Securities Exchange Act of 1934 – Rules 14a-8(e), 14a-8(i)(2), (i)(3), (i)(4) and (i)(6)
Liberty All-star Growth Fund, Inc.

May 10, 2012

Clifford J. Alexander, Esq.
K&L Gates LLP
1601 K Street NW
Washington DC 20006

Re: Liberty All-Star Growth Fund, Inc. (the "Fund")
Stockholder Proposal of Robert H. Daniels

Dear Mr. Alexander:

By letter dated February 24, 2012, on behalf of the Fund, you requested confirmation from the staff of the Division of Investment Management (the "Division") that we would not recommend enforcement action to the Securities and Exchange Commission if the Fund omits a stockholder proposal and supporting statement (the "Proposal") submitted by Robert H. Daniels (the "Proponent") from the proxy materials for its 2012 Annual Meeting of Stockholders. By letter dated March 6, 2012, the Proponent responded to the Fund's request, and by letter dated March 14, 2012, you replied, on behalf of the Fund, to the Proponent's March 6th letter.

The Proposal (exclusive of the supporting statement) states:

> RESOLVED: the Shareholders request that the Board promptly initiate a self-tender under which the Fund shall offer to repurchase all of its outstanding Shares for cash at 98% of net asset value per Share.

You assert that the Proposal may be excluded: (1) pursuant to Rule 14a-8(i)(3) under the Securities Exchange Act of 1934 because (i) it is vague and indefinite in violation of Rule 14a-5, and (ii) it contains false and misleading statements in violation of Rule 14a-9; (2) pursuant to Rule 14a-8 (i)(2) and Rule 14a-8(i)(6) because implementation of the Proposal would violate Maryland law and the board of directors lacks authority to implement the Proposal under Maryland law; (3) pursuant to Rule 14a-8(i)(4) because it is designed to benefit the Proponent and does not further an interest shared by Fund stockholders at large; and (4) pursuant to Rule 14a-8(e) because the submission was incomplete and the Proponent did not complete the submission until the deadline for the receipt by the Fund of stockholder proposals had passed.

We are unable to concur in your view that the Fund may exclude the Proposal pursuant to Rule 14a-8(i)(3). We note that the Fund will have an opportunity to include in its proxy statement arguments reflecting its own point of view on the Proposal. See Rule 14a-8(m)(1); Division of Corporation Finance, Staff Legal Bulletin No. 14B, Section B (Sept. 15, 2004). We are also unable to concur in your view that the Fund may exclude the Proposal pursuant to Rule 14a-8(e) or to Rules 14a-8(i)(2), (i)(4), or (i)(6). Accordingly, we do not believe that the Fund may omit the Proposal from the proxy materials for its 2012 Annual Meeting of Stockholders.

Attached for your information is a description of the informal procedures the Division follows in responding to shareholder proposals. If you have any questions or comments regarding this matter, please call me at 202-551-6968.

Sincerely,

H.R. Hallock, Jr.
Senior Counsel

Attachment

cc: Robert H. Daniels

K&L|GATES

February 24, 2012

VIA E-MAIL

Securities and Exchange Commission
Office of Chief Counsel
Division of Investment Management
100 F Street, N.E.
Washington, DC 20549

Re: Stockholder Proposal Submitted by Robert H. Daniels

Ladies and Gentlemen:

Pursuant to Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as counsel to Liberty All-Star Growth Fund, Inc., a Maryland corporation (the "Fund"), we request confirmation that the staff of the Division of Investment Management will not recommend an enforcement action if the Fund omits from its proxy materials for the Fund's 2012 Annual Meeting of Stockholders (the "2012 Annual Meeting") the proposal described below for the reasons set forth herein. The statements of fact included herein represent our understanding of such facts.

Background

The deadline for stockholders to submit proposals to be included in the proxy materials for the Fund's 2012 Annual Meeting was December 17, 2011. On December 15, 2011, the Fund received a proposal and supporting statement dated December 14, 2011 (the "Proposal") from Robert H. Daniels (the "Proponent") for inclusion in the proxy materials for the 2012 Annual Meeting. The letter acknowledged that information confirming securities ownership was missing. The Fund received a second letter from the Proponent dated December 23, 2011, which included a written statement from the record holder of the Proponent's securities confirming the Proponent's ownership of Fund shares. The Fund responded to the Proponent in a letter dated January 6, 2012, notifying the Proponent of the Fund's intention to exclude the Proposal. The Proponent responded to the Fund in a letter dated January 13, 2012, providing proof of the delivery date for the Proposal and contesting the Fund's exclusion of the Proposal.

The Proposal and all related correspondence between the Fund and the Proponent are attached hereto as Exhibit A. A copy of this letter is also being sent to the Proponent as additional notice of the Fund's intent to omit the Proposal from the Fund's proxy materials for the 2012 Annual Meeting.

The Proposal

> RESOLVED: the Shareholders request that the Board promptly initiate a self-tender under which the Fund shall offer to repurchase all of its outstanding Shares for cash at 98% of net asset value per Share.

Reasons for Exclusion of the Proposal

The Fund believes that it may properly omit the Proposal from the proxy materials for the 2012 Annual Meeting for the following reasons:

- The Proposal is Vague and Indefinite. The Fund may exclude the Proposal pursuant to Rule 14a-8(i)(3) because it is vague and indefinite in violation of Rule 14a-5.

- The Proposal Contains False, Misleading and Irrelevant Statements. The Fund may exclude the Proposal pursuant to Rule 14a-8(i)(3) because it contains false and misleading statements in violation of Rule 14a-9.

