LIBERTY ALL STAR EQUITY FUND
Form PRER14A
February 23, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

x	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

LIBERTY ALL-STAR EQUITY FUND
(Name of Registrant as Specified In Its Charter)

ALPS FUND SERVICES, INC.

Attn: Tane Tyler

1290 Broadway, Suite 1100

Denver, Colorado 80203
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x	No fee required.	
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.	
	(1)	Title of each class of securities to which transaction applies:
	(2)	Aggregate number of securities to which transaction applies:
	(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
	(4)	Proposed maximum aggregate value of transaction:
	(5)	Total fee paid:
o	Fee paid previously with preliminary materials.	
o	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.	
	(1)	Amount Previously Paid:
	(2)	Form, Schedule or Registration Statement No.:
	(3)	Filing Party:

(4) Date Filed:

LIBERTY ALL-STAR EQUITY FUND (Equity Fund)

LIBERTY ALL-STAR GROWTH FUND, INC. (Growth Fund)

(collectively, the Funds)

1290 Broadway, Suite 1100

Denver, Colorado 80203
(303) 623-2577

NOTICE OF ANNUAL MEETINGS OF SHAREHOLDERS

April 29, 2010

To the Shareholders of the Funds:

NOTICE IS HEREBY GIVEN that the 2010 Annual Meetings of Shareholders of the Funds will be held at **99 High Street, Suite 303, Boston, Massachusetts**, on April 29, 2010 at 9:00 a.m. Eastern time (Equity Fund) and 10:00 a.m. Eastern time (Growth Fund). The purpose of the 2010 Annual Meetings is to consider and act upon the following matters:

1. To elect three Trustees of the Equity Fund;

2. To elect two Directors of the Growth Fund;

3. To approve a Portfolio Management Agreement for the Equity Fund;

4. To approve a Portfolio Management Agreement for the Growth Fund; and

5. To transact such other business as may properly come before the 2010 Annual Meetings or any adjournments thereof.

The Boards of Trustees/Directors have fixed the close of business on February 12, 2010 as the record date for the determination of the shareholders of the Funds entitled to notice of, and to vote at, the 2010 Annual Meetings and any adjournments thereof.

YOUR BOARD OF TRUSTEES/DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL(S).

By order of the Board of Trustees of the Equity Fund and the Board of Directors of the Growth Fund

William R. Parmentier, Jr.

President of the Funds

YOUR VOTE IS IMPORTANT - PLEASE SIGN, DATE AND RETURN YOUR PROXY CARD PROMPTLY.

You are cordially invited to attend the 2010 Annual Meetings. We urge you, whether or not you expect to attend the 2010 Annual Meetings in person, your vote is important no matter how many shares you own. Voting your shares early will avoid costly follow-up mail and telephone solicitation. After reviewing the enclosed materials, please complete, sign and date your proxy card(s) and mail it promptly in the enclosed return envelope, or help save time and postage costs by calling the toll free number and following the instructions. You may also vote via the Internet by logging on to the website indicated on your proxy card and following the instructions that will appear. If we do not hear from you, our proxy solicitor, The Altman Group (Altman), may contact you. This will ensure that your vote is counted even if you cannot attend the meeting in person. If you have any questions about the proposals or the voting instructions, please call Altman at 1-800-499-7619. An electronic copy of this proxy statement and the annual report are available at www.all-starfunds.com.

February 23, 2010

LIBERTY ALL-STAR EQUITY FUND (Equity Fund)

LIBERTY ALL-STAR GROWTH FUND, INC. (Growth Fund)

(collectively, the Funds)

PROXY STATEMENT
ANNUAL MEETINGS OF SHAREHOLDERS

APRIL 29, 2010

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Boards of Trustees/Directors of the Funds (the Boards) to be used at the Annual Meetings of Shareholders of the Funds to be held at **99 High Street, Suite 303, Boston, Massachusetts,** at 9:00 a.m. Eastern time (Equity Fund) and 10:00 a.m. Eastern time (Growth Fund) and at any adjournments thereof (such meetings and any adjournments being referred to as the Meeting).

