See NOTE D - LONG-TERM DEBT. For purposes of complying with the reporting requirements of these guarantor subsidiaries, presented below are condensed consolidating financial statements of IMCO Recycling Inc., the Guarantor Subsidiaries, and those subsidiaries of IMCO Recycling Inc. that are not guaranteeing the indebtedness under the senior secured notes (Non-Guarantor Subsidiaries).

The condensed consolidating balance sheets are presented as of September 30, 2004, the condensed consolidating statements of operations are presented for the three and nine months ended September 30, 2004 and 2003 and the condensed consolidating statements of cash flows are presented for the nine months ended September 30, 2004 and 2003.

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IMCO RECYCLING INC. AND SUBSIDIARIES

GUARANTOR CONDENSED CONSOLIDATING BALANCE SHEETS

	September 30, 2004				
	IMCO Recycling Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current Assets					
Cash and cash equivalents	$ 322	$ 45	$ 9,023	$	$ 9,390
Accounts receivable, net	8,053	67,146	49,309	(83)	124,425
Inventories	3,809	43,593	33,672		81,074
Deferred income taxes		289	1,417		1,706
Other current assets	4,551	4,410	2,618		11,579
Total Current Assets	16,735	115,483	96,039	(83)	228,174
Property and equipment, net	37,019	104,030	78,162	(1,857)	217,354
Goodwill	4,160	49,131	10,649		63,940
Restricted cash	14,117				14,117
Investments in joint ventures		741			741
Other assets, net	10,185	4,664	752		15,601
Deferred income taxes	7,373			(7,373)	
Investments in subsidiaries/ intercompany receivable (payable), net	310,739	(94,381)	(4,483)	(211,875)	
	$ 400,328	$ 179,668	$ 181,119	$ (221,188)	$ 539,927
LIABILITIES AND STOCKHOLDERS EQUITY					
Current Liabilities					
Accounts payable	$ 16,511	$ 47,688	$ 33,240	$ (83)	$ 97,356
Accrued liabilities	14,222	9,050	20,435		43,707
Current maturities of long-term debt	10,600	25	4		10,629
Total Current Liabilities	41,333	56,763	53,679	(83)	151,692
Long-term debt	223,243	12	5		223,260
Deferred income taxes		7,035	8,548	(7,373)	8,210
Other long-term liabilities	5,598	3,823	17,189	1	26,611
Total Stockholders Equity	130,154	112,035	101,698	(213,733)	130,154
	$ 400,328	$ 179,668	$ 181,119	$ (221,188)	$ 539,927

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IMCO RECYCLING INC. AND SUBSIDIARIES

GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

	Three Months Ended September 30, 2004				
	IMCO Recycling Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 24,092	$ 171,564	$ 98,263	$ (10,875)	$ 283,044
Cost of sales	20,968	165,852	89,194	(10,875)	265,139
Gross profit	3,124	5,712	9,069		17,905
Selling, general and administrative expense	496	7,270	3,353		11,119
Interest expense	6,625	4,733	45	(4,760)	6,643
Other (income) expense, net	(1,708)	(2,959)	195	4,624	152
Equity in net loss (earnings) of affiliates	(2,190)	90		2,190	90
Earnings (loss) before provision for income taxes and minority interest	(99)	(3,422)	5,476	(2,054)	(99)
Provision (benefit) for income taxes	215	(1,540)	1,505		180
Earnings (loss) before minority interests	(314)	(1,882)	3,971	(2,054)	(279)
Minority interests, net of provision for income taxes			35		35
Net earnings (loss)	$ (314)	$ (1,882)	$ 3,936	$ (2,054)	$ (314)

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IMCO RECYCLING INC. AND SUBSIDIARIES

GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Restated

	Three Months Ended September 30, 2003				
	IMCO Recycling Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 20,935	$ 131,776	$ 73,394	$ (6,553)	$ 219,552
Cost of sales	19,257	125,797	67,813	(6,553)	206,314
Gross profit	1,678	5,979	5,581		13,238
Selling, general and administrative expense	434	6,960	2,788		10,182
Interest expense	2,267	3,306	971	(3,078)	3,466
Fees on receivables sale		240			240
Other (income) expense, net	322	(3,217)	393	2,907	405
Equity in net loss (earnings) of affiliates	(326)	64		326	64
Earnings (loss) before provision for income taxes and minority interest	(1,019)	(1,374)	1,429	(155)	(1,119)
Provision (benefit) for income taxes	(326)	(506)	298		(534)
Earnings (loss) before minority interests	(693)	(868)	1,131	(155)	(585)
Minority interests, net of provision for income taxes			108		108
Net earnings (loss)	$ (693)	$ (868)	$ 1,023	$ (155)	$ (693)

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IMCO RECYCLING INC. AND SUBSIDIARIES

GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

	Nine Months Ended September 30, 2004				
	IMCO Recycling Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 75,865	$ 521,275	$ 291,374	$ (34,523)	$ 853,991
Cost of sales	67,689	494,239	263,118	(34,523)	790,523
Gross profit	8,176	27,036	28,256		63,468
Selling, general and administrative expense	1,417	26,471	9,879		37,767
Interest expense	19,806	14,289	383	(14,530)	19,948
Other (income) expense, net	(4,338)	(9,551)	(412)	14,637	336
Equity in net loss (earnings) of affiliates	(9,685)	135		9,685	135
Earnings (loss) before provision for income taxes and minority interest	976	(4,308)	18,406	(9,792)	5,282
Provision (benefit) for income taxes	(1,709)	(1,939)	6,123		2,475
Earnings (loss) before minority interests	2,685	(2,369)	12,283	(9,792)	2,807
Minority interests, net of provision for income taxes			122		122
Net earnings (loss)	$ 2,685	$ (2,369)	$ 12,161	$ (9,792)	$ 2,685

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IMCO RECYCLING INC. AND SUBSIDIARIES

GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Restated

	Nine Months Ended September 30, 2003				
	IMCO Recycling Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 70,380	$ 408,715	$ 195,525	$ (20,533)	$ 654,087
Cost of sales	64,100	391,001	176,535	(20,533)	611,103
Gross profit	6,280	17,714	18,990		42,984
Selling, general and administrative expense	1,356	20,074	6,209		27,639
Interest expense	6,193	9,671	2,807	(9,152)	9,519
Fees on receivables sale		821			821
Other (income) expense, net	1,300	(10,367)	513	8,981	427
Equity in net loss (earnings) of affiliates	(5,463)	(113)	(734)	5,463	(847)
Earnings (loss) before provision for income taxes and minority interest	2,894	(2,372)	10,195	(5,292)	5,425
Provision (benefit) for income taxes	(199)	(838)	2,996		1,959
Earnings (loss) before minority interests	3,093	(1,534)	7,199	(5,292)	3,466
Minority interests, net of provision for income taxes			373		373
Net earnings (loss)	$ 3,093	$ (1,534)	$ 6,826	$ (5,292)	$ 3,093

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IMCO RECYCLING INC.

GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30, 2004				
	IMCO Recycling Inc.	**Combined Guarantor Subsidiaries**	**Combined Non-guarantor Subsidiaries**	**Eliminations**	**Consolidated**
OPERATING ACTIVITIES:					
Net Earnings	$ 2,685	$ (2,369)	$ 12,161	$ (9,792)	$ 2,685
Depreciation and amortization	3,968	11,501	5,644		21,113
Provision for (benefit from) deferred income tax	(4,094)	185	153		(3,756)
Equity in loss (earnings) of affiliates	(9,685)	135		9,685	135
Non-cash retirement charge		1,576			1,576
Other non-cash items	3,653	422	(138)		3,937
Changes in operating assets and liabilities:					
Accounts receivable	1,762	(2,519)	(12,801)		(13,558)
Inventories	483	1,321	(4,837)		(3,033)
Other current assets	87	2,235	(600)		1,722
Accounts payable and accrued liabilities	4,740	4,188	10,230		19,158
NET CASH FROM (USED BY) OPERATING ACTIVITIES	**3,599**	**16,675**	**9,812**	**(107)**	**29,979**
INVESTING ACTIVITIES:					
Payments for property and equipment	(4,105)	(8,304)	(9,893)		(22,302)
Acquisition costs		(3,458)			(3,458)
Other	(637)	349	188		(100)
NET CASH USED BY INVESTING ACTIVITIES	**(4,742)**	**(11,413)**	**(9,705)**		**(25,860)**
FINANCING ACTIVITIES:					
Net payments of long-term revolving credit facility	(22,391)				(22,391)
Change in restricted cash	(14,118)		24,847		$ 5.89

(a) Non-income producing security.

(b) Security, or a portion of the security position, is currently on loan. The total market value of securities on loan is $6,923,569.

(c) American Depositary Receipt.

(d) Rate reflects seven-day effective yield on December 31, 2018.

See Notes to Financial Statements.

Liberty All-Star® Equity Fund Statement of Assets and Liabilities

December 31, 2018

ASSETS:	
Investments at market value (Cost $1,073,640,039)	$1,197,352,160
Receivable for investment securities sold	9,365,883
Dividends and interest receivable	1,538,810
Tax reclaim receivable	119,979
Prepaid and other assets	1,592
TOTAL ASSETS	1,208,378,424
LIABILITIES:	
Payable for investments purchased	933,765
Distributions payable to shareholders	20,228,447
Investment advisory fee payable	736,983
Payable for administration, pricing and bookkeeping fees	188,593
Payable for collateral upon return of securities loaned	2,996,563
Accrued expenses	218,539
TOTAL LIABILITIES	25,302,890
NET ASSETS	$1,183,075,534
NET ASSETS REPRESENTED BY:	
Paid-in capital	$1,091,609,296
Total distributable earnings	$91,466,238
NET ASSETS	$1,183,075,534
Shares of common stock outstanding (unlimited number of shares of beneficial interest without par value authorized)	200,811,904
NET ASSET VALUE PER SHARE	$5.89

See Notes to Financial Statements.

Liberty All-Star® Equity Fund Statement of Operations

For the Year Ended December 31, 2018

INVESTMENT INCOME:	
Dividends (Net of foreign taxes withheld at source which amounted to $370,837)	$22,796,588
Securities lending income	50,415
TOTAL INVESTMENT INCOME	22,847,003
EXPENSES:	
Investment advisory fee	9,414,733
Administration fee	2,353,674
Pricing and bookkeeping fees	144,758
Audit fee	49,091
Custodian fee	111,597
Insurance expense	54,699
Legal fees	312,626
NYSE fee	200,640
Shareholder communication expenses	136,624
Transfer agent fees	114,896
Trustees' fees and expenses	223,862
Miscellaneous expenses	160,742
TOTAL EXPENSES	13,277,942
NET INVESTMENT INCOME	9,569,061
REALIZED AND UNREALIZED GAIN ON INVESTMENTS:	
Net realized gain on investment transactions	100,668,585
Net change in unrealized depreciation on investments	(168,327,936)
NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS	(67,659,351)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	$(58,090,290)

See Notes to Financial Statements.

Liberty All-Star® Equity Fund Statements of Changes in Net Assets

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
FROM OPERATIONS:		
Net investment income	$9,569,061	$8,005,064
Net realized gain on investment transactions	100,668,585	86,742,442
Net change in unrealized appreciation/(depreciation) on investments	(168,327,936)	156,516,993
Net Increase/(Decrease) in Net Assets From Operations	(58,090,290)	251,264,499
DISTRIBUTIONS TO SHAREHOLDERS:		
From distributable earnings	(109,670,517)	(94,291,584)
Return of capital	(23,661,265)	(12,389,406)
Total Distributions	(133,331,782)	(106,680,990)[(a)]
CAPITAL SHARE TRANSACTIONS:		
Dividend reinvestments	44,719,226	24,205,291
Net increase resulting from Capital Share Transactions	44,719,226	24,205,291
Total Increase/(Decrease) in Net Assets	(146,702,846)	168,788,800
NET ASSETS:		
Beginning of period	1,329,778,380	1,160,989,580
End of period	$1,183,075,534	$1,329,778,380[(b)]

(a) For the year ended December 31, 2017, total distributions from distributable earnings consisted of distributions from net investment income of $7,944,350 and net realized gains of $86,347,234.

(b) For the year ended December 31, 2017, net assets included distributions in excess of net investment income of $23,578,731.

See Notes to Financial Statements.

Liberty All-Star® Equity Fund

Financial Highlights

PER SHARE OPERATING PERFORMANCE:
Net asset value at beginning of period
INCOME FROM INVESTMENT OPERATIONS:
Net investment income[a]
Net realized and unrealized gain/(loss) on investments
Total from Investment Operations

LESS DISTRIBUTIONS TO SHAREHOLDERS:
Net investment income
Net realized gain on investments
Return of capital
Total Distributions
Net asset value at end of period
Market price at end of period

TOTAL INVESTMENT RETURN FOR SHAREHOLDERS:[b]
Based on net asset value
Based on market price

RATIOS AND SUPPLEMENTAL DATA:
Net assets at end of period (millions)
Ratio of expenses to average net assets
Ratio of net investment income to average net assets
Portfolio turnover rate

(a) Calculated using average shares outstanding during the period.
(b) Calculated assuming all distributions are reinvested at actual reinvestment prices and all primary rights in the Fund's rights offering were exercised. The net asset value and market price returns will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares traded during the period. Past performance is not a guarantee of future results.

See Notes to Financial Statements.

Financial Highlights

For the Year Ended December 31,				
2018	2017	2016	2015	2014
$6.87	$6.13	$6.18	$6.84	$6.71
0.05	0.04	0.04	0.04	0.02
(0.35)	1.26	0.39	(0.19)	0.50
(0.30)	1.30	0.43	(0.15)	0.52
(0.05)	(0.04)	(0.05)	–	(0.08)
(0.51)	(0.45)	(0.38)	(0.51)	(0.30)
(0.12)	(0.07)	(0.05)	–	(0.01)
(0.68)	(0.56)	(0.48)	(0.51)	(0.39)
$5.89	$6.87	$6.13	$6.18	$6.84
$5.38	$6.30	$5.16	$5.35	$5.98
(4.5 %)	23.4 %	9.1 %	(1.0 %)	8.9 %
(4.9 %)	34.4 %	6.1 %	(2.0 %)	7.0 %
$1,183	$1,330	$1,161	$1,137	$1,225
1.00 %	1.01 %	1.07 %	1.04 %	1.03 %
0.72 %	0.64 %	0.76 %	0.60 %	0.32 %
22 %	21 %	46 %	76 %	36 %

Liberty All-Star® Equity Fund Notes to Financial Statements

December 31, 2018

NOTE 1. ORGANIZATION

Liberty All-Star® Equity Fund (the "Fund") is a Massachusetts business trust registered under the Investment Company Act of 1940 (the "1940 Act"), as amended, as a diversified, closed-end management investment company.