- The Implementation of the Proposal would Violate Maryland Law and the Board Lacks the Authority to Implement the Proposal under Maryland Law. The Fund may exclude the Proposal pursuant to Rule 14a-8(i)(2) because its implementation would violate Maryland law. The Fund may also exclude the Proposal under Rule 14a-8(i)(6) because its board of directors (the "Board") lacks the authority to implement the Proposal under Maryland law.

- The Proposal is Designed to Benefit the Proponent. The Fund may exclude the Proposal pursuant to Rule 14a-8(i)(4) because it is designed to benefit the Proponent and does not further an interest shared by Fund stockholders at large.

- The Proposal was Incomplete. The Fund may exclude the Proposal pursuant to Rule 14a-8(e) because the submission was incomplete and the Proponent did not complete the submission until the deadline for the receipt by the Fund of stockholder proposals had passed.

1. The Proposal may be excluded pursuant to Rule 14a-8(i)(3) because it is vague and indefinite.

Rule 14a-8(i)(3) permits a company to exclude a proposal from the company's proxy materials if the proposal or its supporting statement is contrary to any of the proxy rules and regulations, including Rule 14a-5, of Securities and Exchange Commission ("Commission"). Rule 14a-5 requires that information in proxies be "clearly stated" and the Commission staff ("Staff") has recognized that a proposal may be excluded if it is so inherently vague and indefinite that neither stockholders voting on the proposal nor the company in implementing the proposal (if adopted)

would be able to determine with any reasonable certainty exactly what actions or measures the proposal requires.[1] The Fund believes that the Proposal may be properly omitted from the proxy materials for the 2012 Annual Meeting pursuant to Rule 14a-8(i)(3) because it is vague and indefinite, in violation of Rule 14a-5.

The Staff has allowed the exclusion of vague and indefinite proposals. For example, in *Occidental Petroleum Corporation* (Feb. 11, 1991), the Staff granted no-action relief to a company seeking to exclude a proposal related to the "buyback" of shares because it was "unclear exactly what action any stockholders voting for the proposal would expect the Company to take" and it was "unclear what action the Company would be required to take if the proposal were adopted." The Staff stated that ambiguities made the *Occidental* proposal misleading because "any action(s) ultimately taken by the Company upon implementation of this proposal could be significantly different from the action(s) envisioned by stockholders voting on the proposal." Similarly, in *Verizon Communications Inc.* (Jan. 27, 2012), the Staff granted relief to a company seeking to exclude a proposal regarding vesting of equity awards to senior executives where "neither stockholders nor the company would be able to determine with any reasonable certainty exactly what actions or measures the proposal requires." And, in *R.R. Donnelley & Sons Company* (Mar. 23, 2010), the Staff granted relief to a company seeking to exclude a proposal regarding the rights of stockholders at special meetings because it was unclear to what "rights" the proposal was referring.

The Proposal requests that the Fund's Board initiate a tender offer pursuant to which the Fund would offer to purchase all of its outstanding shares. The Fund believes that the Proposal is vague and indefinite because the Proposal does not disclose or address the possible effect on the Fund of the proposed tender offer and, as a result, stockholders voting on the Proposal would not know what they are voting for. There are three potential outcomes associated with the proposed tender offer, depending upon the percentage of stockholder participation. In the first case, Fund stockholders tender a small enough percentage of Fund shares that the Fund remains economically viable without making any changes to its new strategy or structure. In this case, the percentage ownership of the non-tendering stockholders will increase and these stockholders will bear a greater proportion of the Fund's expenses than they did prior to the tender offer. They could also incur a greater tax burden due to additional capital gain distributions caused by the Fund realizing capital gains when it sells portfolio securities to raise the proceeds necessary to pay for the tendered shares. In the second case, Fund stockholders tender a larger percentage of Fund shares and the Fund remains economically viable but is too small to maintain its unique actively managed multi-manager investment strategy. In this instance, the Fund would have to change its investment strategy and non-tendering stockholders would bear an even greater proportion of the Fund's expenses, would be more likely to incur more taxable distributions and would wind up in an investment vehicle that does not have the investment strategy for which they bought Fund shares (an investment strategy non-tendering stockholders clearly preferred since they chose to hold their Fund shares rather than tender them). In the third case, Fund

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[1] *Staff Legal Bulletin No. 14B (CF)* (September 15, 2004) ("SLB 14B").

stockholders tender a still larger percentage of Fund shares and the Fund is no longer economically viable and has to liquidate and dissolve, merge or convert to an open-end mutual fund, again leaving non-tendering stockholders bearing greater expenses, incurring more tax burdens and losing access to the Fund's unique investment strategy.

The second and third outcomes described above are materially different from what stockholders would expect when they are voting on a proposal about a tender offer. However, each is a real possibility. In the current market, the vast majority of partial common share tender offers conducted by closed-end funds have been oversubscribed.[2] If the Fund were to offer to repurchase all of its outstanding shares, there is a chance that a large enough percentage of the outstanding shares would be tendered that the Fund would have to liquidate and dissolve, merge or convert to an open-end mutual fund. The Proposal's supporting statement concedes this possibility, calling for "an orderly winding-up in case so many shares are tendered that the remaining Fund would not be viable." Even if a significant percentage of Fund shares are not tendered, there is a good chance that enough shares would be tendered to threaten the ability of the Fund to continue to pursue its unique multi-manager investment strategy. Neither the Proposal nor the supporting statement sufficiently discloses this outcome. Hence, stockholders voting on the Proposal would not know whether they are voting for a tender offer or, *de facto*, for a different management style or the liquidation, dissolution, merger or conversion of the Fund.