The solicitation of proxies for use at the Meeting is being made by the Funds by the mailing on or about March 1, 2010 of the Notice of Annual Meetings of Shareholders. Supplementary solicitations may be made by mail, telephone or personal interview by officers and Trustees/Directors of the Funds and officers, employees and agents of the Funds investment advisor, ALPS Advisors, Inc. (AAI or the Fund Manager), and/or its affiliates. Authorization to execute proxies may be obtained from shareholders through instructions transmitted by telephone, facsimile or other electronic means. The expenses in connection with preparing this Proxy Statement and of the solicitation of proxies for the Meeting will be paid by the Funds. The Funds will reimburse brokerage firms and others for their expenses in forwarding solicitation material to the beneficial owners of shares.

The Funds have engaged The Altman Group, a proxy solicitation firm to assist in the solicitation of proxies. The estimated cost of this solicitation, to be borne by the Funds, is $77,814 for the Equity Fund and $22,513 for the Growth Fund.

The Meeting is being held to vote on the matters described below:

Equity Fund. Shareholders of record on February 12, 2010 are eligible to vote to:

Elect Three Trustees to the Board to a three-year term

Approve Portfolio Management Agreement among the Equity Fund, ALPS Advisors, Inc. and Cornerstone Capital Management, Inc.

Growth Fund. Shareholders of record on February 12, 2010 are eligible to vote to:

Elect Two Directors to the Board to a three-year term

Approve Portfolio Management Agreement among the Equity Fund, ALPS Advisors, Inc., and Mazama Capital Management, Inc.

PROPOSALS 1 and 2. ELECTION OF TRUSTEES AND DIRECTORS

Introduction

The Boards that oversee each Fund provide broad supervision over the affairs of each Fund. AAI is responsible for the investment management of each Fund s assets and AAI s affiliate, ALPS Fund Services, Inc. (AFS), provides a variety of administrative services to each Fund. The officers of each Fund are responsible for its operations.

Each Fund s Board of Trustees/Directors is divided into three classes, each of which serves for three years. The term of office of one of the classes expires at the final adjournment of the Annual Meeting of Shareholders (or special meeting in lieu thereof) each year or such later date as his successor shall have been elected and shall have qualified.

Shares of the Funds represented by duly executed proxies will be voted as instructed on the proxy. If no instructions are given when the enclosed proxy is executed and returned, the enclosed proxy will be voted for the election of the following persons to hold office until final adjournment of the Annual Meeting of Shareholders of the applicable Fund for the year set forth below (or special meeting in lieu thereof):

Equity Fund

Nominee	**Title**	**Tenure**
Richard W. Lowry	Trustee since 1986, Chairman since 2004	Tenure to end 2013
John J. Neuhauser	Trustee since 1998	Tenure to end 2013
Richard C. Rantzow	Trustee since 2006	Tenure to end 2013

Growth Fund

Nominee	**Title**	**Tenure**
George R. Gaspari	Director since 2006	Tenure to end 2013
Richard W. Lowry	Director since 1994, Chairman since 2004	Tenure to end 2013

If elected, each of the above-named Trustees and Directors has consented to serve as Trustee or Director following the Meeting and each is expected to be able to do so. If any of them are unable or unwilling to do so at the time of the Meeting, proxies will be voted for such substitute as the applicable Board may recommend (unless authority to vote for the election of Trustees or Directors, as the case may be, has been withheld).

Trustees/Directors and Officers

The table below sets forth the names, addresses and ages of the Trustees/Directors and principal officers of the Funds, the year each was first elected or appointed to office, their term of office (which will end on the final adjournment of the annual meeting (or special meeting in lieu thereof) held in the year set forth in the table), their principal business occupations during at least the last five years, the number of portfolios overseen by each Trustee/Director in the Fund Complex and their other directorships of public companies.