Investment Goal

The Fund seeks total investment return comprised of long-term capital appreciation and current income through investing primarily in a diversified portfolio of equity securities.

Fund Shares

The Fund may issue an unlimited number of shares of beneficial interest.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The Fund is considered an investment company under U.S. generally accepted accounting principles ("GAAP") and follows the accounting and reporting guidance applicable to investment companies in the Financial Accounting Standards Board *Accounting Standards Codification* Topic 946.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates.

Security Valuation

Equity securities are valued at the last sale price at the close of the principal exchange on which they trade, except for securities listed on the NASDAQ Stock Market LLC (“NASDAQ”), which are valued at the NASDAQ official closing price. Unlisted securities or listed securities for which there were no sales during the day are valued at the closing bid price on such exchanges or over-the-counter markets.

Cash collateral from securities lending activity is reinvested in the State Street Navigator Securities Lending Government Money Market Portfolio, a registered investment company under the 1940 Act, which operates as a money market fund in compliance with Rule 2a-7 under the 1940 Act. Shares of registered investment companies are valued daily at that investment company’s net asset value per share.

The Fund’s investments are valued at market value or, in the absence of market value with respect to any portfolio securities, at fair value according to procedures adopted by the Fund’s Board of Trustees (the “Board”). When market quotations are not readily available, or in management’s judgment they do not accurately reflect fair value of a security, or an event occurs after the market close but before the Fund is priced that materially affects the value of a security, the securities will be valued by the Fund’s Fair Valuation Committee using fair valuation procedures established by the Board. Examples of potentially significant events that could materially impact the value of a security include, but are not limited to: single issuer events such as corporate actions, reorganizations, mergers, spin-offs, liquidations, acquisitions and buyouts; corporate announcements on earnings or product offerings; regulatory news; and litigation and multiple issuer events such as governmental actions; natural disasters or armed conflicts that affect a country or a region; or significant market fluctuations. Potential significant events are monitored by the Advisor ALPS Advisors Inc. (the “Advisor” and “AAI”), Sub-Advisers and/or the Valuation Committee through independent reviews of market indicators, general news sources and communications from the Fund’s custodian. As of December 31, 2018, the Fund held no securities that were fair valued.

Liberty All-Star® Equity Fund Notes to Financial Statements

December 31, 2018

Security Transactions

Security transactions are recorded on trade date. Cost is determined and gains/(losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Income Recognition

Interest income is recorded on the accrual basis. Corporate actions and dividend income are recorded on the ex-date.

The Fund estimates components of distributions from real estate investment trusts ("REITs"). Distributions received in excess of income are recorded as a reduction of the cost of the related investments. Once the REIT reports annually the tax character of its distributions, the Fund revises its estimates. If the Fund no longer owns the applicable securities, any distributions received in excess of income are recorded as realized gains.

Lending of Portfolio Securities

The Fund may lend its portfolio securities only to borrowers that are approved by the Fund's securities lending agent, State Street Bank & Trust Co. ("SSB"). The Fund will limit such lending to not more than 30% of the value of its total assets. The borrower pledges and maintains with the Fund collateral consisting of cash (U.S. Dollar only), securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, or by irrevocable bank letters of credit issued by a person other than the borrower or an affiliate of the borrower. The initial collateral received by the Fund is required to have a value of no less than 102% of the market value of the loaned securities for securities traded on U.S. exchanges and a value of no less than 105% of the market value for all other securities. The collateral is maintained thereafter, at a market value equal to no less than 100% of the current value of the securities on loan. The market value of the loaned securities is determined at the close of each business day and any additional required collateral is delivered to the Fund on the next business day. During the term of the loan, the Fund is entitled to all distributions made on or in respect of the loaned securities. Loans of securities are terminable at any time and the borrower, after notice, is required to return borrowed securities within the standard time period for settlement of securities transactions.

Any cash collateral received is reinvested in a money market fund managed by SSB as disclosed in the Fund's Schedule of Investments and is reflected in the Statement of Assets and Liabilities as a payable for collateral upon return of securities loaned. Non-cash collateral, in the form of securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, is not disclosed in the Fund's Statements of Assets and Liabilities as it is held by the lending agent on behalf of the Fund and the Fund does not have the ability to re-hypothecate these securities. Income earned by the Fund from securities lending activity is disclosed in the Statement of Operations.

Liberty All-Star® Equity Fund Notes to Financial Statements

December 31, 2018

The following is a summary of the Fund's securities lending positions and related cash and non-cash collateral received as of December 31, 2018:

Market Value of Securities on Loan	Cash Collateral Received	Non-Cash Collateral Received	Total Collateral Received
$6,923,569	$2,996,563	$4,061,812	$7,058,375

The risks of securities lending include the risk that the borrower may not provide additional collateral when required or may not return the securities when due. To mitigate these risks, the Fund benefits from a borrower default indemnity provided by SSB. SSB's indemnity allows for full replacement of securities lent wherein SSB will purchase the unreturned loaned securities on the open market by applying the proceeds of the collateral, or to the extent such proceeds are insufficient or the collateral is unavailable, SSB will purchase the unreturned loan securities at SSB's expense. However, the Fund could suffer a loss if the value of the investments purchased with cash collateral falls below the value of the cash collateral received.

The following table reflects a breakdown of transactions accounted for as secured borrowings, the gross obligation by the type of collateral pledged or securities loaned, and the remaining contractual maturity of those transactions as of December 31, 2018:

Remaining contractual maturity of the agreement

Securities Lending Transactions	Overnight & Continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
Common Stocks	$2,996,563	$ –	$ –	$ –	$2,996,563
Total Borrowings					2,996,563
Gross amount of recognized liabilities for securities lending (collateral received)					$2,996,563

Fair Value Measurements

The Fund discloses the classification of its fair value measurements following a three-tier hierarchy based on the inputs used to measure fair value. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability that are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability that are developed based on the best information available.

Valuation techniques used to value the Fund's investments by major category are as follows:

Equity securities that are valued based on unadjusted quoted prices in active markets are categorized as Level 1 in the hierarchy. In the event there were no sales during the day or closing prices are not available, securities are valued at the mean of the most recent quoted bid and ask prices on such day and are generally categorized as Level 2 in the hierarchy. Investments in open-end mutual funds are valued at their closing NAV each business day and are categorized as Level 1 in the hierarchy.

Liberty All-Star® Equity Fund Notes to Financial Statements

December 31, 2018

Various inputs are used in determining the value of the Fund's investments as of the end of the reporting period. When inputs used fall into different levels of the fair value hierarchy, the level in the hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The designated input levels are not necessarily an indication of the risk or liquidity associated with these investments.

These inputs are categorized in the following hierarchy under applicable financial accounting standards:

Level 1 – Unadjusted quoted prices in active markets for identical investments, unrestricted assets or liabilities that a Fund has the ability to access at the measurement date;

Level 2 – Quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and

Level 3 – Significant unobservable prices or inputs (including the Fund's own assumptions in determining the fair value of investments) where there is little or no market activity for the asset or liability at the measurement date.

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2018:

	Valuation Inputs			
Investments in Securities at Value*	Level 1	Level 2	Level 3	Total
Common Stocks	$1,151,929,455	$ –	$ –	$1,151,929,455
Short Term Investments	45,422,705	–	–	45,422,705
Total	$1,197,352,160	$ –	$ –	$1,197,352,160

**See Schedule of Investments for industry classifications.*

The Fund did not have any securities that used significant unobservable inputs (Level 3) in determining fair value during the period.

Distributions to Shareholders

The Fund currently has a policy of paying distributions on its shares of beneficial interest totaling approximately 10% of its net asset value per year. The distributions are payable in four quarterly distributions of 2.5% of the Fund's net asset value at the close of the New York Stock Exchange on the Friday prior to each quarterly declaration date. Distributions to shareholders are recorded on ex-date.

NOTE 3. FEDERAL TAX INFORMATION AND TAX BASIS INFORMATION

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP. Reclassifications are made to the Fund's capital accounts for permanent tax differences to reflect income and gains available for distribution (or available capital loss carryforwards) under income tax regulations. If, for any calendar year, the total distributions made under the distribution policy exceed the Fund's net investment income and net realized capital gains, the excess will generally be treated as a non-taxable return of capital, reducing the shareholder's adjusted basis in his or her shares. If the Fund's net investment income and net realized capital gains for any year exceed the amount distributed under the distribution policy, the Fund may, in its discretion, retain and not distribute net realized capital gains and pay income tax thereon to the extent of such excess.

Liberty All-Star® Equity Fund Notes to Financial Statements

December 31, 2018

Classification of Distributions to Shareholders

Net investment income/(loss) and net realized gain/(loss) may differ for financial statement and tax purposes. The character of distributions made during the year from net investment income or net realized gains may differ from its ultimate characterization for federal income tax purposes. Due to the timing of dividend distributions, the fiscal year in which amounts are distributed may differ from the fiscal year in which the income or realized gain was recorded by the Fund. The amounts and characteristics of tax basis distributions and composition of distributable earnings/(accumulated losses) are determined at the time in which distributions are paid, which may occur after the fiscal year end. Accordingly, tax basis balances have not been determined as of December 31, 2018.

For the year ended December 31, 2018, permanent book and tax basis differences resulting primarily from excess distributions were identified and reclassified among the components of the Fund's net assets as follows:

Distributable earnings	Paid-In Capital
$(8,119,294)	$8,119,294

The tax character of distributions paid during the years ended December 31, 2018 and December 31, 2017 were as follows:

Distributions Paid From:	12/31/2018	12/31/2017
Ordinary Income	$11,589,164	$18,658,161
Long-term capital gains	98,081,353	75,633,423
Return of Capital	23,661,265	12,389,406
Total	$133,331,782	$106,680,990

As of December 31, 2018, the components of distributable earnings on a tax basis were as follows:

Undistributed Ordinary Income	Accumulated Capital Gains	Net Unrealized Appreciation	Other Cumulative	Total

			Effect of Timing Differences	
$ –	$ –	$123,133,432	$(31,667,194)	$91,466,238

The other cumulative effect of timing differences in the components of distributable earnings is related to the difference in timing of the distributions payable for financial statement and tax purposes.

Liberty All-Star® Equity Fund Notes to Financial Statements

December 31, 2018

As of December 31, 2018, the cost of investments for federal income tax purposes and accumulated net unrealized appreciation/(depreciation) on investments was as follows:

Cost of Investments	Gross unrealized Appreciation (excess of value over tax cost)	Gross unrealized Depreciation (excess of tax cost over value)	Net Unrealized Appreciation
$1,074,218,728	$216,418,045	$(93,284,613)	$123,133,432

The differences between book-basis and tax-basis are primarily due to deferral of losses from wash sales and the differing treatment of certain other investments.

Federal Income Tax Status

For federal income tax purposes, the Fund currently qualifies, and intends to remain qualified, as a regulated investment company under the provisions of Subchapter M of the Internal Revenue Code of 1986, as amended, by distributing substantially all of its investment company taxable net income including realized gain, not offset by capital loss carryforwards, if any, to its shareholders. Accordingly, no provision for federal income or excise taxes has been made.

As of and during the year ended December 31, 2018, the Fund did not have a liability for any unrecognized tax benefits. The Fund files U.S. federal, state, and local tax returns as required. The Fund’s tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

NOTE 4. FEES AND COMPENSATION PAID TO AFFILIATES

Investment Advisory Fee

AAI serves as the investment advisor to the Fund. AAI receives a monthly investment advisory fee based on the Fund's average daily net assets at the following annual rates:

Average Daily Net Assets	Annual Fee Rate
First $400 million	0.800%
Next $400 million	0.720%
Next $400 million	0.648%
Over $1.2 billion	0.584%

Investment Advisory Fees for the year ended December 31, 2018 are reported on the Statement of Operations.

Liberty All-Star® Equity Fund Notes to Financial Statements

December 31, 2018

AAI retains multiple Portfolio Managers to manage the Fund's investments in various asset classes. AAI pays each Portfolio Manager a portfolio management fee based on the assets of the investment portfolio that they manage. The portfolio management fee is paid from the investment advisory fees collected by AAI and is based on the Fund's average daily net assets at the following annual rates:

Average Daily Net Assets	Annual Fee Rate
First $400 million	0.400%
Next $400 million	0.360%
Next $400 million	0.324%
Over $1.2 billion	0.292%

Administration, Bookkeeping and Pricing Services

ALPS Fund Services, Inc. ("ALPS") serves as the administrator to the Fund and the Fund has agreed to pay expenses incurred in connection with this service. Pursuant to an Administrative, Bookkeeping and Pricing Services Agreement, ALPS provides operational services to the Fund including, but not limited to, fund accounting and fund administration and generally assists in the Fund's operations. Officers of the Trust are employees of ALPS. The Fund's administration fee is accrued on a daily basis and paid monthly. Administration, Pricing and Bookkeeping fees paid by the Fund for the year ended December 31, 2018 are disclosed in the Statement of Operations.

The Fund also reimburses ALPS for out-of-pocket expenses and charges, including fees payable to third parties for pricing the Fund's portfolio securities and direct internal costs incurred by ALPS in connection with providing fund accounting oversight and monitoring and certain other services.

Fees Paid to Officers

All officers of the Fund, including the Fund's Chief Compliance Officer, are employees of AAI or its affiliates, and receive no compensation from the Fund. The Board of Trustees has appointed a Chief Compliance Officer to the Fund in accordance with federal securities regulations.

NOTE 5. PORTFOLIO INFORMATION

Purchases and Sales of Securities

For the year ended December 31, 2018, the cost of purchases and proceeds from sales of securities, excluding short-term obligations, were $289,286,400 and $373,647,420, respectively.