This lack of clarity distinguishes the Proposal from the tender offer proposal in *The Adams Express Company* (Jan. 26, 2011), which had two clearly defined outcomes: (1) a tender offer with a *de facto* maximum participation rate of 50%; or (2) if more than 50% of the fund's shares were tendered, the liquidation of the fund.[3] Hence, the *Adams Express* proposal disclosed to the fund's stockholders the parameters and possible consequences of the proposal on which they would be asked to vote and put them on notice that the fund might not continue in its present form if the tender offer proposal was approved. The Staff granted Adams Express no-action relief to exclude that tender offer proposal because it could not be implemented under state law.

In contrast, the purpose, parameters and possible consequences of the Proposal are indeterminate. Unlike the *Adams Express* proposal, the Proposal does not contemplate that a high participation rate in the tender offer could threaten the viability of the Fund. The Proposal

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[2] *See, e.g., The Swiss Helvetia Fund* (July 7, 2011) (5% offer, 49% tendered); *Korea Equity Fund, Inc.* (Dec. 23, 2010) (20% offer, 70% tendered); *DWS High Income Opportunities Fund, Inc. and DWS Global High Income Fund, Inc.* (Nov. 26, 2010) (25% offer, 47% and 33% tendered, respectively); *SunAmerica Focused Alpha Large-Cap Fund, Inc.* (Nov. 24, 2010) (25% offer, 75% tendered); *Aberdeen Chile Fund, Inc.* (June 4, 2010) (25% offer, 60% tendered).

[3] In the *Adams Express* letter, the Staff considered the following proposal: "RESOLVED: The stockholders . . . request the Board of Directors . . . to authorize the Fund to conduct a self-tender offer for all outstanding shares of the Fund at [NAV] or within 1% thereof (to cover expenses). If more than 50% of the Fund's outstanding shares are tendered, the tender offer should be cancelled and the Fund should be liquidated or, at the discretion of the Board, merged or converted into an open-end mutual fund."

does not disclose the distinct possibilities that the asset size of the Fund could diminish to the point that the Fund could no longer be managed pursuant to the Fund's unique multi-manager investment strategy or that the Fund may have to liquidate and dissolve, merge or convert to an open-end mutual fund.

The terms of the tender offer contemplated by the Proposal are also inherently vague and indefinite. For example, the Proposal does not state the date as of which the net asset value per share ("NAV"), and therefore the price to be paid for tendered shares, would be determined. Depending on what date is used, and what happens in the market, the Fund may wind up paying more than the full NAV of the shares on the date the shares are purchased.[4] Moreover, because most shares are tendered at the very end of the tender offer, the Fund will not be able to calculate in advance with any precision the percentage of its assets that it will need to sell in order to purchase tendered shares and, therefore, may not be able to time the sale of portfolio securities to obtain the best price. This, in combination with the transaction costs and potential downward pressure on the market price of the Fund's portfolio securities, could result in the Fund not having the resources to pay stockholders 98% of NAV for tendered shares, the price contemplated in the Proposal. Conversely, if all stockholders fully participate in the tender offer, and the Fund can successfully dispose of all its portfolio securities, the tender offer would require the Fund to pay out only 98% of the NAV to stockholders and the Proposal contains no provision for the disposition of the residual value after expenses are paid.

The Staff has stated explicitly that a proposal should be drafted with precision. In a November 26, 2001 teleconference titled *Stockholder Proposals: What to Expect in the 2002 Proxy Season*, the Associate Director (Legal) of the Division of Corporation Finance emphasized the importance of precision in drafting a proposal, citing *Staff Legal Bulletin No. 14 (CF)* (July 13, 2001) ("SLB 14"). He stated, "you really need to read the *exact wording* of the proposal .... We really wanted to explain that to folks, and we took a lot of time to make it very, very clear in [SLB 14]" (emphasis added). SLB 14 states that the Staff's determination of no-action requests under Rule 14a-8 of the Exchange Act is based on, among other things, the "way in which a proposal is drafted."

The Proposal, however, is not drafted with precision. It fails to align the purpose of the tender offer with the potential concomitant change in the Fund's management style or a full liquidation, merger or conversion of the Fund; explain the terms and potential consequences of the tender offer; or provide for the disposition of residual assets. The result is a scenario where "any action(s) ultimately taken by the [Fund] upon implementation of [the Proposal] could be significantly different from the actions envisioned by the stockholders voting on the

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[4] For example, if the price is based on the NAV at the beginning of the tender offer and the NAV on that date is $10 per share, the purchase price would be $9.80 per share. If during the tender offer period the Fund's NAV falls to $9.50, the Fund would have to pay more than NAV for each share. In this scenario, if a high percentage of shares are tendered, the Fund may not be able to purchase all tendered shares.

[P]roposal."[5] For these reasons, the Fund is seeking no-action relief to exclude the Proposal for being materially vague and indefinite.

2. The Proposal may be excluded pursuant to Rule 14a-8(i)(3) because it contains false, misleading and irrelevant statements.

Rule 14a-8(i)(3) also allows the exclusion of a stockholder proposal if the proposal or its supporting statement is contrary to Rule 14a-9, which prohibits the making of false or misleading statements in proxy soliciting materials or the omission of any material fact necessary to make statements contained therein not false or misleading.[6] The Fund believes that both the Proposal and the supporting statement may be properly omitted from the proxy materials for the 2012 Annual Meeting pursuant to Rule 14a-8(i)(3) because they contain false, misleading and irrelevant statements, in violation of Rule 14a-9.