NAME (AGE) AND ADDRESS*	POSITION WITH EQUITY FUND, TERM OF OFFICE AND LENGTH OF SERVICE	POSITION WITH GROWTH FUND, TERM OF OFFICE AND LENGTH OF SERVICE	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY TRUSTEE/ DIRECTOR**	OTHER DIRECTORSHIPS HELD
Disinterested Trustees/Directors					
John A. Benning (Age 75)	Trustee Since 2002, Term expires 2012	Director Since 2002; Term expires 2011	Retired since December, 1999	2	None
Thomas W. Brock (Age 62)	Trustee Since 2005, Term expires 2011	Director Since 2005; Term Expires 2012	Chief Executive Officer, Stone Harbor Investment Partners LP (since April 2006); Adjunct Professor, Columbia University Graduate School of Business (since 1998)	2	Trustee and Chairman Stone Harbor Investment Funds (since 2007)
George R. Gaspari (Age 69)	Trustee Since 2006, Term Expires 2011	Director Since 2006, Term Expires 2010	Financial Services Consultant (since 1996)	2	Trustee and Chairman, The Select Sector SPDR Trust (since 1999)
Richard W. Lowry (Age 73)	Trustee Since 1986 Term expires 2010 Chairman since 2004	Director Since 1994; Term Expires 2010 Chairman since 2004	Private Investor since August 1987	2	None
John J. Neuhauser (Age 66)	Trustee Since 1998, Term Expires 2010	Director Since 1998; Term Expires 2012	President, St. Michael s College (since August, 2007); University Professor December 2005-2007, Boston College (formerly Academic Vice President and Dean of Faculties, from August 1999 to December 2005, Boston College)	2	Trustee, Columbia Funds Series Trust I (66 funds)
Richard C. Rantzow (Age 71)	Trustee Since 2006, Term expires 2010	Director Since 2006, Term expires 2011	Retired; Chairman of the Board of First Funds (from 1992 to July 2006)	2	Trustee, Clough Global Allocation Fund (since 2004), Clough Global Equity Fund (since 2005) and Clough Global Opportunities Fund (since 2006)

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Interested Trustee/Director					
Edmund J. Burke (Age 49)***	Trustee Since 2006, Term expires 2012	Director Since 2006, Term expires 2012	CEO and a Director of: ALPS Holdings, Inc. (since 2005); Director of ALPS Advisers (since 2001), and ALPS Distributors, Inc. (since 2000) and ALPS Fund Services, Inc., (since 2000); President and a Director of ALPS Financial Services, Inc. (1991-2005)	2	President (since 2001), Trustee and Chairman (since 2009), Financial Investors Trust; President, Reaves Utility Income Fund (since 2004); President, Financial Investors Variable Insurance Trust; Trustee and President, Clough Global Allocation Fund (Trustee since 2006, President since 2004); Trustee and President, Clough Global Equity Fund (Trustee since 2006, President since 2005); Trustee and President Clough Global Opportunities Fund (since 2006)

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

***As of December 31, 2009, the Fund Complex of ALPS Advisors, Inc., consisted of 17 funds.*

****Mr. Burke is an interested person of the Fund, as defined in the Investment Company Act, because he is an officer of ALPS Holdings and a Director of AAI and AFS.*

All the Trustees/Directors are members of each Fund s Audit Committee except for Mr. Burke.

Ages are shown as of February 15, 2010.

Principal Officers

Each person listed below serves as an officer of the Funds. The Board elects the Funds officers each year. Each Fund officer holds office until his or her successor is duly elected by the Board and qualified, or his or her removal, resignation or death. Each Fund officer serves at the pleasure of the Board. The following table provides basic information about the officers of the Funds as of the date of this Proxy Statement, including their principal occupations during the past five years, although their specific titles may have varied over that period.

Name (Age) and Address*	Position with Funds	Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years

William R. Parmentier, Jr. (Age 57)	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).
Edmund J. Burke (Age 49)	Vice President	2006	CEO and a Director of ALPS Holdings, Inc. (since 2005), Director of ALPS Advisors (since 2001), President and a Director of ALPS Financial Services, Inc. (1991-2005). See above for other Directorships held.

Mark T. Haley, CFA (Age 45)	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).
Jeremy O. May (Age 39)	Treasurer	2006	Mr. May is President of AFS. Mr. May joined AFS in 1995. Because of his position with AFS, Mr. May is deemed an affiliate of the Fund as defined under the 1940 Act. Mr. May is currently the Treasurer of Reaves Utility Income Fund, Clough Global Equity Fund, Clough Global Allocation Fund, Clough Global Opportunities Fund, Financial Investors Trust, and Financial Investors Variable Insurance Trust. Mr. May is also on the Board of Directors and is Chairman of the Audit Committee of the University of Colorado Foundation.
Kimberly R. Storms (Age 37)	Assistant Treasurer	2006	Ms. Storms is Director of Fund Administration and Vice President of AFS. Ms. Storms joined AFS in 1998. Because of her position with AFS, Ms. Storms is deemed an affiliate of the Fund as defined under the 1940 Act. Ms. Storms is Assistant Treasurer for Financial Investors Trust and Assistant Secretary of Ameristock Mutual Fund, Inc.; she is Treasurer of ALPS ETF Trust and ALPS Variable Insurance Trust. Ms. Storms was previously Assistant Treasurer of the Clough Global Equity Fund, Clough Global Allocation Fund, Clough Global Opportunities Fund, and Reaves Utility Income Fund.
Melanie Zimdars (Age 33)	Chief Compliance Officer	2009	Deputy Chief Compliance Officer with ALPS Fund Services, Inc. since September 2009. Principal Financial Officer, Treasurer and Secretary, Wasatch Funds, February 2007 to December 2008. Assistant Treasurer, Wasatch Funds, November 2006 to February 2007. Senior Compliance Officer, Wasatch Advisors, Inc., 2005 to 2008. Ms. Zimdars is currently the CCO for Liberty All-Star Growth Fund, Inc., Financial Investors Variable Insurance Trust, ALPS ETF Trust and ALPS Variable Insurance Trust.
Stephanie Barres	Secretary	2008	Senior Paralegal, ALPS Fund Services, Inc. since 2005. Previously