NOTE 6. CAPITAL TRANSACTIONS

During the year ended December 31, 2018 and year ended December 31, 2017, distributions in the amounts of $44,719,226 and $24,205,291, respectively, were paid in newly issued shares valued at market value or net asset value, but not less than 95% of market value. Such distributions resulted in the issuance of 7,228,907 and of 4,143,441 shares, respectively.

NOTE 7. INDEMNIFICATION

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties and which provide general indemnities. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims against the Fund. Also, under the Fund's organizational documents and by contract, the Trustees and Officers of the Fund are indemnified against certain liabilities that may arise out of their duties to the Fund. However, based on experience, the Fund expects the risk of loss due to these warranties and indemnities to be minimal.

Liberty All-Star® Equity Fund Notes to Financial Statements

December 31, 2018

NOTE 8. RECENT ACCOUNTING PRONOUNCEMENT

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, which changes the fair value measurement disclosure requirements of FASB Accounting Standards Codification Topic 820, Fair Value Measurement. The update to Topic 820 includes new, eliminated, and modified disclosure requirements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods. Early adoption is permitted for any eliminated or modified disclosures. Eliminated and modified disclosures have been adopted effective with the financial statements prepared as of December 31, 2018.

NOTE 9. SEC REGULATIONS

On October 4, 2018, the SEC amended Regulation S-X to require certain financial statement disclosure requirements to conform them to GAAP for investment companies. Effective November 4, 2018, the Fund adopted disclosure requirement changes for Regulation S-X. These changes are reflected throughout this report. The Fund's adoption of the amendments, effective with the financial statements prepared as of December 31, 2018, had no effect on the Fund's net assets or results of operations.

Liberty All-Star® Equity Fund Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Trustees of Liberty All-Star® Equity Fund:

Opinion on the Financial Statements and Financial Highlights

We have audited the accompanying statement of assets and liabilities of Liberty All-Star® Equity Fund (the "Fund"), including the schedule of investments, as of December 31, 2018, the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the financial highlights for each of the five years in the period then ended, and the related notes. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Fund as of December 31, 2018, and the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2018, by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

Deloitte & Touche LLP
Denver, Colorado
February 22, 2019

We have served as the auditor of one or more investment companies advised by ALPS Advisors, Inc. since 2007.

Liberty All-Star® Equity Fund Automatic Dividend Reinvestment and Direct Purchase Plan

(Unaudited)

Under the Fund's Automatic Dividend Reinvestment and Direct Purchase Plan (the "Plan"), shareholders automatically participate and have all their Fund dividends and distributions reinvested by Computershare Trust Company, N.A., as agent for participants in the Plan (the "Plan Agent"), in additional shares of the Fund. For further information, call Investor Assistance at 1-800-LIB-FUND (1-800-542-3863) weekdays between 9 a.m. and 5 p.m. Eastern Time.

Shareholders whose shares are held in the name of a brokerage firm, bank or other nominee can participate in the Plan only if their brokerage firm, bank or nominee is able to do so on their behalf. Shareholders participating in the Plan through a brokerage firm may not be able to transfer their shares to another brokerage firm and continue to participate in the Plan.

Under the Plan, all dividends and distributions will be reinvested in additional shares of the Fund. Distributions declared payable in cash will be reinvested for the accounts of participants in the Plan in additional shares purchased by the Plan Agent on the open market at prevailing market prices. If, prior to the Plan Agent's completion of such open market purchases, the market price of a share plus estimated brokerage commissions exceeds the net asset value, the remainder of the distribution will be paid in newly issued shares valued at net asset value (but not at a discount of more than 5% from market price). Distributions declared payable in shares (or cash at the option of shareholders) are paid to participants in the Plan entirely in newly issued full and fractional shares valued at the lower of market value or net asset value per share on the valuation date for the distribution (but not at a discount of more than 5 percent from market price). Dividends and distributions are subject to taxation, whether received in cash or in shares.

Plan participants have the option of making additional investments of $100 or more on a monthly basis up to a maximum of $120,000 in a calendar year. These direct purchases will be invested on or shortly after the 15th of each month and direct purchases should be sent so as to be received by the Plan Agent at least two business days prior to the next investment date. Barring suspension of trading, direct purchases will be invested within 35 days after such date. Alternatively, participants can authorize an automatic monthly deduction from a checking or savings account at a U.S. bank or other financial institution. A participant may withdraw a direct purchase by written notice received by the Plan Agent at least two business days before such payment is to be invested.

The Plan Agent maintains all shareholder accounts in the Plan and furnishes confirmations of all transactions in the account, including information needed by shareholders for tax records. Shares in the account of each Plan participant will be held by the Plan Agent in book-entry or noncertificated form in the name of the participant, and each shareholder's proxy will include those shares purchased or received pursuant to the Plan.

There is no charge to participants for reinvesting distributions pursuant to the Plan. The Plan Agent's fees are paid by the Fund, therefore indirectly by shareholders. There are no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or distributions declared payable in shares. However, each participant bears a per share fee (which includes any brokerage commissions the Plan Agent is required to pay) incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of distributions declared payable in cash.

(Unaudited)

With respect to direct purchases, the Plan Agent will charge $1.25 for purchase by check and $2.00 for automatic investment transactions, plus a per share fee (which 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 currently $0.10. All fees described in this summary are subject to change. Please contact the Plan Agent for the current fees.

Shareholders may terminate their participation in 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 record date and all subsequent dividends and distributions will be paid in cash instead of shares.

The Fund reserves the right to amend or terminate the Plan.

The full text of the Plan may be found on the Fund's website at www.all-starfunds.com.

Liberty All-Star® Equity Fund Additional Information

(Unaudited)

TAX INFORMATION

All 2018 distributions whether received in cash or shares of the Fund consist of the following:

(1) ordinary dividends
(2) long-term capital gains
(3) return of capital

The table below details the breakdown of each 2018 distribution for federal income tax purposes.

			Total Ordinary Dividends			
Record Date	**Payable Date**	**Amount per Share**	**Qualified**	**Non-Qualified**	**Long-Term Capital Gains**	**Return of Capital**
11/17/17*	01/02/18	$0.123316	9.26%	-	78.33%	12.41%
01/26/18	03/12/18	$0.18	9.26%	-	78.33%	12.41%
04/27/18	06/11/18	$0.17	9.26%	-	78.33%	12.41%
07/27/18	09/10/18	$0.17	9.26%	-	78.33%	12.41%
11/16/18**	01/02/19	$0.16	-	-	-	-

* *Pursuant to Section 852 of the Internal Revenue Code, the taxability of this distribution will be reported in the Form 1099-DIV for 2018.*

** *Pursuant to Section 852 of the Internal Revenue Code, the taxability of this distribution will be reported in the Form 1099-DIV for 2019.*

Tax Designations

The Fund designates the following as a percentage of taxable ordinary income distributions for the calendar year ended December 31, 2018:

Qualified Dividend Income	100.00%
Dividend Received Deduction	100.00%

Pursuant to Section 852(b)(3) of the Internal Revenue Code, Liberty All-Star Equity Fund designated $98,081,353 as long-term capital gain dividends.

SHAREHOLDER MEETING RESULTS

On August 23, 2018, the Annual Meeting of Shareholders of the Fund was held to elect three Trustees to the Board. On June 11, 2018, the record date for the meeting, the Fund had outstanding 197,002,326 shares of beneficial interest. The votes cast at the meeting were as follows:

Proposal 1 – To elect three Trustees:

Nominee	For	Against/Withheld
John A. Benning	175,641,422.730	4,434,184.267
Maureen Usifer	175,749,624.137	4,325,982.860
Edmund J. Burke	175,764,331.637	4,311,275.360

Liberty All-Star® Equity Fund — Trustees and Officers

(Unaudited)

The Fund's Statement of Additional Information includes additional information about the Fund's Trustees and is available, without charge, by contacting the Fund at 1-800-542-3863.

INDEPENDENT TRUSTEES

Name (Year of Birth) and Address*	**Position with Equity Fund, Term of Office and Length of Service**	**Principal Occupation(s) During Past Five Years**	**Number of Portfolios in Fund Complex Overseen By Trustee****	**Other Directorships Held**
Thomas W. Brock Year of Birth: 1947	Trustee since 2005; Chairman since 2015; Term expires 2020	Chief Executive Officer, Silver Bay Realty (June 2016-May 2017); Acting Chief Executive Officer, Silver Bay Realty (January 2016-June 2016); Director, Silver Bay Realty (December 2012-May 2017); Adjunct Professor, Columbia University Graduate School of Business (since 1998)	2	Director, Liberty All-Star Growth Fund, Inc. (since 2005), Trustee, Equitable AXA Annuity Trust (since January 2016) and 1290 Funds (since January 2016).
George R. Gaspari Year of Birth: 1940	Trustee since 2006; Term expires 2020	Financial Services Consultant (1996-2012)	2	Director, Liberty All-Star Growth Fund, Inc. (since 2006), Trustee (since 1999) and Chairman – Audit Committee (since January 2015), The Select Sector SPDR Trust

**The address for all Trustees is: c/o ALPS Fund Services, Inc., 1290 Broadway, Suite 1100, Denver, CO 80203.*

** *The Fund Complex for the Fund includes the Fund, and any other investment companies for which any Trustee serves as trustee for and for which ALPS Advisors, Inc., Pzena Investment Management, LLC, Macquarie Investment Management, Aristotle Capital Management, LLC, TCW Investment Management Company, Sustainable Growth Advisers, LP, Congress Asset Management Company, LLP and Weatherbie Capital, LLC provides investment advisory services.*

Liberty All-Star® Equity Fund Trustees and Officers

(Unaudited)

INDEPENDENT TRUSTEES (continued)

Name (Year of Birth) and Address*	**Position with Equity Fund, Term of Office and Length of Service**	**Principal Occupation(s) During Past Five Years**	**Number of Portfolios in Fund Complex Overseen By Trustee****	**Other Directorships Held**
Milton M. Irvin Year of Birth: 1949	Trustee since 2018; Term Expires 2019	Retired (2012); Chair, Advisory Board Member Castle Oak Securities (2012-present); Chair, Investment Committee Member Executive Leadership Counsel (2006-present); Chair, Board Member South Carolina State University (2015-present); Graduate Executive Board Member Wharton School (2009-2016)	2	Director, Liberty All-Star Growth Fund, Inc. (since 2018).
John J. Neuhauser Year of Birth: 1943	Trustee since 1998; Term expires 2019	President, St. Michael's College (2007-2018); University Professor December 2005-2007, Boston College (formerly Academic Vice President and Dean of Faculties, from August 1999 to December 2005, Boston College)	2	Director, Liberty All-Star Growth Fund, Inc. (since 1998), Trustee, Columbia Funds Series Trust I (since 1985)

The address for all Trustees is: c/o ALPS Fund Services, Inc., 1290 Broadway, Suite 1100, Denver, CO 80203.

***The Fund Complex for the Fund includes the Fund, and any other investment companies for which any Trustee serves as trustee for and for which ALPS Advisors, Inc., Pzena Investment Management, LLC, Macquarie Investment Management, Aristotle Capital Management, LLC, TCW Investment Management Company, Sustainable Growth Advisers, LP, Congress Asset Management Company, LLP and Weatherbie Capital, LLC provides investment advisory services.*

Liberty All-Star® Equity Fund | Trustees and Officers

(Unaudited)

INDEPENDENT TRUSTEES (continued)

Name (Year of Birth) and Address*	**Position with Equity Fund, Term of Office and Length of Service**	**Principal Occupation(s) During Past Five Years**	**Number of Portfolios in Fund Complex Overseen By Trustee****	**Other Directorships Held**
Maureen Usifer Year of Birth: 1960	Trustee since 2018; Term Expires 2021	Board Member Green Mountain Care Board (2017-Present), Board Advisor, Healthy Living Market (2017-Present), Board of Trustees, Saint Michael's College (2015-Present), and Chief Financial Officer, Seventh Generation, Inc. (2012-2016)	2	Director, Liberty All-Star Growth Fund, Inc. (since 2018), Director and Audit Committee Chair, BlackRock Capital Investment Corporation (2005-Present)

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** *The Fund Complex for the Fund includes the Fund, and any other investment companies for which any Trustee serves as trustee for and for which ALPS Advisors, Inc., Pzena Investment Management, LLC, Macquarie Investment Management,, Aristotle Capital Management, LLC, TCW Investment Management Company, Sustainable Growth Advisers, LP, Congress Asset Management Company, LLP and Weatherbie Capital, LLC provides investment advisory services.*

Liberty All-Star® Equity Fund Trustees and Officers

(Unaudited)

INTERESTED TRUSTEE

Name (Year of Birth) and Address*	**Position with Equity Fund, Term of Office and Length of Service**	**Principal Occupation(s) During Past Five Years**	**Number of Portfolios in Fund Complex Overseen By Trustee****	**Other Directorships Held**
Edmund J. Burke*** Year of Birth: 1961	Trustee since 2006; Term expires 2021	Chief Executive Officer and President and Director of ALPS Holdings, Inc., and ALPS Advisors, Inc., and Director of ALPS Distributors, Inc., ALPS Fund Services, Inc., and ALPS Portfolio Solutions Distributor, Inc. Mr. Burke is also a Director of Boston Financial Data Services.	34	Director, Liberty All-Star Growth Fund, Inc., Trustee, Clough Global Dividend and Income Fund, Trustee, Clough Global Equity Fund, Trustee, Clough Global Opportunities Fund, Trustee, Clough Funds Trust, Trustee, Financial Investors Trust, and Trustee, ALPS ETF Trust. Mr. Burke is deemed an affiliate of the Funds as defined under the 1940 Act.