The Proposal is *per se* misleading because it frames the tender offer as an opportunity for a quick profit but omits disclosure regarding potential consequences of the tender offer discussed above.[7] The purpose of issuer tender offers, among other things, is to provide liquidity to shareholders, but not at the expense of maintaining the issuer as a viable entity. As a result, shareholders voting on the Proposal may not anticipate the potential consequences or suspect that they may unwittingly be voting to dismantle the Fund. The Proposal also omits material information by failing to disclose the effect of the tender offer on non-tendering stockholders. In the event that the Fund remains viable after the tender offer, it is the non-tendering stockholders who would bear the transactional expenses and receive distributions of capital gains incurred by the Fund in connection with the sale of securities to raise the cash necessary to repurchase the tendered shares.

The Fund also believes that the Proposal's supporting statement may be excluded under Rule 14a-8(i)(3) because it contains statements that impugn the character of the Fund's Board and its investment adviser without factual foundation. Rule 14a-9 provides several examples of statements deemed to be misleading because they "directly or indirectly impugn[s] character, integrity or personal reputation, or directly or indirectly make[s] charges concerning improper, illegal or immoral conduct or associations, without factual foundation."[8] The Staff has permitted the exclusion of stockholder proposals on this basis. For example, in *The Swiss Helvetia Fund, Inc.* (Mar. 6, 2001), the Staff permitted a company to exclude a stockholder proposal that improperly impugned the character of a fund's directors. The Staff stated that "the proposal

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5 *See Occidental.*

6 *See* SLB 14B.

7 The Proposal is also misleading because, as discussed in Section 3 below, the Board cannot independently wind up the Fund if the Fund would not be viable after the tender offer.

8 Rule 14a-9, note (b).

implie[d] that the directors of the fund have violated, or may choose to violate, their fiduciary duty." The Staff also permitted companies to exclude proposals based on similar violations of Rule 14a-9 in *Phoenix Gold International, Inc.* (Nov. 21, 2000) (proposal and its supporting statement questioned independence of directors) and *CCBT Bancorp, Inc.* (Apr. 20, 1999) (proposal's supporting statement stated that directors violated their fiduciary duty).

The Proposal's supporting statement includes several statements that impugn the character of the Fund's investment adviser and Board. In this regard, the supporting statement references transactions between two Fund stockholders and DST Systems, Inc. ("DST"). Statements regarding these transactions are irrelevant because the transactions were between private parties, did not involve the Fund and were not approved by the Fund's Board. The supporting statement offers no explanation why the Fund, its Board or its investment adviser should be responsible for transactions between these parties or how the referenced transactions would affect the Fund. The supporting statement impugns the character and integrity of the Fund's investment adviser when it asks whether "any investor [can] now feel confident that the Fund's investment adviser, as a DST subsidiary, will always treat all stockholders fairly and equally, and not favor the interests of some over others."

In addition, the supporting statement impugns the character of the Fund's Board by referring to the stockholders who sold Fund shares to DST as "favored institutions" and questioning whether the Board will be "fair and open-minded ... rather than retreating behind a barrage of negative objections." This statement implies that the Board violated its fiduciary duty to stockholders by approving transactions that involved neither the Fund nor its Board. However, there is no factual basis offered, nor is there any, that would support the proffered implication that the Fund's Board and its investment adviser would not act in the best interests of the Fund and its stockholders. Indeed, the Board never approved the referenced transactions. These statements conflate actions of the Fund, its Board and its investment adviser with the private actions of DST, which was, at the time, not affiliated with any of these parties. When the private transactions involving Fund stockholders and DST occurred, DST was a potential purchaser of the holding company that owned the Fund's investment adviser. Nothing in the supporting statement offers a basis to believe that the Fund, its Board or its investment adviser should have acted differently before or would act differently in the future (now that DST owns the parent of the Fund's investment adviser) in fulfilling their responsibilities to shareholders.

The Proposal's supporting statement is also misleading because it states that the Fund's trading discount "represent[s] a deadweight loss to us as investors." This statement has no factual basis and is a red herring that could mislead shareholders. Trading discounts and premiums are inherent to investing in closed-end funds and do not determine whether shareholders realize a gain or loss on their investment. Each Fund stockholder purchased Fund shares at a different market price and discount or premium, and each individual is impacted differently. Many Fund stockholders have likely experienced a decrease in the discount (compared to the discount at which they purchased the shares) and an increase in the value of their investment despite there being a discount. The Proponent, for example, purchased his shares when the Fund was trading at a discount of nearly 13%. At that time, the Fund's NAV per share was $4.01 and the market

price was $3.49 per share. As of February 17, 2012, the Fund's shares were trading at a smaller discount of 9.7%, and had a NAV of $4.74 and a market price of $4.28 per share. If the Proponent were to sell his shares on the open market, he would realize a total return (including reinvestment of dividends) of more than 38% on his investment, hardly a deadweight loss. Whether individual investors realize a gain or loss on their investments in a closed-end fund depends solely on the fund's market price at the time of purchase and at the time of sale, and emphasizing the discount as "a deadweight loss" is misleading.

The Proposal and its supporting statement include false, misleading and irrelevant statements and for these reasons the Fund seeks no-action relief to exclude the Proposal and the supporting statement.

3. The Proposal may be excluded pursuant to Rules 14a-8(i)(2) and 14a-8(i)(6) because its implementation would violate Maryland law and the Fund's Board lacks the authority to implement the Proposal under Maryland law.