(Age 43)	Director Broker-Dealer Compliance, INVESCO Funds Group, Inc., 1997-2004.

*The address of each officer is: c/o ALPS Fund Services, Inc., 1290 Broadway, Suite 1100; Denver, CO 80203

During 2009, the Board of Trustees/Directors of the Funds held four meetings, and the Audit Committee held four meetings. Each of these Board and Committee meetings was held jointly by the Funds. All sitting Trustees/Directors were present at all meetings. The Funds do not have a formal policy on Trustee/Director attendance at annual meetings of shareholders. None of the Trustees/Directors attended the Funds 2009 annual shareholder meetings.

Shareholders may communicate with the Trustees/Directors as a group or individually. Any such communications should be sent to a Fund s Board or an individual Trustee/Director in writing, c/o the Secretary of the Liberty All-Star Funds, 1290 Broadway, Suite 1100, Denver, CO 80203. The Secretary may determine not to forward any letter to the Board or a Trustee/Director that does not relate to the business of a Fund.

Audit Committee

The Funds have a separately designated Audit Committee. Messrs. Benning, Brock, Gaspari, Lowry, Neuhauser and Rantzow (Committee Chairman) are members of the Audit Committee of each Fund. Each Fund s Audit Committee is comprised only of members who are Independent Trustees/Directors (as defined in the New York Stock Exchange (NYSE) Listing Standards for trustees/directors of closed-end investment companies) of the Funds and who are also not interested persons (as defined in the Investment Company Act) of the Fund. Each Board of Trustees/Directors has determined, in accordance with NYSE Listing Standards, that each member of the Audit Committees is financially literate and that one of its members has prior accounting experience or related financial management expertise.

Each Audit Committee has adopted a written Audit Committee charter that sets forth the Audit Committee s structure, duties and powers, and methods of operation. A copy of the Audit Committee Charter is available on the Funds website at www.all-starfunds.com. The principal functions of each Audit Committee are to assist Board oversight of: (1) the integrity of the Fund s financial statements, (2) the Fund s compliance with legal and regulatory requirements, (3) the qualifications and independence of the independent registered public accounting firm (also referred to herein as the independent accountants), (4) the performance of AAI s internal audit function, and (5) the performance of the independent accountants. Each Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent accountants (including the resolution of disagreements between management and the independent accountants regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other review or attest services for the Fund.

Audit Committee Report

The Audit Committee of each Fund has submitted the following report:

At a meeting of the Audit Committees on February 18, 2010, the Audit Committees: (i) reviewed and discussed with management the Funds audited financial statements for the most recently completed fiscal year; (ii) discussed with Deloitte & Touche LLP (D&T), the Funds independent registered public accountants, the matters required to be discussed by Statement on Auditing Standards No. 114; and (iii) obtained from D&T a formal written statement consistent with PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, describing all relationships between D&T and the Funds that might bear on D&T s independence and discussed with D&T any relationships that may impact D&T s objectivity and independence and satisfied itself as to D&T s independence. Based on its review and discussion, the Audit Committees recommended to the Boards of Trustees/Directors that the audited financial statements for each Fund be included in that Fund s Annual Report to shareholders.

John A. Benning	Richard W. Lowry
Thomas W. Brock	John J. Neuhauser
George R. Gaspari	Richard C. Rantzow

Nomination Information

Neither Fund has a nominating or compensation committee. The Fund Boards do not believe that a nominating committee is necessary because there has been minimal turnover in the Trustees/Directors serving on the Board of each Fund.