**The address for all Trustees is: c/o ALPS Fund Services, Inc., 1290 Broadway, Suite 1100, Denver, CO 80203.*

***The Fund Complex for the Fund includes the Fund, and any other investment companies for which any Trustee serves as trustee for and for which ALPS Advisors, Inc., Pzena Investment Management, LLC, Macquarie Investment Management,, Aristotle Capital Management, LLC, TCW Investment Management Company, Sustainable Growth Advisers, LP, Congress Asset Management Company, LLP and Weatherbie Capital, LLC provides investment advisory services.*

****Mr. Burke is an "interested person" of the Fund, as defined in the 1940 Act, because of his affiliation with ALPS.*

Liberty All-Star® Equity Fund Trustees and Officers

(Unaudited)

OFFICERS

Name (Year of Birth) and Address*	**Position with Fund****	**Year First Elected or Appointed to Office**	**Principal Occupation(s) During Past Five Years**
William R. Parmentier, Jr. Year of Birth: 1952	President	1999	Chief Investment Officer, ALPS Advisors, Inc. (since 2006); President of the Liberty All-Star Funds (since April 1999); Senior Vice President, Banc of America Investment Advisors, Inc. (2005-2006). Mr. Parmentier is deemed an affiliate of the Fund as defined under the 1940 Act.
Mark T. Haley, CFA Year of Birth: 1964	Senior Vice President	1999	Senior Vice President of the Liberty All-Star Funds (since January 1999); Vice President, ALPS Advisors, Inc. (since 2006); Vice President, Banc of America Investment Advisors (1999-2006). Mr. Haley is deemed an affiliate of the Fund as defined under the 1940 Act.
Edmund J. Burke Year of Birth: 1961	Vice President	2006	Vice President of the Liberty All-Star Funds, Chief Executive Officer and President and Director of ALPS Holdings, Inc., and ALPS Advisors, Inc., and Director of ALPS Distributors, Inc., ALPS Fund Services, Inc., and ALPS Portfolio Solutions Distributor, Inc. Mr. Burke is also a Director of Boston Financial Data Services. Mr. Burke is deemed an affiliate of the Fund as defined under the 1940 Act.

* *The address of each officer, other than Messrs. Parmentier and Haley is: c/o ALPS Fund Services, Inc., 1290 Broadway, Suite 1100, Denver, CO 80203. The address of Messrs. Parmentier and Haley is c/o ALPS Advisors, Inc., One Financial Center, 4th Floor, Boston, MA 02111.*

** *Officers are elected annually and each officer will hold such office until a successor has been elected by the Board.*

Liberty All-Star® Equity Fund | Trustees and Officers

(Unaudited)

OFFICERS (continued)

Name (Year of Birth) and Address*	**Position with Fund****	**Year First Elected or Appointed to Office**	**Principal Occupation(s) During Past Five Years**
Kimberly R. Storms Year of Birth: 1972	Treasurer	2013	Director of Fund Administration and Senior Vice President of ALPS Fund Services, Inc. Ms. Storms is currently Treasurer of Liberty All-Star Growth Fund, Inc., Financial Investors Trust, ALPS Series Trust, and Elevation ETF Trust. Ms. Storms is also on the Board of Directors of the Denver Center for Crime Victims. Ms. Storms is deemed an affiliate of the Fund as defined under the 1940 Act.
Erin D. Nelson Year of Birth: 1977	Chief Compliance Officer	2015	Ms. Nelson is Senior Vice President and Chief Compliance Officer of ALPS Advisors, Inc. Prior to 2015, Ms. Nelson was Vice-President and Assistant General Counsel of ALPS. Ms. Nelson is also Chief Compliance Officer of Liberty All-Star Growth Fund, Inc., Principal Real Estate Income Fund, ALPS Variable Investment Trust, ALPS ETF Trust and the RiverNorth Opportunities Fund, Inc. Ms. Nelson is deemed an affiliate of the Fund as defined under the 1940 Act.

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Liberty All-Star® Equity Fund — Trustees and Officers

(Unaudited)

OFFICERS (continued)

Name (Year of Birth) and Address*	**Position with Fund****	**Year First Elected or Appointed to Office**	**Principal Occupation(s) During Past Five Years**
Sareena Khwaja-Dixon Year of Birth: 1980	Secretary	2016	Ms. Khwaja-Dixon joined ALPS in August 2015 and is currently Senior Counsel and Vice President of ALPS Fund Services, Inc. Prior to joining ALPS, Ms. Khwaja-Dixon served as a Senior Paralegal/Paralegal for Russell Investments (2011-2015). Ms. Khwaja-Dixon is also Secretary of Liberty All-Star Growth Fund, Inc., and Assistant Secretary of Clough Dividend and Income Fund, Clough Global Opportunities Fund, Clough Global Equity Fund, Clough Funds Trust and Financial Investors Trust. Ms. Khwaja-Dixon is deemed an affiliate of the Fund as defined under the 1940 Act.
Jennifer A. Craig Year of Birth: 1973	Assistant Secretary	2017	Ms. Craig joined ALPS in 2007 and is currently Assistant Vice President and Paralegal Manager of ALPS. Ms. Craig is also Assistant Secretary of Liberty All-Star Growth Fund, Inc., Financial Investors Trust, ALPS Series Trust, Clough Dividend and Income Fund, Clough Global Opportunities Fund and Clough Global Equity Fund.

* *The address of each officer, other than Messrs. Parmentier and Haley is: c/o ALPS Fund Services, Inc., 1290 Broadway, Suite 1100, Denver, CO 80203. The address of Messrs. Parmentier and Haley is c/o ALPS Advisors, Inc., One Financial Center, 4th Floor, Boston, MA 02111.*

** *Officers are elected annually and each officer will hold such office until a successor has been elected by the Board.*

Liberty All-Star® Equity Fund

Board Consideration of the Renewal of the Fund
Management & Portfolio Management Agreements

(Unaudited)

The Investment Company Act of 1940 requires that the Board of Trustees ("Board") of the Liberty All-Star Equity Fund ("Fund"), including all of the Trustees who are not "interested persons" of the Fund ("Independent Trustees"), annually review the Fund's investment advisory agreements and consider whether to renew them for an additional year. At its meeting on September 6, 2018, the Board, including a majority of the Independent Trustees, conducted such a review and approved the continuation of the Fund Management Agreement between the Fund and ALPS Advisors, Inc. ("AAI") and each separate Portfolio Management Agreement among the Fund and the following independent investment management firms: Aristotle Capital Management LLC ("Aristotle"), Macquarie Investment Management ("Macquarie"), Pzena Investment Management, LLC ("Pzena"), Sustainable Growth Advisers, LP ("Sustainable"), and TCW Investment Management Company ("TCW"). Aristotle, Macquarie, Pzena, Sustainable and TCW are collectively referred to as "Portfolio Managers" and each as a "Portfolio Manager."

Prior to the Board's action, the Independent Trustees met to consider management's recommendations with respect to the renewal of the Fund Management Agreement and the Portfolio Management Agreements (each, an "Agreement" and, collectively, the "Agreements"). In reaching its decision to renew each Agreement, the Board considered the overall fairness of each Agreement and whether each Agreement was in the best interests of the Fund. The Board further considered factors it deemed relevant with respect to the Fund, including (1) the nature, extent and quality of services provided to the Fund by AAI, its affiliates, and each Portfolio Manager; (2) the performance of the Fund and the Portfolio Managers; (3) the level of the Fund's management and portfolio management fees and expense ratios; (4) the costs of the services provided and profits realized by AAI and its affiliates from their relationship with the Fund; (5) the extent to which economies of scale would be realized as the Fund grows and whether fee levels will reflect economies of scale for the benefit of shareholders; (6) the "fall-out" benefits to AAI, each Portfolio Manager and their respective affiliates (i.e., any direct or indirect benefits to be derived by AAI, each Portfolio Manager and their respective affiliates from their relationships with the Fund); and (7) other general information about AAI and each Portfolio Manager. In considering each Agreement, the Board did not identify any single factor or information as all-important or controlling and each Independent Trustee may have attributed different weight to each factor.

The Board considered these factors in the context of the Fund's multi-manager methodology, which seeks to achieve more consistent and less volatile performance over the long term than if a single Portfolio Manager was employed. The Fund allocates its portfolio assets among Portfolio Managers recommended by AAI and approved by the Board, currently five for the Fund. The Board considered that each Portfolio Manager employs a different investment style and/or strategy, and from time to time AAI rebalances the Fund's portfolio assets among the Portfolio Managers. The Board also took into account that AAI continuously analyzes and evaluates each Portfolio Manager's investment performance and portfolio composition and, from time to time, recommends changes in the Portfolio Managers.

In connection with its deliberations, the Board considered information furnished throughout the year at regular Board meetings, as well as information prepared specifically in connection with the annual renewal and approval process. Information furnished and discussed throughout the year included AAI's analysis of the Fund's investment performance and related financial information for the Fund, presentations given by the Fund's Portfolio Managers, as well as periodic reports on legal, compliance, brokerage commissions and execution and other services provided by AAI, the Portfolio Managers and their affiliates. Information furnished specifically in connection with the renewal process included, among other things, a report of the Fund's investment performance over various time periods as compared to a peer universe and a market index and the Fund's fees and expenses as compared to comparable groups of closed-end funds and open-end multi-managed funds based, in part, on information prepared by AAI and Broadridge Financial Solutions regarding review of the Lipper peer groups. The information provided by AAI generally included information reflecting the Fund's management fees, expense ratios, investment performance and profitability, including AAI's profitability with respect to the Fund.

Liberty All-Star® Equity Fund Board Consideration of the Renewal of the Fund Management & Portfolio Management Agreements

(Unaudited)

As part of the process to consider the Agreements, legal counsel to the Independent Trustees requested information from AAI and each Portfolio Manager. In response to these requests, the Board received reports from AAI and each Portfolio Manager that addressed specific factors designed to inform the Independent Trustees consideration of each Agreement. Counsel also provided the Independent Trustees and the Board with a memorandum discussing the legal standards applicable to their consideration of the Agreements. Based on its evaluation of all material factors, the Board unanimously concluded that the terms of each Agreement were reasonable and fair and that the renewal of each Agreement was in the best interests of the Fund and its shareholders. The following is a summary of the Board's considerations.

Nature, Extent and Quality of the Services Provided

The Board considered the nature, extent and quality of the portfolio manager selection, evaluation, monitoring, and rebalancing services provided by AAI, and the portfolio management services provided by each Portfolio Manager, in light of the investment objective of the Fund. The Board also considered the nature, extent and quality of the administrative services provided to the Fund by ALPS Fund Services, Inc., an affiliate of AAI. The Board considered the steps that AAI has taken to encourage strong performance, including AAI’s willingness to recommend Portfolio Manager changes when necessary to address performance issues. The Board also took into consideration the changes in Portfolio Managers that occurred in 2015 and 2016.

In addition, the Board considered the demonstrated consistency in investment approach of each Portfolio Manager. The Board considered that Sustainable and TCW manage sleeves of the growth portions of the Fund’s portfolio and that Aristotle, Macquarie, and Pzena manage sleeves of the value portion of the Fund’s portfolio.

The Board considered the background and experience of the personnel at AAI responsible for Portfolio Manager selection, evaluation and monitoring for the Fund and the personnel at each Portfolio Manager responsible for managing the Fund's portfolio. The Board also considered the overall financial strength of AAI and each Portfolio Manager, the effect on the Fund of any turnover in personnel at each Portfolio Manager, the insurance maintained by AAI and each Portfolio Manager and the compliance records of AAI and each Portfolio Manager. The Board concluded that the nature, extent and quality of the services provided by AAI and each Portfolio Manager was appropriate and consistent with the terms of the Agreements and that the Fund was likely to continue to benefit from services provided under the Agreements.

Liberty All-Star® Equity Fund | Board Consideration of the Renewal of the Fund Management & Portfolio Management Agreements

(Unaudited)

Investment Performance

The Board considered the long-term and short-term investment performance of the Fund over multiple periods, which generally included annual total returns both on an absolute basis and relative to an appropriate benchmark and/or Lipper peer group. The Board considered the Fund's performance based on both net asset value ("NAV") and market price and, in general, considered long-term performance to be more important in its evaluation than short-term performance. In addition, the Board considered the performance of the Fund's Portfolio Managers, including the performance of other investment companies and accounts managed by the Portfolio Managers and the performance of the allocated portions of the Fund in the context of the Portfolio Manager's different investment strategies and styles and the contribution of each Portfolio Manager to the Fund's overall strategy and performance.

Among other information, the Board received information regarding the Fund's return on an absolute and a relative basis, based on NAV and market price, for various periods. Among other things, the Board received information which indicated that, based on NAV and for periods ending June 30, 2018, the Fund outperformed the Lipper Large-Cap Core Mutual Fund Average ("Lipper Average") for the six-month, one-, three-, five-, and thirty-year periods, and was near the Lipper Average for the ten- and twenty-year periods. The Fund also outperformed the S&P 500 Index® for the six-month and one-year periods ended June 30, 2018.

In addition to the performance of the Fund and each Portfolio Manager's sleeve of the Fund, the Board considered management's and the Portfolio Managers' explanations for the Fund's performance and the relevant benchmarks and peer groups. The Board accepted the explanations and determined that the performance information and explanations supported the renewal of the Agreements.

Costs of the Services Provided to the Fund

The Board considered the fees paid by the Fund to AAI and the fees paid by AAI to the Portfolio Managers as well as information provided by AAI about the management fees, overall expense ratio and expense reimbursement for selected closed-end funds and multi-manager open-end equity funds. The Independent Trustees considered that the Fund's total expenses were lower than the median of a representative group of closed-end funds selected by AAI. The Board also considered that the Fund's management and administrative fees were higher than the median for the multi-manager open-end equity funds selected by AAI, but the total expense ratio was lower.

The Board considered that AAI currently does not have any institutional clients with investment objectives and strategies comparable to those of the Fund. The Board considered the breakpoint schedule that lowers the management fee rate paid by the Fund as the Fund's assets increase. The Board also considered the management fees paid to the Portfolio Managers and the fee rates charged by the Portfolio Managers to their other accounts, including institutional accounts. The Board considered that the Portfolio Managers were paid by AAI, not the Fund. The Board also considered the differences in the level of services provided by and the differences in responsibility of AAI and the Portfolio Managers to the Fund and to other accounts. The Board concluded that the management fees payable by the Fund to AAI and the fees payable by AAI to the Portfolio Managers were reasonable in relation to the nature and quality of the services provided, taking into account the management fees paid by comparable closed-end funds and open-end equity funds.