Rule 14a-8(i)(2) allows a company to exclude a stockholder proposal that, if implemented, would cause the company to violate state law. Rule 14a-8(i)(6) provides that a stockholder proposal may be excluded if a company's board does not have authority to implement the proposal. In *Staff Legal Bulletin No. 14D (CF)* (Nov. 7, 2008) ("SLB 14D"), the Staff recognized that when a proposal recommends, requests, or requires corporate action that state law mandates "be initiated by the board and then approved by stockholders," that proposal may be excluded under either Rule 14a-8(i)(2) or Rule 14a-8(i)(6).[9] The Staff likewise has recognized the appropriateness of excluding a proposal that seeks to bypass this two-step process.[10] The Fund believes that the Proposal may be properly omitted from the proxy materials for the 2012 Annual Meeting pursuant to Rules 14a-8(i)(2) and 14a-8(i)(6) because the Proposal would cause the Fund to violate Maryland law and neither the Fund nor its Board has the authority to fully implement the Proposal.

In determining whether to conduct the tender offer described in the Proposal, the Fund's Board would have to evaluate the potential outcomes and consequences of the tender offer; it could not restrict itself to considering the tender offer in isolation. As discussed above, if implemented as

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[9] While SLB 14D referred specifically to the example of a proposal seeking a charter amendment, the two-step process for a charter amendment under Maryland General Corporation Law (the "MGCL") is the same as the two-step process required for the Fund to liquidate: the corporation's board must approve the proposal and then must submit the proposal to the corporation's stockholders for their approval. MGCL Section 2-604 addresses charter amendments. MGCL Section 3-105 addresses a sale of all or substantially all of a company's assets. Excluding specific references to amendments as opposed to transactions, the procedures set forth in these sections are almost identical.

[10] *See, e.g., Adams Express* (recognizing that a board lacks the authority under Maryland law to unilaterally liquidate a company and that implementing a proposal to liquidate a company would violate Maryland law).

proposed the Proposal could result in the need to liquidate and dissolve, merge or convert the Fund if a significant percentage of Fund shares are tendered. Understanding, therefore, that such a tender offer is in essence a liquidation or merger effort, the Fund's Board would have to consider whether it could authorize that kind of transaction without stockholder approval. Under Maryland law, the Fund would not be able to take any of these actions without stockholder approval. The MGCL defines a specific procedure for a corporation to sell all or substantially all of its assets in Section 3-105, to dissolve in Section 3-403 and to merge with another entity in Section 3-105. The statutory procedures involve the same two steps. First, the majority of the Fund's Board must adopt a resolution declaring the proposed action to be advisable. Second, the proposed action must be approved by Fund stockholders. Thus, under Maryland law, the sale of all of the Fund's assets and dissolution of the Fund and the merger of the Fund require both Board and stockholder approval.[11] The Fund simply lacks the authority to act unilaterally on these matters and could be in danger of violating Maryland law[12] if it attempted to implement the Proposal as submitted.

The Fund believes that its position is consistent with the Staff's decisions in similar situations where proposals would have circumvented similar statutory two-step processes. The Staff has applied this principle regardless of the jurisdiction in question—excluding, for example, a tender offer proposal because the possible consequential need to liquidate the fund would have violated Maryland law in *Adams Express*, a proposal to amend organizational documents that would have violated Delaware law in *Northrop Grumman Corporation* (Feb. 29, 2008) and a charter amendment proposal that would have violated New York law in *Xerox Corporation* (Feb. 23, 2004). In each of these situations, the proposal at issue would have required both board resolution and stockholder approval in order to be implemented in compliance with state law. As the Proposal could result in the Fund needing to take actions that require a two-step statutory process, including stockholder approval, the Fund seeks to exclude the Proposal under Rules 14a-8(i)(2) and 14a-8(i)(6).

4. <u>The Proposal may be excluded pursuant to Rule 14a-8(i)(4) because it is designed to benefit the Proponent and does not further an interest shared by Fund stockholders at large.</u>

Rule 14a-8(i)(4) allows for the exclusion of a stockholder proposal if the proposal is designed to "achieve personal ends that are not necessarily in the common interest of . . . shareholders generally."[13] Indeed, the Staff has recognized that Rule 14a-8(i)(4) was adopted in order to

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[11] The exception to the stockholder approval requirement in MGCL Section 3-104 does not apply in the Fund's circumstances because liquidation is not a transaction in the "ordinary course of business" and the Fund is not an open-end investment company.

[12] The Fund would also violate Section 13 of the Investment Company Act of 1940, as amended, if it attempted to convert to an open-end fund without a stockholder vote.

[13] *Securities Exchange Act Release No. 20091* (Aug. 16, 1983).

ensure "that the security holder proposal process would not be abused by proponents attempting to achieve personal ends that are not necessarily in the common interest of the [company's] shareholders generally."[14] Absent this rule, minority stockholders could advance their interest at the expense of other stockholders by forcing the inclusion of their proposals in a company's proxy materials.

The Proposal is in the best interests of the Proponent, and the implementation of the Proposal would be at the expense of the Fund's other stockholders. The Proponent seeks to have the Fund conduct a tender offer for all of its outstanding shares using a purchase price of 98% of NAV. As noted above, when the Proponent purchased his shares on February 22, 2010, the Fund's shares were trading at a discount of nearly 13%, and had a NAV of $4.01 and a market price of $3.49 per share. As of February 17, 2012, the Fund's shares were trading at a discount of 9.7%, with a NAV of $4.74 and a market price of $4.28. Thus, by proposing a tender offer at 98% of NAV, the Proponent is trying to force the Fund to purchase his shares at a price that is higher than the price he currently can obtain in the open market (and thereby obtain a profit even greater than the 38% total return he could obtain in the market).