When necessary or appropriate, the Disinterested Trustees/Directors of each Fund serve as an *ad hoc* committee for the consideration of Trustee/Director nominations. No *ad hoc* nominating committee of either Fund has adopted a charter. Disinterested Trustees/Directors are nominated only by an *ad hoc* nominating committee. Each Fund s Disinterested Trustees/Directors are not interested persons of the Fund under the Investment Company Act.

The Disinterested Trustees/Directors consider prospective Trustee/Director candidates from any reasonable source, including current Disinterested Trustees/Directors, Fund management, Fund shareholders and other persons or entities. Although the Funds do not have a formal policy, shareholders of a Fund who wish to nominate a candidate to be considered by a Fund s Board or an *ad hoc* nominating committee of the Board may send information regarding prospective candidates to the Funds Secretary at 1290 Broadway, Suite 1100, Denver, CO 80203. The information should include evidence of the shareholders Fund ownership, a full listing of the proposed candidate s education, experience, current employment, date of birth, names and addresses of at least three professional references, information as to whether the candidate is not an interested person under the Investment Company Act in relation to the Fund, and such other information as may be helpful to the Disinterested Trustees/Directors in evaluating the candidate. All satisfactorily completed information packages regarding a candidate will be forwarded to a Disinterested Trustee/Director for consideration. Recommendations for candidates will be evaluated in light of whether the number of Trustees/Directors of a Fund is expected to be increased and in light of anticipated vacancies. All nominations from Fund shareholders will be acknowledged. During periods when the Disinterested Trustees/Directors are not recruiting new Board members, nominations will be maintained on file pending the active recruitment of Trustees/Directors.

The Disinterested Trustees/Directors have no formal list of qualifications for Trustee/Director nominees. When considering prospective nominees, the Disinterested Trustees/Directors may consider, among other things, whether prospective nominees have distinguished records in their primary careers, unimpeachable integrity, and substantive knowledge in areas important to the Board s operations, such as background or education in finance, auditing, securities law, the workings of the securities markets, or investment advice. For candidates to serve as Disinterested Trustees/Directors, independence from the Funds investment advisor, its affiliates and other principal service providers is critical, as is an independent and questioning mind-set. In each case, the Disinterested Trustees/Directors will evaluate whether a candidate is an interested person under the Investment Company Act. The Disinterested Trustees/Directors also consider whether a prospective candidate s workload should allow him or her to attend the vast majority of Board meetings, be available for service on Board committees, and devote the additional time and effort necessary to stay apprised of Board matters and the rapidly changing regulatory environment in which the Funds operate. Different substantive areas may assume greater or lesser significance at particular times, in light of a Board s present composition and its perceptions about future issues and needs.

The Disinterested Trustees/Directors initially evaluate prospective candidates on the basis of their resumes, considered in light of the criteria discussed above. Those prospective candidates that appear likely to be able to fill a significant need of the Boards would be contacted by a Disinterested Trustee/Director by telephone to discuss the position; if there appeared to be sufficient interest, an in-person meeting with one or more Disinterested Trustees/Directors would be arranged. If the Disinterested Trustees/Directors, based on the results of these contacts, believed it had identified a viable candidate, it would air the matter with the full group of Disinterested Trustees/Directors for input. Any request by Fund management to meet with the prospective candidate would be given appropriate consideration. The Funds have not paid a fee to third parties to assist in finding nominees.

Compensation

The following table shows, for the fiscal year ended December 31, 2009, the compensation received from each Fund by the Trustees/Directors, and the aggregate compensation paid to the Trustees/Directors for service on the Boards of funds within the Fund Complex. Neither Fund has a bonus, profit sharing or retirement plan.

	Aggregate Compensation from the Equity Fund	Aggregate Compensation from the Growth Fund	Total Compensation from the Fund Complex(1)
Disinterested Trustees/Directors			
John A. Benning	$ 28,046.97	$ 8,953.03	$ 37,000
Thomas W. Brock	$ 28,046.97	$ 8,953.03	$ 37,000
George R. Gaspari	$ 28,052.37	$ 8,947.63	$ 37,000
Richard W. Lowry	$ 39,415,63	$ 12,584.37	$ 52,000
John J. Neuhauser	$ 28,046.97	$ 8,953.03	$ 37,000
Richard C. Rantzow	$ 31,841.77	$ 10,158.23	$ 42,000
Interested Trustee/Director			
Edmund J. Burke	$ 0	$ 0	$ 0

(1) As of December 18, 2006, the Funds became part of the ALPS Advisors, Inc., fund complex (ALPS Complex). The ALPS Complex consists of 17 investment companies.