(Unaudited)

Profitability and Costs of Services to AAI

The Board considered the Fund's fees and expenses, and the level of profits realized by AAI in connection with the operation of the Fund. The Board considered the profitability information setting forth recent overall profitability of the Fund to AAI, as well as overall profitability information relating to certain prior calendar years. In reviewing the information, attention was given to the methodology followed in allocating costs to the Fund, it being recognized that allocation methodologies are inherently subjective and various allocation methodologies may be reasonable while producing different results. The Board considered management's ongoing costs and expenditures in providing and improving services for the Fund as well as the ongoing need to meet regulatory and compliance requirements. In addition, the Board considered information prepared by management comparing the profitability of AAI on an overall basis to other investment company managers. The Board also considered the extent to which AAI and its affiliates might derive ancillary benefits from the Fund, noting that an affiliate of AAI serves as the Fund's administrator and receives compensation for acting in this capacity,

The Board considered that AAI has advised the Board that it does not regard Portfolio Manager profitability as meaningful to an evaluation of the Portfolio Manager Agreements because the willingness of the Portfolio Managers to serve in such capacity depends primarily upon arm's-length negotiations with AAI. In addition, AAI has advised the Board that AAI generally is aware of the fees charged by the Portfolio Managers to other clients, and AAI believes that the fees agreed upon with the Portfolio Managers are reasonable in light of the quality of investment advisory services rendered. The Board accepted AAI's explanations in light of the Board's findings as to the reasonableness of the aggregate management fees paid by the Fund and the fact that each Portfolio Manager's fee is paid by AAI and not the Fund. The Board understood that, as a business matter, AAI was entitled to earn reasonable profits for its services to the Fund. The Board determined that AAI's profitability was reasonable in relation to the services provided and to the costs of providing management services to the Fund and supported the renewal of the Agreements.

Extent of Economies of Scale as the Fund Grows and Whether Fee Levels Reflect Economies of Scale

The Board considered whether economies of scale are realized by AAI as the Fund grows larger and the extent to which this is reflected in the level of management fees charged. The Board took into consideration the fee breakpoint schedules under the Agreements and concluded that the schedules reflect economies of scale with respect to the selection, evaluation and monitoring of Portfolio Managers and other services performed by AAI and the management of Fund assets by each Portfolio Manager. In this regard, the Board considered that the Fund has reached an asset size at which the Fund and its shareholders are benefiting from reduced management fee rates due to breakpoints in the management fees.

Based on the foregoing, the Board concluded that the Fund was realizing economies of scale under the Agreements and management fee schedule, which supports the renewal of the Agreements.

(Unaudited)

Benefits to be Derived from the Relationship with the Fund

The Boards also considered the potential ancillary, or "fall-out" benefits, that AAI, the Portfolio Managers or any of their affiliates might receive in connection with their association with the Fund. In its consideration of the Agreements, the Board considered, among other things, that AAI and the Portfolio Managers may derive ancillary benefits from the Fund's operations. For example, under the Agreements, although AAI is not currently doing so, it is authorized to request that transactions giving rise to brokerage commissions be executed through brokers and dealers that provide brokerage or research services to the Fund or AAI. Each Portfolio Manager, through its position as a Portfolio Manager to the Fund, also may engage in soft dollar transactions. In advance of the meeting, the Board received information regarding each Portfolio Manager's procedures for executing portfolio transactions for the allocated portion of the Fund and each Portfolio Manager's soft dollar policies and procedures. In addition, the Board considered that a Portfolio Manager may be affiliated with registered broker-dealers who may, from time to time, receive brokerage commissions from the Fund in connection with the purchase and sale of portfolio securities; provided, however, that those transactions, among other things, must be consistent with seeking best execution. The Board determined that the foregoing ancillary benefits were consistent with the renewal of the Agreements.

Conclusions

Based on its evaluation of all material factors, the Board unanimously concluded that the terms of each Agreement were reasonable and fair and that the renewal of each Agreement was in the best interests of the Fund and its shareholders.

Liberty All-Star® Equity Fund Privacy Policy

(Unaudited)

This Privacy Policy Notice discloses the privacy policies of the Liberty All-Star® Funds, which are advised by ALPS Advisors, Inc. and serviced by ALPS Fund Services, Inc. (the "Companies"). The Companies and the Funds are referred to herein collectively as "we" or "us."

Protecting Your Privacy is a Top Priority

We realize that our ability to offer superior products and services depends on the personal and financial information we collect from you. We value your business and are committed to maintaining your trust. That is why we have made your privacy a top priority.

The Information We Have and Where We Get It

We collect information about you from a variety of sources, including:

Information we receive from you on applications or other forms, such as your name, address and phone number; your social security number; and your assets, income and other household information;

Information about your other transactions with us, our affiliates or others, such as your account balances and transactions history; and

Information from visitors to our websites provided through online forms, site visitorship data and online information-collecting devices known as "cookies."

We do not solicit personal or financial information from minors without written parental consent, nor do we knowingly market products and services to minors.

How We Use This Information

We may share all of the information we collect with the Companies as part of the ordinary course of providing financial products and services to you, for the purpose of offering you new products and services to address your financial needs, for product development purposes and as otherwise required or permitted by law.

To assist in our business dealings with you, we may also share this information with companies (other than the Companies) that perform services, including marketing services, on our behalf (such as vendors that package and mail our investor statements and marketing research firms that enhance our ability to market our products and services). We do not share your information with mailing list or direct marketing companies. Thus, the information you provide to us will not result in unwanted solicitations from third-party marketers.

Finally, we may share this information with other entities outside of the Companies for the following purposes, including among others:

To respond to a subpoena or court order, judicial process or regulatory inquiry;
To report suspicious transactions to government agencies and law enforcement officials;
To protect against fraud;
To provide products and services with the consent or the direction of a customer; or
In connection with the proposed or actual sale or merger of all or a portion of a business or operating unit.

Liberty All-Star® Equity Fund Privacy Policy

(Unaudited)

Except as described above, and except for information we provide to nonaffiliated third parties as otherwise required or permitted by law, we do not share information about you with nonaffiliated third parties.

Security of Personal Financial Information

We restrict access to information about you to those employees we determine need to know that information to provide products and services to you. We maintain physical, electronic and procedural safeguards to protect this information.

If you provide information to us via our websites in order to view your account activity or conduct transactions, we use 128-bit SSL encryption security with passwords to ensure a safe transmission of data between you and us. Information you provide is stored and transmitted in a secure environment, accessible only by a select group of people who are given a secure passcode to access the information.

We continuously assess new technology for protecting information and upgrade our systems where appropriate.

If You Have Any Questions or Concerns About This Privacy Policy Notice,
Please Write to Us at:

ALPS Advisors, Inc.

Attn: Compliance Department
1290 Broadway, Suite 1100
Denver, CO 80203

Former Customers

If, for whatever reason, our customer relationship with you ends, we will preserve your information as necessary to comply with applicable laws. The measures we take to protect the privacy of customer information, as described in this Privacy Policy Notice, will continue to apply to you. We also will comply with more restrictive state laws to the extent they apply.

We reserve the right to change this Privacy Policy Notice, and any of the policies described herein, at any time. The examples contained in this Privacy Policy Notice are illustrations; they are not intended to be exclusive.

Liberty All-Star® Equity Fund Description of Lipper Benchmark and Market Indices

(Unaudited)

Dow Jones Industrial Average

A price-weighted measure of 30 U.S. blue-chip companies.

Lipper Large-Cap Core Mutual Fund Average

The average of funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) above Lipper's U.S. domestic equity large-cap floor. These funds typically have average characteristics compared to the S&P 500® Index.

NASDAQ Composite Index

Measures all NASDAQ domestic and international based common type stocks listed on the NASDAQ Stock Market.

Russell 1000® Growth Index

Measures the performance of those Russell 1000®companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000®Index measures the performance of the 1,000 largest companies in the Russell 3000®Index.

Russell 1000® Value Index

Measures the performance of those Russell 1000®companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000®Index measures the performance of the 1,000 largest companies in the Russell 3000®Index.

Russell 3000® Index

Measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

Russell 3000® Growth Index

Measures the performance of those Russell 3000® companies with higher price-to-book-ratios and higher forecasted growth values.

Russell 3000® Value Index

Measures the performance of those Russell 3000® companies with lower price-to-book-ratios and lower forecasted growth values.

S&P 500® Index

A large-cap U.S. equities index that includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

An investor cannot invest directly in an index.

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www.computershare.com

LEGAL COUNSEL
K&L Gates LLP
1601 K Street, NW
Washington, DC 20006

Annual Certifications — As required, on September 20, 2018, the Fund submitted to the New York Stock Exchange (“NYSE”) the annual certification of the Fund’s Chief Executive Officer certifying that, as of such date, he was not aware of any violation of the NYSE’s Corporate Governance listing standards. The Fund also has included the certifications of the Fund’s Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to reports filed with the Securities and Exchange Commission (“SEC”) on a quarterly basis on Form N-CSR and Form N-Q.

A description of the Fund’s proxy voting policies and procedures is available (i) on the SEC’s website at www.sec.gov, and (ii) without charge, upon request, by calling 1-800-542-3863. Information regarding how the Fund voted proxies relating to portfolio securities during the 12-month period ended June 30th is available from the SEC’s website at www.sec.gov.

The Fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund’s Form N-Qs are available on the SEC’s website at www. sec.gov and may be reviewed and copied at the SECs Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase at market prices from time to time shares of its own common stock in the open market.

This report is transmitted to shareholders of Liberty All-Star®Equity Fund for their information. It is not a prospectus or other document intended for use in the purchase of Fund shares.

LAS000910

Item 2. Code of Ethics.

(a) The registrant has, as of the end of the period covered by this report, adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party.

(b) Not Applicable.

(c) During the period covered by this report, there were not any amendments to a provision of the code of ethics adopted in 2(a) above.

(d) During the period covered by this report, there were not any waivers or implicit waivers to a provision of the code of ethics adopted in 2(a) above.

(e) Not Applicable.

(f) The registrant's Board adopted, effective October 1, 2013, a revised code of ethics described in 2(a) above. The revised code of ethics is attached hereto as Exhibit 13(a)(1).

Item 3. Audit Committee Financial Expert.

(a) (1)(i) The registrant's Board of Trustees has determined that there is one audit committee financial expert serving on its audit committee.

(a) (2) The registrant's Board of Trustees has determined that Ms. Maureen K. Usifer is an "audit committee financial expert" and is "independent" for purposes of this Item.

Item 4. Principal Accountant Fees and Services.

(a) *Audit Fees.* Aggregate Audit Fees billed by the principal accountant for professional services rendered during the fiscal years ended December 31, 2018 and December 31, 2017 and are $43,400 and $42,200, respectively. Audit Fees include amounts related to the audit of the registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

(b) *Audit-Related Fees.* Aggregate Audit-Related Fees billed to the registrant by the principal accountant for professional services rendered during the fiscal years ended December 31, 2018 and December 31, 2017 were approximately $0 and $0, respectively. Audit-Related Fees include amounts for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported in Audit Fees above.

(c) *Tax Fees.* Aggregate Tax Fees billed by the principal accountant to the registrant for professional services rendered during the fiscal years ended December 31, 2018 and December 31, 2017 are approximately $4,035and $3,940, respectively. Tax Fees in both fiscal years 2018 and 2017 consist primarily of the review of annual tax returns and include amounts for professional services by the principal accountant for tax compliance, tax advice and tax planning.

(d) *All Other Fees.* Aggregate All Other Fees billed by the principal accountant to the registrant for professional services rendered during the fiscal years ended December 31, 2018 and December 31, 2017 and were $0 and $0, respectively.

All Other Fees include amounts for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) above.

None of the amounts described in paragraphs (a) through (d) above were approved pursuant to the "de minimis" exception under paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X. During the fiscal years ended December 31, 2018 and December 31, 2017, there were no Audit-Related Fees, Tax Fees and All Other Fees that were approved for services related directly to the operations and financial reporting of the registrant to the investment advisor (not including any sub-advisor whose role is primarily portfolio management and is subcontracted with or overseen by another investment advisor) and any entity controlling, controlled by, or under common control with such investment advisor that provides ongoing services to the registrant under paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X.

(e)(1) **Audit Committee Pre-Approval Policies and Procedures**

The registrant's Audit Committee is required to pre-approve the engagement of the registrant's independent accountants to provide audit and non-audit services to the registrant and non-audit services to its investment advisor (not including any sub-advisor whose role is primarily portfolio management and is subcontracted with or overseen by another investment advisor) or any entity controlling, controlled by or under common control with such investment advisor that provides ongoing services to the registrant ("Advisor Affiliates"), if the engagement relates directly to the operations or financial reporting of the registrant, including the fees and other compensation to be paid to the independent accountants.

The Audit Committee has adopted a Policy for Engagement of Independent Accountants for Audit and Non-Audit Services ("Policy"). The Policy sets forth the understanding of the Audit Committees regarding the engagement of the registrant's independent accountants to provide (i) audit and permissible audit-related, tax and other services to the registrant; (ii) non-audit services to the registrant's investment advisor (not including any sub-advisor whose role is primarily portfolio management and is subcontracted with or overseen by another investment advisor) and Advisor Affiliates, if the engagement relates directly to the operations or financial reporting of a Fund; and (iii) other audit and non-audit services to the registrant's investment advisor (not including any sub-advisor whose role is primarily portfolio management and is subcontracted with or overseen by another investment advisor) and Advisor Affiliates. Unless a type of service receives general pre-approval under the Policy, it requires specific pre-approval by the Audit Committee if it is to be provided by the independent accountants. Pre-approval of non-audit services to the registrant, the registrant's investment advisor (not including any sub-advisor whose role is primarily portfolio management and is subcontracted with or overseen by another investment advisor) and Advisor Affiliates may be waived provided that the "de minimis" requirements set forth in the SEC's rules relating to pre-approval of non-audit services are met.

Under the Policy, the Audit Committee may delegate pre-approval authority to any pre-designated member or members who are Independent Trustees/Directors. The member(s) to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next regular meeting. The Audit Committee's responsibilities with respect to the pre-approval of services performed by the independent accountants may not be delegated to management.