The Proposal is designed to confer a benefit on the Proponent at the expense of other stockholders and should be excluded under Rule 14a-8(i)(4). The Proposal would benefit the Proponent because the Proponent wants to exit the Fund at a price greater than he could currently obtain in the market without paying his share of the expenses and tax burdens associated with the tender offer and its possible consequences. As discussed above, if the Fund makes the proposed tender offer, the long-term investors who do not tender their shares will bear the significant expenses associated with the tender offer as well as the tax burdens. Moreover, if the participation rate in a tender offer is high, the Fund could no longer be viable and could be forced to liquidate, which would eradicate the ownership interest of non-tendering shareholders. In this case, the very stockholders who wanted to continue to invest in the Fund would be forced to vote on the Fund's liquidation or merger and again incur the solicitation and transactional expenses. Unless all stockholders tendered all their Fund shares, stockholders could be impacted dramatically differently if the Proposal is implemented. As the Fund is promoted as an all-capitalization growth fund that emphasizes diversification, consistent returns and a long-term outlook, the Fund anticipates that not all stockholders will tender their Fund shares.[15] These non-tendering stockholders could bear significant cost and their interests clearly would not be furthered by the Proposal. As the Proposal would benefit the Proponent but would not further the interests of all stockholders, the Fund seeks to exclude the Proposal.

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[14] *Id.*

[15] In fact, for the period ended December 31, 2011, on a NAV reinvested basis, the Fund outperformed its Lipper peer group average for the 1, 3, and 5 year periods and for the period since inception as a multi-cap growth fund (May 1, 2000).

5. The Proposal may be excluded pursuant to Rule 14a-8(e) because the Proponent intentionally submitted an incomplete Proposal and did not complete his submission until after the deadline for submitting proposals had passed.

The Staff has strictly interpreted Rule 14a-8's requirements for timely submission by stockholders and emphasized that stockholders should submit proposals "well in advance of the deadline."[16] Additionally, the Staff has advised that a "stockholder who intends to submit a written statement from the record holder of the stockholder's securities to verify continuous ownership of the securities should contact the record holder *before submitting* a proposal to ensure that the record holder will provide the written statement and knows how to provide a written statement that will satisfy the requirements of rule 14a-8(b)."[17] Companies have been permitted to exclude proposals if they have been submitted just one day past the established deadline.[18]

The Proponent knowingly submitted an incomplete Proposal. The deadline for submitting a proposal for the Fund's 2012 Annual Meeting was December 17, 2011.[19] Rule 14a-8(b) allows stockholders who have held at least $2,000 in market value, or 1%, of a company's securities for at least one year to submit a proposal. This subsection of Rule 14a-8 also explicitly states that "*at the time you submit your proposal*, you must prove your eligibility to the company" (emphasis added). In his letter dated December 14, 2011, which was received by the Fund a mere two days before the deadline, the Proponent acknowledged that he was not including proof of his eligibility to submit a proposal. Specifically, he stated: "I am obtaining and will send separately a confirmation from Charles Schwab & Co. that I have owned at least $2,000 worth of Fund shares continuously for at least one year . . . ."

Despite being aware of the deadline and the omission of required information, the Proponent did not include any of his own brokerage statements or any other type of interim proof of his ownership of Fund shares with his initial letter and did not provide proof of his eligibility until his letter dated December 23, 2011—six days after the deadline and before the close of the 14-day window during which the Fund would have notified the Proponent of the deficiency. Thus, there was no need for the Fund to notify the Proponent of the failure to supply information. The Fund believes that the Proponent's knowing and intentional failure to provide proof of his eligibility to submit the Proposal until after the deadline allows the Fund to exclude the Proposal.

The Fund believes that the Proposal may be excluded for being submitted past the deadline because Rule 14a-8(f)(1) and past Staff interpretations of this provision that permitted late

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16 *See* SLB 14.

17 *Id.* (emphasis added).

18 *See, e.g., Datastream Systems, Inc.* (March 9, 2005) and *American Express Co.* (Dec. 21, 2004).

19 This deadline was provided in the Fund's proxy statement filed on April 15, 2011.

submissions do not fit the facts of this situation. The Proponent has been an attorney since 1973, and an investor in closed-end funds for over 30 years. He has a documented association with the well-known stockholder activist group Western Investment LLC, and has himself submitted 14a-8 proposals in the past, including at least one self-tender proposal.[20] Most notably, the correspondence that the Fund received from the Proponent clearly demonstrates his knowledge and understanding of the requirements in Rule 14a-8 and his conscious disregard for these requirements.

The Fund believes that the circumstances surrounding the Proposal differ from situations in prior no-action requests such as *Templeton Vietnam and Southeast Asia Fund* (Sept. 28, 2001), where the Staff determined that a letter supplementing a proposal after the deadline was sufficient to satisfy the procedural requirements of Rule 14a-8. In *Templeton*, the proposal was submitted without proof of eligibility. The fund then wrote to the proponent and requested proof of ownership, which was provided in a subsequent letter from the proponent's broker. In *Templeton*, the fund's notice of deficiency served a real purpose in alerting the proponent to the deficiency and allowing him the opportunity to remedy the situation in a timely manner.