Share Ownership

The following table shows the dollar range and the number of shares of equity securities beneficially owned by each Trustee/Director as of December 31, 2009 (i) in each of the Funds, and (ii) in all funds overseen by the Trustee/Director in the Fund Complex.

	Equity Fund	Shares	Growth Fund	Shares	Fund Complex*
Disinterested Trustees/Directors					
John A. Benning	Over $100,000	52,706	$10,001 - $50,000	4,422	Over $100,000
Thomas W. Brock	$50,001 - $100,000	16,790	$50,001 - $100,000	24,465	Over $100,000
George R. Gaspari	None	None	None	None	None
Richard W. Lowry	Over $100,000	207,067	$1 - $10,000	1,236	Over $100,000
John J. Neuhauser	$1 - $10,000	156	$1 - $10,000	294	$1 - $10,000
Richard C. Rantzow	$10,001 - $50,000	2,851	$1 - $10,000	2,176	$10,001 - $50,000
Interested Trustee/Director					
Edmund J. Burke	None	None	None	None	None

*The Funds Family of Investment Companies is comprised of the Equity Fund and the Growth Fund.

During the past five calendar years, Mr. Lowry has had an interest in a trust (approximately $4,207,000 as of December 31, 2009) which owns units of a limited partnership whose investments are managed by M.A. Weatherbie & Co., Inc., a portfolio manager of the Growth Fund, and whose general partner is Weatherbie Limited Partnership. Mr. Benning also has had an interest in that trust (approximately $1,000,000 as of December 31, 2009). Messrs. Lowry and Benning also have an interest ($2,340,000 and $170,000 respectively) in Cheetah Investment Partnership, LP, managed by Arnold Schneider, President and Chief Investment Officer of Schneider Capital Management Corp., a portfolio manager to the Equity Fund.

During the most recent fiscal year ended December 31, 2010, no Trustee or Director transacted in shares of ALPS Holdings, Inc., the parent company of AAI.

THE BOARDS RECOMMEND THAT SHAREHOLDERS OF EACH FUND VOTE FOR PROPOSAL 1 and 2.

PROPOSAL 3. APPROVAL OF PORTFOLIO MANAGEMENT AGREEMENT (EQUITY FUND ONLY).

Shareholders of the Equity Fund are being asked to approve a new Portfolio Management Agreement (Exhibit A) among the Equity Fund, ALPS Advisors, Inc. and Cornerstone Capital Management, Inc. (Cornerstone or Portfolio Manager).

The Multi-Manager Methodology

The Fund allocates its portfolio assets among a number of independent investment management firms (Portfolio Managers) recommended by the Fund Manager and approved by the Board, currently five for the Equity Fund. Each Portfolio Manager employs a different investment style and/or strategy, and from time to time the Fund Manager rebalances the Fund s assets among the Portfolio Managers. The Fund s multi-manager methodology is based on the premise that most investment management firms consistently employ a distinct investment style which causes them to emphasize stocks with particular characteristics, and that, because of changing investor preferences, any given investment style will move into and out of market favor and will result in better performance under certain market conditions but poorer market performance under other conditions. The Fund s multi-manager methodology seeks to achieve more consistent and less volatile performance over the long term than if a single Portfolio Manager was employed.

The Portfolio Managers recommended by AAI represent a blending of different styles which, in AAI s opinion, is appropriate for the Equity Fund s investment objective. AAI continuously analyzes and evaluates the investment performance and portfolios of the Equity Fund s Portfolio Managers and from time to time recommends changes in the Portfolio Managers. Such recommendations could be based on factors such as a change in a Portfolio Manager s investment style or a Portfolio Manager s divergence from the investment style for which it was selected, changes deemed by AAI to be potentially adverse in a Portfolio Manager s personnel or ownership or other structural or organizational changes affecting the Portfolio Manager, or a deterioration in a Portfolio Manager s investment performance when compared to that of other investment management firms employing similar investment styles. Portfolio Manager changes may also be made to change the mix of investment styles employed by the Equity Fund s Portfolio Managers. Portfolio Manager changes, as well as the rebalancing of the Equity Fund s assets among the Portfolio Managers, may result in portfolio turnover in excess of what would otherwise be the case. Increased portfolio turnover results in increased brokerage commission and transaction costs, and may result in the recognition of additional capital gains.