The Policy requires the Fund Treasurer and/or Director of Board Administration to submit to the Audit Committee, on an annual basis, a schedule of the types of services that are subject to general pre-approval. The schedule(s) provide a description of each type of service that is subject to general pre-approval and, where possible, will provide estimated fee caps for each instance of providing each service. The Audit Committees will review and approve the types of services and review the projected fees for the next fiscal year and may add to, or subtract from, the list of general pre-approved services from time to time based on subsequent determinations. That approval acknowledges that each Audit Committee is in agreement with the specific types of services that the independent accountants will be permitted to perform.

(e)(2) The percentage of services described in paragraphs (b) through (d) of this Item approved pursuant to the “de minimis” exception under paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X during both fiscal years ended December 31, 2018 and December 31, 2017 was zero, respectively.

(f) Not applicable.

(g) The aggregate non-audit fees billed by the registrant’s accountant in each of the last two fiscal years of the Registrant were $329,435 in 2018 and $308,840 in 2017. These fees consisted of non-audit fees billed to (i) the Registrant of $4,035 in 2018 and $3,940 in 2017, respectively, as described in response to paragraph (c) above and (ii) to ALPS Fund Services, Inc., (“AFS”), an entity under common control with the ALPS Advisors, Inc., the Registrant’s investment advisor, of $325,400 in 2018 and $304,900 in 2017, respectively. The non-audit fees billed to AFS related to SSAE 18 services and other compliance related matters.

(h) The registrant's Audit Committee has considered whether the provision of non-audit services that were rendered to the registrant's advisor (not including any sub-advisor whose role is primarily portfolio management and is subcontracted with or overseen by another investment advisor), and any entity controlling, controlled by, or under common control with the investment advisor that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X, is compatible with maintaining the principal accountant's independence. The Audit Committee determined that the provision of such services is compatible with maintaining the principal accountant's independence.

Item 5. Audit Committee of Listed Registrants.

The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(58)(A)). As of December 31, 2018, Thomas W. Brock, George R. Gaspari, Milton M. Irvin, John J. Neuhauser and Maureen K. Usifer are each independent trustees and collectively constitute the entire Audit Committee.

Item 6. Schedule.

(a) The registrant's "Schedule I – Investments in securities of unaffiliated issuers" (as set forth in 17 CFR 210.12-12) is included in Item 1 of this Form N-CSR.

(b) Not Applicable.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

Attached, as Exhibit Item 7, is a copy of the registrant's policies and procedures.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.

As of March 5, 2019 unless otherwise noted

Aristotle Capital Management, LLC ("Aristotle")

(a)(1) MANAGEMENT. The portion of the Fund allocated to Aristotle is managed by Howard Gleicher, CFA and Gregory Padilla, CFA. Mr. Gleicher is CEO and Chief Investment Officer of Aristotle. Having over 30 years of investment experience, Howard heads the firm and leads the investment effort. Prior to founding Aristotle, Howard was co-founder, CEO and Chief Investment Officer at Metropolitan West Capital Management, LLC. Howard's prior investment-related experience includes serving as a Principal, Portfolio Manager and Investment Policy Committee member at Palley-Needelman Asset Management, Inc., and an Equity Portfolio Manager at Pacific Investment Management Company (PIMCO). Howard earned his Bachelor of Science and Master of Science degrees in Electrical Engineering from Stanford University, and his MBA from Harvard University. He is a CFA® charterholder. Greg has 13 years of investment experience and is a member of the Aristotle Capital investment team. Prior to joining Aristotle, Greg was a Portfolio Manager, Equity Analyst at Vinik Asset Management, LP, Managing director, Portfolio Manager and Equity Analyst at Tradewinds Global Investors, LLC, and an Equity Analyst at Engerman Asst Management. Greg earned his Bachelor of Science in Finance from Arizona State University and an MBA from the University of Southern California. He is a CFA® charterholder.

(a)(2) OTHER ACCOUNTS. The table below provides information regarding the other accounts managed by Howard Gleicher and Greg Padilla as of December 31, 2018:

Type of Account	**Number of Accounts Managed**	**Total Assets Managed (in millions)**	**Number of Accounts Managed for which Advisory Fee is Performance-Based**	**Assets Managed for which Advisory Fee is Performance-Based (in millions)**
Howard Gleicher				
Registered Investment Companies	10	$2,059	0	N/A
Other pooled investment vehicles	12	$3,704	0	N/A
Other accounts	1,885	$9,025	2	$407
Gregory Padilla				
Registered Investment Companies	8	$1,984	0	N/A
Other pooled investment vehicles	11	$3,640	0	N/A
Other accounts	1,695	$8,723	2	$407

MATERIAL CONFLICTS OF INTEREST: Potential conflicts of interest could arise when there is side-by-side management of private funds, separately managed accounts and mutual funds. These conflicts may arise through trade allocation and through selections of portfolio securities.

Aristotle seeks to mitigate conflict related to trade allocation through its trade rotation procedures. With regard to portfolio selections and the different positions that Aristotle's portfolio managers may take related to different strategies, a potential conflict could arise when different classes of a security are purchased for different portfolios in the same strategy or one strategy is long in a position and another is short in the same security. When different classes of a security are purchased across several portfolios, this often due to the availability of the security and not due a preference for one class over another among client portfolios and often a portfolio could end up with both classes. Aristotle manages strategies that include a long/short component. In this case, the long/short component would be in line with hedge on the position. However, it is acknowledged, that a separate strategy could be long only in the same security which could pose a conflict.

Aristotle acknowledges its responsibility for identifying material conflicts of interest related to voting proxies. In order to ensure that Aristotle is aware of the facts necessary to identify conflicts, management of Aristotle must disclose to the CCO any personal conflicts such as officer or director positions held by them, their spouses or close relatives, in any portfolio company. Conflicts based on business relationships with Aristotle or any affiliate of Aristotle will be considered only to the extent that Aristotle has actual knowledge of such relationships. If a conflict may exist which cannot be otherwise addressed by the Chief Investment Officer or his designee, Aristotle may choose one of several options including: (1) "echo" or "mirror" voting the proxies in the same proportion as the votes of other proxy holders that are not Aristotle clients; (2) if possible, erecting information barriers around the person or persons making the voting decision sufficient to insulate the decision from the conflict; or (3) if agreed upon in writing with the client, forwarding the proxies to affected clients and allowing them to vote their own proxies.

(a)(3) COMPENSATION STRUCTURE. All investment professionals are compensated by competitive base salaries and are eligible to receive an annual bonus that reflects an individual's team contribution to company objectives. (Market indices are not used in determining an employee's annual bonus.) Each portfolio manager at Aristotle is an equity partner of the firm and receives a portion of the overall profits of Aristotle as part of his ownership interest. Aristotle's culture is driven by a collegial and collaborative atmosphere that inspires teamwork and does not foster a "zero sum" environment where individual analysts are perceived to be in competition with one another.

(a)(4) OWNERSHIP BY PORTFOLIO MANAGERS.

Portfolio Managers	Dollar Range of the Registrant's Securities Owned by the Portfolio Managers
Howard Gleicher, CFA	$10,001 - $50,000

Gregory Padilla, CFA	none

Pzena Investment Management, LLC ("Pzena")

(a)(1) MANAGEMENT.

The portion of the Fund allocated to Pzena is managed by a team of portfolio managers. Individual portfolio managers on the team do not have any latitude to make independent portfolio decisions. All decisions require unanimous consent of a three-person portfolio management team, with each of the three portfolio managers having joint decision-making responsibility. As of December 31, 2018, Richard Pzena, Benjamin Silver and John Flynn were co-portfolio managers for the Fund.

Richard S. Pzena –Along with being the Founder of the firm, Mr. Pzena is a Managing Principal, Co-Chief Investment Officer, Portfolio Manager, and member of the firm's Executive Committee. Mr. Pzena is the architect of the firm's investment strategy and conceived and developed our proprietary screening model. He serves as co-portfolio manager for the U.S. Large Cap and Mid Cap strategies, Focused Value, and U.S. Best Ideas. Prior to forming Pzena Investment Management, Mr. Pzena was the director of U.S. Equity Investments and Chief Research officer for Sanford C. Bernstein & Company. He joined Bernstein as an oil industry analyst and was named to the Institutional Investor All America Research Team for three years running. Mr. Pzena also served as Chief Investment Officer, Small Cap Equities. Prior to joining Bernstein, Mr. Pzena worked for the Amoco Corporation in various financial and planning roles. He earned a B.S. summa cum laude and an M.B.A. from the Wharton School of the University of Pennsylvania.

Benjamin S. Silver, CFA, CPA – Mr. Silver is a Principal and Portfolio Manager. Mr. Silver serves as co-portfolio manager for the U.S. Mid Cap, Large Cap and Global strategies, along with the Focused Value and Small Cap Focused Value services. Prior to joining Pzena Investment Management, Mr. Silver was a research analyst at Levitas & Company, a value based equity hedge fund and a manager for Ernst & Young LLP in their Financial Services Group. He earned a B.S. magna cum laude in Accounting from Sy Syms School of Business at Yeshiva University. Mr. Silver is a Certified Public Accountant and holds the Chartered Financial Analyst designation.

John J. Flynn – Mr. Flynn is a Principal and Portfolio Manager. Mr. Flynn is a co-portfolio manager for the U.S. Mid Cap and Large Cap strategies, along with the Focused Value and Small Cap Focused Value services. Prior to joining Pzena Investment Management, Mr. Flynn was an associate at Weston Presidio, a middle-market private equity investment firm. He earned a B.A. in Music from Yale University and an M.B.A. with distinction from the Harvard Business School.

(a)(2)OTHER ACCOUNTS. The table below provides information regarding the other accounts managed by Messrs. Pzena, Silver and Flynn, as of December 31, 2018.

Type of Account	**Number of Accounts Managed**	**Total Assets Managed (in millions)**	**Number of Accounts Managed for which Advisory Fee is Performance-Based**	**Assets Managed for which Advisory Fee is Performance-Based (in millions)**
Richard S. Pzena				
Registered Investment Companies	9	$9,778	2	$6,864
Other pooled investment vehicles	22	$1,064	2	$113

Other accounts	73	$2,259	1	$818
Benjamin Silver				
Registered Investment Companies	13	$9,871	2	$6,864
Other pooled investment vehicles	34	$3,714	3	$423
Other accounts	132	$6,501	1	$818
John Flynn				
Registered Investment Companies	13	$9,871	2	$6,864
Other pooled investment vehicles	19	$983	1	$2
Other accounts	116	$3,173	1	$818

(a)(3) COMPENSATION STRUCTURE. Pzena portfolio managers, including Messrs. Pzena, Silver and Flynn, and other investment professionals at Pzena are compensated through a combination of a fixed base salary, annual discretionary bonus and equity ownership, if appropriate due to superior performance. Pzena avoids a compensation model that is driven by individual security performance, as this can lead to short-term thinking which is contrary to the firm’s value investment philosophy. Pzena considers both quantitative and qualitative factors when determining performance bonuses; however, performance bonuses are not based directly on the performance of the Fund or other clients. For investment professionals, Pzena examines such things as effort, efficiency, ability to focus on the correct issues, stock modeling ability, and ability to successfully interact with company management; however, Pzena always considers all of the contributions that the person has made and is likely to make in the future. Ultimately, equity ownership is the primary tool used by Pzena for attracting and retaining the best people.

MATERIAL CONFLICTS OF INTEREST: Conflicts of interest may arise in managing the Fund's portfolio investments, on the one hand, and the portfolios of Pzena's other clients and/or accounts (together "Accounts"), on the other. Set forth below is a brief description of some of the material conflicts which may arise and Pzena's policy or procedure for handling them.

Although Pzena has designed such procedures to prevent and address conflicts, there is no guarantee that such procedures will detect every situation in which a conflict arises.

The management of multiple Accounts inherently means there may be competing interests for the portfolio management team's time and attention. Pzena seeks to minimize this by utilizing one investment approach (i.e., "classic" value investing), and by managing all Accounts on a product specific basis. Thus, all large cap value Accounts, whether they are mutual fund accounts, institutional accounts or individual accounts, are managed using the same investment discipline, strategy and proprietary investment model as the Fund.

If the portfolio management team identifies a limited investment opportunity which may be suitable for more than one Account, the Fund may not be able to take full advantage of that opportunity. However, Pzena has adopted procedures for allocating portfolio transactions across Accounts so that each Account is treated fairly.

With respect to securities transactions for the Accounts, Pzena determines which broker to use to execute each order, consistent with its duty to seek best execution. Pzena aggregates like orders where it believes doing so is beneficial to the Accounts. However, with respect to certain Accounts, Pzena may be limited by clients with respect to the selection of brokers or it may be instructed to direct trades through particular brokers. In these cases, Pzena may place separate, non-simultaneous transactions for the Fund and another Account which may temporarily affect the market price of the security or the execution of the transaction to the detriment of one or the other.

Conflicts of interest may arise when members of the portfolio management team transact personally in securities investments made or to be made for the Fund or other Accounts. To address this, Pzena has adopted a written Code of Business Conduct and Ethics designed to prevent and detect personal trading activities that may interfere or conflict with client interests (including Fund shareholders' interests) or its current investment strategy.

Pzena manages some Accounts under performance-based fee arrangements. Pzena recognizes that this type of incentive compensation creates the risk for potential conflicts of interest. The structure may create inherent pressure to allocate investments having a greater potential for higher returns to those Accounts with higher performance fees. To prevent conflicts of interest associated with managing accounts with different fee structures, Pzena generally requires portfolio decisions to be made on a product specific basis (e.g., for all large cap value Accounts). Pzena also requires pre-allocation of all client orders based on specific fee-neutral criteria set forth above. Additionally, Pzena requires average pricing of all aggregated orders. Finally, Pzena has adopted a policy prohibiting portfolio managers (and all employees) from placing the investment interests of one client or a group of clients with the same investment objectives above the investment interests of any other client or group of clients with the same or similar investment objectives.

(a)(4) OWNERSHIP BY PORTFOLIO MANAGERS: Messrs. Pzena, and Silver do not own shares of the Fund. Mr. Flynn owns between $50,000 and $100,000 of the Fund.