The Fund asserts that in this case, a deficiency notice from the Fund would have served no purpose as the Proponent already knew of the deficiency at the time he submitted the Proposal. As quoted above, the Proponent's initial letter recited the eligibility requirements of Rule 14a-8 and acknowledged that the initial submission was deficient. Then, without any notification by the Fund, the Proponent sent a follow-up letter in an attempt to cure this deficiency, which was dated and received after the established deadline for stockholder proposals. Rule 14a-8(f)(1) provides that the Fund "need not provide [the Proponent] such notice of a deficiency if the deficiency cannot be remedied, such as if [the Proponent] fail[s] to submit a proposal by the company's properly determined deadline." Given these facts, notice from the Fund would not have cured the deficiency in the Proposal. The Proponent's first submission was incomplete, and his subsequent submission was late. Thus, the Fund asks the Staff to concur with its view that the Proposal was late, and that the Proponent, with his demonstrated knowledge and understanding of Rule 14a-8's requirements, should be held to the requirement stated in Rule 14a-8(b)(2) that stockholders prove their eligibility "at the time" a proposal is submitted and, in any event, certainly before the deadline for the stockholder proposals has passed. The Fund believes that its position is consistent with the Staff's long-standing emphasis on stockholders submitting their proposals in a timely manner and well in advance of a deadline.

Conclusion

We recognize that the Staff, on occasion, will permit proponents to revise their proposals to correct errors that are "minor in nature and do not alter the substance of the proposal."[21] The

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[20] *See LMP Capital & Income Fund Inc.*, Form 8-K, Exhibit 99.1 (filed March 9, 2011).

[21] *See* SLB 14B.

Fund, however, believes that in this case if the Proposal is revised to address the deficiencies discussed herein, the revision would constitute a substantive alteration of the Proposal, inconsistent with the Staff's long-standing practice. On the basis of the foregoing and on behalf of the Fund, we respectfully request the concurrence of the Staff that the Proposal may be excluded from the Fund's proxy materials for the 2012 Annual Meeting.

If you have any questions or would like any additional information regarding the foregoing, please do not hesitate to contact me at 202-778-9068 or, in my absence, Kathy Ingber or Jennifer Gonzalez at 202-778-9015 and 202-778-9286, respectively. If you do not agree with the conclusions set forth herein, we respectfully request the opportunity to confer with you before any determination is finalized. Thank you for your attention to this matter.

Very truly yours,

Clifford J. Alexander

cc: Robert H. Daniels, Esq.

Exhibit A Attached hereto

Exhibit A

ROBERT H. DANIELS
1685 EIGHTH AVENUE
SAN FRANCISCO, CA 94122-3717

Tel. (415-) 731-3151 Fax (415-) 373-9340 E-mail: rhdlaw@pacbell.net

December 14, 2011

Liberty All-Star Growth Fund, Inc.
Att'n: Secretary of the Fund
1290 Broadway, Suite 1100
Denver, CO 80203

Dear Fund and Fund Secretary:

Enclosed please find a shareholder proposal and supporting statement that I am submitting in accordance with SEC Rule 14a-8 for consideration at the next annual shareholder meeting of the Liberty All-Star Growth Fund, and for inclusion in the proxy statement for that meeting. I am obtaining and will send separately a confirmation from Charles Schwab & Co. that I have owned at least $2,000 worth of Fund shares continuously for at least one year in my self-directed SEP-IRA account. I currently hold 2,200 shares of ASG in that account and I intend to hold them continuously through the date of the next annual meeting.

My interest in this proposal and the benefit I expect from it is that of a shareholder seeking to maximize the value of an investment. I am not associated with any other person with respect to this proposal or my investment in ASG.

Please let me know what, if any, additional action must be taken or information provided in order to ensure that this proposal will be included in the proxy statement and considered at the next shareholder meeting. Thank you for your assistance.

Sincerely,

Robert H. Daniels

Liberty All-Star Growth Fund - Shareholder Proposal - Rule 14a-8

Proposal: REQUEST THAT BOARD INITIATE SELF-TENDER OFFER

RESOLVED: the Shareholders request that the Board promptly initiate a self-tender under which the Fund shall offer to repurchase all of its outstanding Shares for cash at 98% of net asset value per Share.

Supporting Statement

Fellow Shareholders:

Our fund's current (12/9/11) market price is about 11% below its net asset value. Persistent trading discounts like this represent a deadweight loss to us as investors. However, two institutional holders recently got 98% of net asset value -- substantially above the market price -- when they agreed to sell more than 2.5 million shares of ASG for about $10.9 million. What made their sale special? The buyer was DST Systems, Inc., which was in the process of acquiring the company that managed our Fund. As part of the deal, the institutions agreed to drop their opposition to the proposed new management contract for ASG, and to vote in favor of that contract at the recent special shareholder meeting.

I believe that all shareholders of ASG should be given the opportunity to exit at a price near NAV, just like those favored institutions. DST's decision to purchase large blocks of dissenting shares at a premium to market in order to get its management contract approved may well have been perfectly legal. But can any investor now feel confident that the Fund's manager, as a DST subsidiary, will always treat all shareholders fairly and equally, and not favor the interests of some over others?

This proposal allows us as Shareholders to tell the Board what action will best serve our interests. I am hopeful that the Board will consider both sides of the question in a fair and open-minded way, rather than retreating behind a barrage of negative objections. If the Board accepts our request, it would then arrange the implementing details. For example, the Board could provide for an orderly winding-up in case so many shares are tendered that the remaining Fund would not be viable.

Thank you for your consideration.

ROBERT H. DANIELS
1685 EIGHTH AVENUE
SAN FRANCISCO, CA 94122-3717

Tel. (415-) 731-3151 Fax (415-) 373-9340 E-mail: rhdlaw@pacbell.net

December 23, 2011

Liberty All-Star Growth Fund, Inc.
Att'n: Secretary of the Fund
1290 Broadway, Suite 1100
Denver, CO 80203

Dear Fund and Fund Secretary:

I am writing to follow up on my December 14 letter submitting a shareholder proposal and supporting statement in accordance with SEC Rule 14a-8 for consideration at the Fund's next shareholder meeting and for inclusion in the proxy statement for that meeting.