Under the terms of an exemptive order issued to the Equity Fund and AAI by the Securities and Exchange Commission (SEC), the Equity Fund may enter into a portfolio management agreement with a new or additional Portfolio Manager recommended by AAI in advance of shareholder approval, provided that the new agreement is at a fee no higher than that provided in, and is on other terms and conditions substantially similar to, the Equity Fund s agreements with its other Portfolio Managers, and that its continuance is subject to approval by shareholders at the Equity Fund s regularly scheduled annual meeting next following the date of the portfolio management agreement with the new or additional Portfolio Manager. Accordingly, the Portfolio Management Agreement (New Agreement) among the Fund, AAI and Cornerstone is being submitted for shareholder approval at the Meeting.

New Portfolio Management Agreement with Cornerstone

AAI continuously monitors and evaluates each Portfolio Manager on a quantitative and qualitative basis. The evaluation process focuses on, but is not limited to, the firm s philosophy, investment process, personnel and performance. After evaluation based on these criteria, AAI deemed it in the best interest of the Equity Fund to terminate Chase Investment Counsel Corporation (Chase), a portfolio manager of the Equity Fund since June 1, 2006, and to replace Chase with Cornerstone. Both Portfolio Managers manage large cap growth equity portfolios and follow a fundamental, research driven investment process. AAI believes that Cornerstone s investment philosophy of identifying stocks that offer under appreciated opportunities for growth would be compatible with the philosophies of the Equity Fund s other Portfolio Managers. AAI also believes that Cornerstone s more stable team of investment professionals and favorable performance record, which has generally been strong, in most periods exceeding relevant benchmarks and comparable peer groups, would benefit the Equity Fund. Based upon these factors, AAI recommended that the Board approve a Portfolio Management Agreement among the Equity Fund, AAI and Cornerstone.

Based upon the foregoing and on AAI s quantitative and qualitative analyses, AAI recommended, and the Equity Fund s Board of Trustees approved on December 17, 2009, the termination of the Equity Fund s portfolio management agreement with Chase and its replacement with Cornerstone, effective December 21, 2009. The Portfolio Management Agreement (Old Agreement) dated December 18, 2006 among Chase, AAI and the Equity Fund was initially approved by shareholders on November 21, 2006. For the fiscal year ended December 31, 2009, AAI paid Chase advisory fees equal to $562,804.44.

Differences between the Old and New Portfolio Management Agreements

The form of the Portfolio Management Agreement with Cornerstone is set forth in Exhibit A to this proxy statement. The terms of the New Agreement with Cornerstone are the same as the terms of the Old Agreement with Chase. The fees paid to Cornerstone under the New Agreement are the same as the fees paid to Chase under the Old Agreement. In both cases, the sub-advisory fee is paid by AAI, not the Equity Fund.

Services Provided by the Portfolio Manager

The New Agreement with Cornerstone essentially provides that Cornerstone, under the Board s and AAI s supervision and subject to the Equity Fund s registration statement, will: (1) formulate and implement an investment program for the Fund s assets assigned to Cornerstone; (2) decide what securities to buy and sell for the Fund s portfolio (or the portion of the Fund s portfolio managed by Cornerstone); (3) select brokers and dealers to carry out portfolio transactions for the Fund (or the portion of the Fund s portfolio managed by Cornerstone); and (4) report results to the Board of the Equity Fund.

Term of the New Agreement

The New Agreement with Cornerstone provides that it will continue in effect for an initial period beginning on December 21, 2009 and ending on the second anniversary of that date. After that, it will continue in effect from year to year as long as the continuation is approved at least annually (i) by the Equity Fund s Board or by vote of a majority of the outstanding voting securities of the Equity Fund, and (ii) by vote of a majority of the Equity Fund s Disinterested Trustees.

Compensation under the New Agreement

For services provided to the Equity Fund, AAI will pay to Cornerstone, on or before the 10th day of each calendar month, a fee calculated and accrued daily and payable monthly by AAI for the previous calendar month at the annual rate of:

(1) 0.40% of the amount obtained by multiplying the Portfolio Manager s Percentage (defined as the percentage obtained by dividing the average daily net assets in the Portfolio Manager Account by the Fund s average daily net assets) times the Average Total Fund Net Assets up to $400 million;

(2) 0.36% of the amount obtained by multiplying the Portfolio Manager s Percentage times the Average Total Fund Net Assets exceeding $400 million up to and including $800 million;

(3) 0.324% of the amount obtained by multiplying the Portfolio Manager s Percentage times the Average Total Fund Net Assets exceeding $800 million up to and including $1.2 billion; and

(4) 0.292% of the amount obtained by multiplying the Portfolio Manager s Percentage times the Average Total Fund Net Assets exceeding $1.2 billion.