Delaware Investments Fund Advisers ("DIFA")

(a)(1) MANAGEMENT. The portion of the Fund allocated to DIFA is managed by the Macquarie Investment Management Large-Cap Value team:

D. Tysen Nutt Jr.

Senior Vice President, Senior Portfolio Manager

D. Tysen Nutt Jr. is a senior portfolio manager for the firm's Large-Cap Value team. Before joining Macquarie Investment Management (MIM) in 2004 as senior vice president and senior portfolio manager, Nutt led the US Active Large-Cap Value team within Merrill Lynch Investment Managers, where he managed mutual funds and separate accounts for institutions and private clients. Nutt earned his bachelor's degree from Dartmouth College, and he is a member of the CFA Society New York and the CFA Institute.

Kristen E. Bartholdson

Vice President, Senior Portfolio Manager

Kristen E. Bartholdson is a senior portfolio manager for the firm's Large-Cap Value team. Prior to joining Macquarie Investment Management (MIM) in 2006 as an associate portfolio manager, she worked at Susquehanna International Group from 2004 to 2006, where she was an equity research salesperson. From 2000 to 2004, she worked in equity research at Credit Suisse, most recently as an associate analyst in investment strategy. Bartholdson earned her bachelor's degree in economics from Princeton University.

Nikhil G. Lalvani, CFA

Vice President, Senior Portfolio Manager, Team Leader

Nikhil G. Lalvani is a senior portfolio manager for the firm's Large-Cap Value team and assumed the role of team leader in October 2018. At Macquarie Investment Management (MIM), Lalvani has worked as both a fundamental and quantitative analyst. Prior to joining the firm in 1997 as an account analyst, he was a research associate with Bloomberg. Lalvani holds a bachelor's degree in finance from The Pennsylvania State University. He is a member of the CFA Institute and the CFA Society of Philadelphia.

Robert A. Vogel Jr., CFA

Vice President, Senior Portfolio Manager

Robert A. Vogel Jr. is a senior portfolio manager for the firm's Large-Cap Value team. Prior to joining Macquarie Investment Management (MIM) in 2004 as vice president and senior portfolio manager, he worked at Merrill Lynch Investment Managers for more than seven years, where he rose to the position of director and portfolio manager within the US Active Large-Cap Value team. He began his career in 1992 as a financial consultant at Merrill Lynch. Vogel graduated from Loyola University Maryland, earning both bachelor's and master's degrees in finance. He also earned an MBA with a concentration in finance from The Wharton School of the University of Pennsylvania. Vogel is a member of the CFA Society New York, the CFA Institute, and the CFA Society of Philadelphia.

(a)(2) OTHER ACCOUNTS. The table below provides information regarding the other accounts managed by the Large-Cap Value team as of December 31, 2018:

Type of Account	**Number of Accounts Managed**	**Total Assets Managed (in millions)**	**Number of Accounts Managed for which Advisory Fee is Performance-Based**	**Assets Managed for which Advisory Fee is Performance-Based (in millions)**
Kristen E. Bartholdson				
Registered Investment Companies	9	$15,339	0	N/A
Other pooled investment vehicles	4	$1,013	0	N/A
Other accounts	26	$5,540	1	$1,421
Nikhil G. Lalvani, CFA				
Registered Investment Companies	9	$15,339	0	N/A
Other pooled investment vehicles	4	$1,013	0	N/A
Other accounts	26	$5,540	1	$1,421
D. Tysen Nutt Jr.				
Registered Investment Companies	10	$15,528	0	N/A
Other pooled investment vehicles	4	$1,013	0	N/A
Other accounts	26	$5,540	1	$1,421
Robert A. Vogel Jr., CFA				
Registered Investment Companies	9	$15,339	0	N/A
Other pooled investment vehicles	4	$1,013	0	N/A
Other accounts	26	$5,540	1	$1,421

MATERIAL CONFLICTS OF INTEREST:

Individual portfolio managers may perform investment management services for other funds or accounts similar to those provided to the Fund and the investment action for such other fund or account and the Fund may differ. For example, an account or fund may be selling a security, while another account or the Fund may be purchasing or holding the same security. As a result, transactions executed for one fund or account may adversely affect the value of securities held by another fund or account. Additionally, the management of multiple other funds or accounts and the Fund may give rise to potential conflicts of interest, as a portfolio manager must allocate time and effort to multiple funds or accounts and the Fund. A portfolio manager may discover an investment opportunity that may be suitable for more than one account or fund. The investment opportunity may be limited, however, so that all funds or accounts for which the investment would be suitable may not be able to participate. DIFA has adopted procedures designed to allocate investments fairly across multiple funds or accounts.

One of the accounts managed by the portfolio managers have performance-based fees. This compensation structure presents a potential conflict of interest. The portfolio manager has an incentive to manage this account so as to enhance its performance, to the possible detriment of other accounts for which the Manager does not receive a performance-based fee.

A portfolio manager's management of personal accounts also may present certain conflicts of interest. While DIFA's code of ethics is designed to address these potential conflicts, there is no guarantee that it will do so.

(a)(3) COMPENSATION STRUCTURE. The Large-Cap Value team's compensation consists of the below structure:

Compensation Structure

Each portfolio's manager's compensation consists of the following:

Base Salary - Each named portfolio manager receives a fixed base salary. Salaries are determined by a comparison to industry data prepared by third parties to ensure that portfolio manager salaries are in line with salaries paid at peer investment advisory firms.

Bonus - Each named portfolio manager is eligible to receive an annual cash bonus. The bonus pool is determined by the revenues associated with the products a portfolio manager manages. Macquarie Investment Management keeps a percentage of the revenues and the remaining percentage of revenues (minus appropriate expenses associated with relevant product and the investment management team) creates the “bonus pool” for the product. Various members of the team have the ability to earn a percentage of the bonus pool. The pool is allotted based on subjective factors and objective factors. The primary objective factor is the one-, three-, and five-year performance of the funds managed relative to the performance of the appropriate Broadridge Financial Solutions, Inc. (formerly, Lipper, Inc.) peer groups and the performance of institutional composites relative to the appropriate indices. Three- and five-year performance is weighted more heavily and there is no objective award for a fund whose performance falls below the 50th percentile for a given time period.

Individual allocations of the bonus pool are based on individual performance measurements, both objective and subjective, as determined by senior management.

Portfolio managers participate in retention programs, including the Macquarie Investment Management Notional Investment Plan and the Macquarie Group Employee Retained Equity Plan, for alignment of interest purposes.

Macquarie Investment Management Notional Investment Plan – A portion of a portfolio manager's retained profit share may be notionally exposed to the return of certain funds within the MIM Funds pursuant to the terms of the Macquarie Investment Management Notional Investment Plan. The retained amount will vest in equal tranches over a period ranging from four to five years after the date of investment (depending on the level of the employee).

Macquarie Group Employee Retained Equity Plan – A portion of a portfolio manager's retained profit share may be invested in the Macquarie Group Employee Retained Equity Plan ("MEREP"), which is used to deliver remuneration in the form of Macquarie equity. The main type of award currently being offered under the MEREP is units comprising a beneficial interest in a Macquarie share held in a trust for the employee, subject to the vesting and forfeiture provisions of the MEREP. Subject to vesting conditions, vesting and release of the shares occurs in a period ranging from four to five years after the date of investment (depending on the level of the employee).

Other Compensation - Portfolio managers may also participate in benefit plans and programs available generally to all similarly situated employees.

(a)(4) OWNERSHIP BY PORTFOLIO MANAGERS.

Portfolio Managers	Dollar Range of the Registrant's Securities Owned by the Portfolio Managers
Kristen E. Bartholdson	None
Nikhil G. Lalvani	None
D. Tysen Nutt Jr.	None
Robert A. Vogel Jr.	None

TCW Investment Management Company LLC ("TCW")

MANAGEMENT. The portion of the Fund allocated to TCW is managed by Craig C. Blum, CFA, Portfolio Manager, Managing Director and US Equities – Mr. Blum is the Portfolio Manager of the TCW Concentrated Core strategy and the TCW Select Equities Fund. He joined TCW in 1999 as a Research Analyst in the Equity Research group covering data networking, communications equipment, and enterprise technology companies. In 2002, Mr. Blum became a member of the Concentrated Core/Select Equities group and was subsequently named Portfolio Manager in 2004. Prior to TCW, Mr. Blum held various positions with FMAC Capital Markets, PaineWebber and Merrill Lynch. He received his BS in Applied Mathematics and Computer Science from the University of California, Los Angeles (UCLA), and his MBA from the UCLA Anderson School of Management. Mr. Blum is a CFA charterholder.

OTHER ACCOUNTS. The table below provides information about the other accounts managed by Mr. Blum as of December 31, 2018:

Type of Account	**Number of Accounts Managed**	**Total Assets Managed (in millions)**	**Number of Accounts Managed for which Advisory Fee is Performance-Based**	**Assets Managed for which Advisory Fee is Performance-Based (in millions)**
Craig C. Blum				
Registered Investment Companies	1	$782	0	$0
Other pooled investment vehicles	3	$107	0	$0
Other accounts	31	$3,552	1	$270

COMPENSATION STRUCTURE.

The overall objective of TCW's compensation program for portfolio managers is to attract experienced and expert investment professionals and to retain them over the long-term. Compensation is comprised of several components which, in the aggregate, are designed to achieve these objectives and to reward the portfolio managers for their contributions to the successful performance of the accounts they manage. Portfolio managers are compensated through a combination of base salary, fee sharing based compensation ("fee sharing"), bonus and equity incentive participation in TCW's parent company ("equity incentives"). Fee sharing and equity incentives generally represent most of the portfolio managers' compensation. In some cases, portfolio managers are eligible for discretionary bonuses.

Salary. Salary is agreed to with portfolio managers at the time of employment and is reviewed from time to time. It does not change significantly and often does not constitute a significant part of a portfolio manager's compensation.

Fee sharing. Fee sharing for investment professionals is based on revenues generated by accounts in the investment strategy area for which the investment professionals are responsible. In most cases, revenues are allocated to a pool and fee sharing compensation is allocated among members of the investment team after the deduction of certain expenses (including compensation over a threshold level) related to the strategy group. The allocations are based on the investment professionals' contribution to TCW and its clients, including qualitative and quantitative contributions.

In general, the same fee sharing percentage is used to compensate a portfolio manager for investment services related to a Fund is generally the same as that used to compensate portfolio managers for other client accounts in the same strategy managed by TCW or an affiliate of TCW (collectively, the "**TCW Group**"). In some cases, the fee sharing pool includes revenues related to more than one product, in which case each participant in the pool is entitled to fee sharing derived from his or her contributions to all the included products.

Investment professionals are not directly compensated for generating performance fees. In some cases, the fee sharing pool is subject to fluctuation based on the relative pre-tax performance of the investment strategy composite returns, net of fees and expenses, to that of the benchmark. The measurement of performance relative to the benchmark can be based on single year or multiple year metrics, or a combination thereof. The benchmark used is the one associated with the Fund managed by the portfolio manager as disclosed in the prospectus. Benchmarks vary from strategy to strategy but, within a given strategy, the same benchmark applies to all accounts, including the Funds.

Discretionary Bonus/Guaranteed Minimums. Discretionary bonuses may be paid out of an investment team's fee sharing pool, as determined by the supervisor(s) in the department. In other cases where portfolio managers do not receive fee sharing or where it is determined that the combination of salary and fee sharing does not adequately compensate the portfolio manager, discretionary bonuses may be paid by the applicable TCW entity. Also, pursuant to contractual arrangements, some portfolio managers received minimum bonuses.

Equity Incentives. Management believes that equity ownership aligns the interests of portfolio managers with the interests of the firm and its clients. Accordingly, TCW Group's key investment professionals participate in equity incentives through ownership or participation in restricted unit plans that vest over time or unit appreciation plans of TCW's parent company. The plans include the Fixed Income Retention Plan, Restricted Unit Plan and 2013 Equity Unit Incentive Plan.

Under the Fixed Income Retention Plan, certain portfolio managers in the fixed income area were awarded cash and/or partnership units in TCW's parent company, either on a contractually-determined basis or on a discretionary basis. Awards under this plan were made in 2010 that vest over time.

Under the Restricted Unit Plan, certain portfolio managers in the fixed income and equity areas may be awarded partnership units in TCW's parent company. Awards under this plan have vested over time, subject to satisfaction of performance criteria.

Under the 2013 Equity Unit Incentive Plan, certain portfolio managers in the fixed income and equity areas may be awarded options to acquire partnership units in TCW's parent company with a strike price equal to the fair market value of the option at the date of grant. The options granted under this plan are subject to vesting and other conditions.

Other Plans and Compensation Vehicles. Portfolio managers may also elect to participate in the applicable TCW Group's 401(k) plan, to which they may contribute a portion of their pre- and post-tax compensation to the plan for investment on a tax-deferred basis.

Potential conflicts of interest in managing multiple accounts

TCW has policies and controls to avoid and/or mitigate conflicts of interest across its businesses. The policies and procedures in TCW's Code of Ethics (the "Code") serve to address or mitigate both conflicts of interest and the appearance of any conflict of interest. The Code contains several restrictions and procedures designed to eliminate conflicts of interest relating to personal investment transactions, including (i) reporting account openings, changes, or closings (including accounts in which an Access Person has a "beneficial interest"), (ii) pre-clearance of non-exempt personal investment transactions (make a personal trade request for Securities) and (iii) the completion of timely required reporting (Initial Holdings Report, Quarterly Transactions Report, Annual Holdings Report and Annual Certificate of Compliance).

In addition, the Code addresses potential conflicts of interest through its policies on insider trading, anti-corruption, an employee's outside business activities, political activities and contributions, confidentiality and whistleblower provisions.

Conflicts of interest may also arise in the management of accounts and investment vehicles. These conflicts may raise questions that would allow TCW to allocate investment opportunities in a way that favors certain accounts or investment vehicles over other accounts or investment vehicles, or incentivize a TCW portfolio manager to receive greater compensation with regard to the management of certain account or investment vehicles. TCW may give advice or take action with certain accounts or investment vehicles that could differ from the advice given or action taken on other accounts or investment vehicles.