Termination of the New Agreement

The New Agreement for the Equity Fund may be terminated without penalty (i) by vote of the Fund s Board or by vote of a majority of the outstanding voting securities of the Fund, on thirty days written notice to the Portfolio Manager, (ii) by the Fund Manager upon thirty days written notice to the Portfolio Manager, or (iii) by the Portfolio Manager upon ninety days written notice to the Fund Manager and the Fund, and the New Portfolio Management Agreements terminate automatically in the event of their assignment, as described above, or upon termination of the New Fund Management Agreement.

Liability of the Portfolio Manager

The New Agreement provides that the Cornerstone will not be liable to AAI, the Equity Fund or its shareholders, except for liability arising from the Portfolio Manager s willful misfeasance, bad faith, gross negligence or violation of the standard of care established by and applicable to Cornerstone in its actions under the New Agreement or breach of its duty or obligations under the New Agreement.

Board Evaluation and Recommendation

At its meeting on December 17, 2009, the Equity Fund s Board of Trustees, including all of the Disinterested Trustees, approved the New Agreement. Before approving the New Agreement, the Trustees considered management s recommendations as to the approval of the New Agreement. As part of the Board s approval process, legal counsel to the Disinterested Trustees requested certain information from Cornerstone and the Trustees received reports from Cornerstone that addressed specific factors to be considered by the Board. The Board s counsel also provided the Trustees with a memorandum regarding their responsibilities in connection with the approval of the New Agreement.

In voting to approve the New Agreement, the Board considered the overall fairness of the Agreement and the factors it deemed relevant with respect to the Equity Fund including, but not limited to: (1) the nature, extent and quality of the services to be provided to the Equity Fund under the New Agreement; (2) Cornerstone s investment performance for comparably managed accounts; (3) the fees paid by the Fund and the fees charged by Cornerstone to other clients, as applicable; (4) the profitability and costs of the services provided; and (5) the effect of changes in the Equity Fund s asset levels on the fee paid to Cornerstone by AAI and overall expense ratios (economies of scale).

The Board did not consider any single factor or particular information that was most relevant to its consideration to approve the New Agreement and each Trustee may have afforded different weight to the various factors.

Nature, Extent and Quality of Services. The Board considered information regarding Cornerstone s investment philosophy and process. In addition, the Board reviewed the background and experience of the personnel who would be responsible for managing a portion of the large cap growth allocation of the Equity Fund s portfolio. The Board also considered Cornerstone s compliance program and compliance records. The Board concluded that the nature, extent and quality of the services to be provided by Cornerstone were consistent with the terms of the New Agreement and that the Equity Fund was likely to benefit from services provided by Cornerstone under the New Agreement.

Investment Performance. The Board considered Cornerstone s large cap investment performance relative to the Russell 1000® Growth Index and a comparable institutional peer group. The Board considered that as of September 30, 2009, Cornerstone s large cap investment accounts outperformed the Russell 1000® Growth Index for the year-to-date, one-year, two-year and three-year periods. The Board also considered that Cornerstone s large cap investment performance ranked favorably compared to the performance of a large cap growth institutional peer group for the same periods. The Board concluded that Cornerstone s large cap growth investment performance has been reasonable.

Fees and Expenses. The Board considered that the fee to be paid to Cornerstone under the New Agreement is the same as the fee paid to Chase. The Board noted that the fee is less than the fee that Cornerstone charges for managing a comparably-sized institutional separate account. The Board also noted that the fee schedule for the New Agreement has breakpoints at which the fee rate declines as the Equity Fund s assets increase above the breakpoint. The Board concluded that the fees payable to Cornerstone under the New Agreement were reasonable in relation to the nature and quality for the services expected to be provided, taking into account Cornerstone s standard fee schedule and the fee rates Cornerstone charges to other clients for a given level of assets.

Profitability and Costs of Services. The Board considered that the fee rate to be paid to Cornerstone for managing the Equity Fund would be the lowest rate that Cornerstone offers for comparable clients and that the amount of the fee would decline as the Equity Fund increases in size. The Board considered that the fee under the New Agreement would be paid to Cornerstone by AAI, not the Fund. Accordingly, the Board determined that AAI