When an investment opportunity is suitable for more than one account or investment vehicle, such investments will be allocated in a manner that is fair and equitable under the circumstances to all TCW clients. As such, TCW has adopted compliance policies and procedures in its Portfolio Management Policy that helps to identify a conflict of interest and then specifies how a conflict of interest is managed. TCW's Trading and Brokerage Policy also discusses the process of timing and method of allocations, and addresses how the firm handles affiliate transactions.

The respective Equity and Fixed Income Trading and Allocation Committees review trading activities on behalf of client accounts, including the allocation of investment opportunities and address any issues with regard to side-by-side management in order to ensure that all of TCW's clients are treated on a fair and equitable basis. Further, the Portfolio Analytics Committee reviews TCW's investment strategies, evaluates various analytics to facilitate risk assessment, changes to performance composites and benchmarks and monitors the implementation and maintenance of the Global

Investment Performance Standards or GIPS® compliance.

TCW's approach to handling conflicts of interest is multi-layered starting with its policies and procedures, reporting and pre-clearance processes and oversight by various committees.

OWNERSHIP BY PORTFOLIO MANAGERS. None of the individuals at the firm responsible for the day-to-day management of the Fund owns any shares of the Fund.

Sustainable Growth Advisers, LP ("SGA")

MANAGEMENT.

George P. Fraise - Principal, co-founder, portfolio manager and a member of the Investment Committee. He is also a member of the Firm's Advisory Board. Prior to founding Sustainable Growth Advisers, George was Executive Vice President, a member of the Board of Directors and a member of the Investment Policy Committee of Yeager, Wood & Marshall, Inc. George began his investment career in 1987 as an equity analyst at Drexel Burnham Lambert. In 1990 he joined Smith Barney as a senior analyst responsible for the coverage of electrical equipment companies. He also held a senior analyst position at Chancellor Capital Management, a private large cap growth money manager. In 1997 George joined Scudder Kemper Investments as a portfolio manager for two separate large cap growth funds.

Education:

Trinity College – BA in History - 1986

Stern School of Business at New York University – MBA in Finance and International Business – 1990

Gordon M. Marchand, CFA, CIC, CPA - Principal, co-founder, portfolio manager and a member of the Investment Committee. He is also a member of the Firm's Advisory Board and serves as the firm's Chief Financial Officer. Prior to founding Sustainable Growth Advisers, Gordon was an executive officer, a member of the Board of Directors and Investment Policy Committee of Yeager, Wood & Marshall, Inc. which he joined in 1984. He also served as the firm's Chief Financial and Operating Officer. Gordon began his career as a CPA for Grant Thornton Int'l and a management consultant for Price Waterhouse.

Education:

Georgetown University – BS; University of Massachusetts/Amherst – MBA

Oxford University Management Center – Graduate Study

Robert L. Rohn – Principal, co-founder, portfolio manager and chairs the firm's Investment Committee. He is also a member of the Firm's Advisory Board. Prior to joining Sustainable Growth Advisers in November 2003, Rob managed over $1 billion of large capitalization, high quality growth stock portfolios at W.P Stewart & Co. During Rob's twelve-year tenure with W.P. Stewart, he was an analyst and portfolio Manager, held the positions of Chairman of the Board and Chief Executive Officer of W.P. Stewart Inc., the company's core U.S. investment business, and served as Chairman of the firm's Management Committee. From 1988 through 1991, he was with Yeager, Wood & Marshall, a growth-oriented investment counseling firm, where he served as Vice President and a member of the Investment Policy Committee with responsibilities in equity analysis and portfolio management. Rob began his career in 1983 at JP Morgan, where he was an officer of the bank in Corporate Finance.

Education:

Dartmouth College – BA (Cum Laude); Harvard Business School – MBA

OTHER ACCOUNTS. The table below provides information about the other accounts managed by Messrs. Fraise, Rohn and Marchand, as of December 31, 2018:

Type of Account	**Number of Accounts Managed**	**Total Assets Managed (in millions)**	**Number of Accounts Managed for which Advisory Fee is Performance Based**	**Assets Managed for which Advisory Fee is Performance Based (in millions)**
George P. Fraise				
	6	$3,905	0	n/a

Registered Investment Companies				
Other Pooled Investment Vehicles	16	$2,609	0	n/a
Other Accounts	64	$3,754	1	$54
Robert L. Rohn				
Registered Investment Companies	6	$3,905	0	n/a
Other Pooled Investment Vehicles	16	$2,609	0	n/a
Other Accounts	65	$3,754	1	$54
Gordon M. Marchand				
Registered Investment Companies	6	$3,905	0	n/a
Other Pooled Investment Vehicles	17	$2,698	0	n/a
Other Accounts	64	$3,754	1	$54

Compensation Structure

SGA has adopted a system of compensation for portfolio managers that seeks to align the financial interests of the investment professionals with those of SGA. The compensation of SGA’s three principals/portfolio managers is based upon (i) a fixed base compensation and (ii) SGA’s financial performance. SGA’s compensation arrangements with its investment professionals are not determined on the basis of specific funds or accounts managed by the investment professional. All investment professionals receive customary benefits that are offered generally to all salaried employees of SGA.

OWNERSHIP BY PORTFOLIO MANAGERS. None of the individuals at the firm responsible for the day-to-day management of the Fund owns any shares of the Fund.

Potential conflicts of interest in managing multiple accounts

Like other investment professionals with multiple clients, a portfolio manager for a Fund may face certain potential conflicts of interest in connection with managing both the Fund and other accounts at the same time. The paragraphs below describe some of these potential conflicts, which may be faced by investment professionals at most major financial firms. ALPS Advisors, Inc. and the Fund have adopted compliance policies and procedures that attempt to address certain of these potential conflicts.

The management of accounts with different advisory fee rates and/or fee structures, including accounts that pay advisory fees based on account performance ("performance fee accounts"), may raise potential conflicts of interest by creating an incentive to favor higher-fee accounts. These potential conflicts may include, among others:

The most attractive investments could be allocated to higher-fee accounts or performance fee accounts.

The trading of higher-fee accounts could be favored as to timing and/or execution price. For example, higher-fee accounts could be permitted to sell securities earlier than other accounts when a prompt sale is desirable or to buy securities at an earlier and more opportune time.

The trading of other accounts could be used to benefit higher-fee accounts (front-running).

The investment management team could focus their time and efforts primarily on higher-fee accounts due to a personal stake in compensation.

Potential conflicts of interest may also arise when the portfolio managers have personal investments in other accounts that may create an incentive to favor those accounts.

A potential conflict of interest may arise when a Fund and other accounts purchase or sell the same securities. On occasions when a portfolio manager considers the purchase or sale of a security to be in the best interests of a Fund as well as other accounts, the adviser's trading desk may, to the extent permitted by applicable laws and regulations, aggregate the securities to be sold or purchased in order to obtain the best execution and lower brokerage commissions, if any. Aggregation of trades may create the potential for unfairness to a Fund or another account if one account is favored over another in allocating the securities purchased or sold – for example, by allocating a disproportionate amount of a security that is likely to increase in value to a favored account.

"Cross trades," in which one account sells a particular security to another account (potentially saving transaction costs for both accounts), may also pose a potential conflict of interest. Cross trades may be seen to involve a potential conflict of interest if, for example, one account is permitted to sell a security to another account at a higher price than an independent third party would pay. The Fund has adopted compliance procedures that provide that any transactions between a Fund and another advised account are to be made at an independent current market price, as required by law.

Another potential conflict of interest may arise based on the different investment objectives and strategies of a Fund and other accounts. For example, another account may have a shorter-term investment horizon or different investment objectives, policies or restrictions than a Fund. Depending on another account's objectives or other factors, a portfolio manager may give advice and make decisions that may differ from advice given, or the timing or nature of decisions made, with respect to a Fund. In addition, investment decisions are the product of many factors in addition to basic suitability for the particular account involved. Thus, a particular security may be bought or sold for certain accounts even though it could have been bought or sold for other accounts at the same time. More rarely, a particular security may be bought for one or more accounts managed by a portfolio manager when one or more other accounts are selling the security (including short sales). There may be circumstances when purchases or sales of portfolio securities for one or more accounts may have an adverse effect on other accounts.

A Fund's portfolio manager who is responsible for managing multiple funds and/or accounts may devote unequal time and attention to the management of those funds and/or accounts. As a result, the portfolio manager may not be able to formulate as complete a strategy or identify equally attractive investment opportunities for each of those accounts as might be the case if he or she were to devote substantially more attention to the management of a single fund. The effects of this potential conflict may be more pronounced where funds and/or accounts overseen by a particular portfolio manager have different investment strategies.

A Fund's portfolio managers may be able to select or influence the selection of the brokers and dealers that are used to execute securities transactions for the Fund. In addition to executing trades, some brokers and dealers provide portfolio managers with brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934), which may result in the payment of higher brokerage fees than might have otherwise be available. These services may be more beneficial to certain funds or accounts than to others. Although the payment of brokerage commissions is subject to the requirement that the portfolio manager determine in good faith that the commissions are reasonable in relation to the value of the brokerage and research services provided to the fund, a portfolio manager's decision as to the selection of brokers and dealers could yield disproportionate costs and benefits among the funds and/or accounts that he or she manages.

The adviser or an affiliate may provide more services (such as distribution or recordkeeping) for some types of funds or accounts than for others. In such cases, a portfolio manager may benefit, either directly or indirectly, by devoting disproportionate attention to the management of fund and/or accounts that provide greater overall returns to the investment manager and its affiliates.

A Fund's portfolio manager(s) may also face other potential conflicts of interest in managing the Fund, and the description above is not a complete description of every conflict that could be deemed to exist in managing both a Fund and other accounts. In addition, a Fund's portfolio manager may also manage other accounts (including their personal assets or the assets of family members) in their personal capacity. The management of these accounts may also involve certain of the potential conflicts described above. Investment personnel at the advisers, including each Fund's portfolio manager, are subject to restrictions on engaging in personal securities transactions pursuant to Codes of Ethics adopted by the adviser.

The adviser has trade allocation and other policies and procedures that it believes are reasonably designed to address these and other potential conflicts of interest.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

During the fiscal year ended December 31, 2018, there were no purchases made by or on behalf of the registrant or any "affiliated purchaser", as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934 ("Exchange Act"), of shares or other units of any class of the registrant's equity securities that are registered by the registrant pursuant to Section 12 of the Exchange Act.

Item 10. Submission of Matters to a Vote of Security Holders.

There have not been any material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors, since those procedures were last disclosed in response to the requirements of Item 407(c)(2)(iv) of Regulation S-K or this Item.

Item 11. Controls and Procedures.

(a) The Registrant's Principal Executive Officer and Principal Financial Officer have concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended) are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There was no change in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940, as amended) during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 12. Disclosure of Securities Lending Activities for Closed-End Management Investment Companies.

(a) For the fiscal year ended December 31, 2018, the registrant had the following dollar amounts of income and fees/compensation related to its securities lending activities to report:

	Total
Gross Income from securities lending activity[1]	$100,553
Fees and/or compensation for securities lending activities and related services	
Fees paid to securities lending agent from revenue split[2]	$12,678
Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) that are not included in revenue split[3]	$1,326
Administrative fees not included in revenue split[4]	$-
Indemnification fee not included in revenue split[5]	$-
Rebate (paid to borrowers)[6]	$36,134
Other fees not included in revenue split (specify)	$-
Aggregate fees/comp for securities lending activities	$50,138
Net income from securities lending activities	$50,415

1 Gross income from securities lending activities represents the total revenue generated from securities lending activities prior to the application of any fees (revenue split, management fee, or otherwise) and/or rebates on cash collateral negotiated with borrowers.

2 Fees paid to securities lending agent from a revenue split is the agent lender's income from the lending activities exclusive of any fees or rebates.

3 Fees paid for cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) that are not included in the revenue split as calculated: Average monthly cash collateral balance for the reporting period multiplied by the most recently reported expense ratio.

4 Administrative fees not included in revenue split are fees for other administrative activities associated with client's participation in securities lending activities.

5 Indemnification fee not included in revenue split is the fee for indemnifying the client for their participation in securities lending activities. There is currently no fee associated with indemnification.

6 Rebate (paid to borrowers) is the fee paid by the lender to the borrower for loans collateralized with cash.

(b) The Fund only lends its portfolio securities to borrowers that are approved by the Fund's securities lending agent. The agent monitors loans for compliance with certain policies of the Fund, including: (1) securities lending may not exceed 30% of the value of the Fund's total assets; (2) the initial collateral received by the Fund must have a value of no less than 102% of the market value of the loaned securities for securities traded on U.S. exchanges and a value of no less than 105% of the market value of the loaned securities for all other securities; and, (3) thereafter the market value of the collateral must be no less than 100% of the current value of the securities on loan. The securities lending agent will obtain additional collateral in the event the market value of the collateral does not comply with these policies. The securities lending agent will recall securities on loan in the event it is determined that they need to be recalled for any reason, including for the Fund to cast a vote on a matter at a shareholders meeting. The securities lending agent collects distributions on loaned securities. The securities lending agent invests cash collateral received in a money market fund approved by the Fund's board.

Item 13. Exhibits.

(a)(1) The registrant's Code of Ethics for Principal Executive and Senior Financial Officers that applies to the registrant's principal executive officer and principal financial officer and as described in Item 2 hereof is attached hereto as Exhibit 13.A.1.

(a)(2) Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) attached hereto as Exhibit 99.CERT.

(a)(3) Not applicable.

(a)(4) Not applicable.

(b) Certification pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 (17 CFR 270.30a-2(b)) attached hereto as Exhibit 99.906CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LIBERTY ALL-STAR EQUITY FUND

By: /s/ William R. Parmentier, Jr.
William R. Parmentier, Jr.

(Principal Executive Officer)

President

Date: March 5, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LIBERTY ALL-STAR EQUITY FUND

By: /s/ William R. Parmentier, Jr.
William R. Parmentier, Jr.

(Principal Executive Officer)

President

Date: March 5, 2019

By: /s/ Kimberly R. Storms
Kimberly R. Storms
(Principal Financial Officer)

Treasurer

Date: March 5, 2019