Enclosed please find a printout of a fax letter I have received from Charles Schwab & Co. which confirms that at the time of making this proposal I had owned at least $2,000 worth of Fund shares continuously for at least one year. (2,200 shares of ASG times the 10/4/2011 52-week low of $3.31 equals $7,282.) I currently own 2,200 shares of ASG, and I intend to hold them continuously through the date of the next annual meeting.

Sincerely,

Robert H. Daniels

charles SCHWAB

December 23, 2011

Account #: ****-*390
Questions: (888)567-9560X71510

Robert Daniels
1685 Eighth Avenue
San Francisco, CA 94122

Dear Robert Daniels,

This letter is in response to the information you requested. There were 2,200 shares Liberty All-Star GR Fund (symbol: ASG) in the account between December 14, 2010 and December 20, 2011. The following transactions were made in the above-referenced account.

02/22/10 BUY ASG 680.00000 LIBERTY ALL-STAR GR FUND 2396.37D
02/22/10 BUY ASG 1520.00000 LIBERTY ALL-STAR GR FUND 5355.06D

Sincerely,

Takiesha Hooten
Associate - Resolution Team
8332 Woodfield Crossing Blvd
Indianapolis, IN 46240-2482
(888)567-9560X71510

ALL STAR GROWTH FUND

Liberty All-Star Growth Fund, Inc.
1290 Broadway, Suite 1100
Denver, CO 80203

January 6, 2012

Mr. Robert H. Daniels
1685 Eighth Avenue
San Francisco, CA 94122-3717

Dear Mr. Daniels,

In response to your letter dated December 14, 2011 to the Secretary of the Liberty All-Star Growth Fund, Inc. ("Growth Fund"), please be advised that the Growth Fund has reviewed your proposal, and has concluded that it does not meet the requirements of Rule 14a-8 of Regulation 14A of the Securities and Exchange Act of 1934 ("Rule 14a-8") for a number of reasons, including the following:

Under Rule 14a-8, you are to required submit your proposal before the Growth Fund's established deadline for submitting a valid proxy proposal to be included in the 2012 annual proxy statement. The Growth Fund and ALPS Fund Services, Inc. ("ALPS") have no record that shows your shareholder proposal was received by the submission deadline. In this connection, we note that, contrary to SEC guidelines, the letter and proposal do not provide evidence of when they were delivered. In fact, the Fund Secretary and ALPS Legal Department did not receive the letter and proposal until December 23, 2011. Furthermore, your proposal is in fact not for a tender offer, but a liquidation of the Growth Fund, and would usurp, the role of the Growth Fund Board of Directors, and be inconsistent with state law.

Therefore, you are receiving notification that the Growth Fund intends to exclude your proposal.

Sincerely,

Tané Tyler
Secretary

cc: Board of Directors
C. Alexander, K&L Gates LLP

ROBERT H. DANIELS
1685 EIGHTH AVENUE
SAN FRANCISCO, CA 94122-3717

Tel. (415-) 731-3151 Fax (415-) 373-9340 E-mail: rhdlaw@pacbell.net

January 13, 2012

Liberty All-Star Growth Fund, Inc.
Att'n: Tane Tyler, Fund Secretary
1290 Broadway, Suite 1100
Denver, CO 80203

Re: Rule 14a-8 Shareholder Proxy Proposal
Via fax 303-623-7850 and US mail

Dear Ms. Tyler:

I've received your January 6 fax/letter regarding my shareholder proposal for Liberty All-Star Growth Fund ("ASG"). The letter claims, incorrectly, that the proposal was not delivered to the Fund on time, and that as a result it may be excluded from the proxy statement. However, the attached exhibits prove the contrary.

The letter refers to ASG's "established deadline" for submitting a proposal under Rule 14a-8, but never mentions a specific date. For that, we have to look at ASG's prior year proxy statement, on EDGAR as DEF14A dated April 15, 2011. Page 15 says:

> "Under the SEC's proxy rules, and subject to changes by the Board, stockholder proposals meeting tests contained in those rules may, under certain conditions, be included in the Fund's proxy material for a particular annual stockholder meeting. Under the foregoing proxy rules, proposals submitted for inclusion in the proxy material for the 2012 Annual Meeting *must be received by the Fund on or before December 17, 2011.*" (emphasis added)

I sent the proposal by US Post Office Express Mail, which does indeed provide evidence of mailing and of delivery. Exhibit 1 is a scan of my Post Office receipt for mailing on December 14 with next day delivery to the Fund's address at 1290 Broadway Suite 1100 in Denver -- the same address as is on your own fax/letterhead. Exhibit 2 is a US Post Office information record receipt showing delivery to that address on December 15 -- two days before the deadline -- signed by one "Eric Parsons".

Eric Parsons, CPA is the Assistant Controller at ALPS Fund Services, Inc., according to his linkedin.com website (Exhibit 3). This company is ASG's administrator, and according to that 2011 proxy filing, you yourself are its "Senior Vice President and General Counsel". It may be true that Mr. Parsons, for whatever reason, delayed in handing my proposal to you and the ALPS legal department until December 23, but I am not responsible for his delinquency. The proposal was delivered to the Fund on December 15, two days before the deadline, so omitting it on grounds of "late delivery" would be a direct violation of Rule 14a-8.

Your fax/letter also says, without explanation or evidence, that the proposal is not a tender offer but a liquidation, that it "usurps" the role of the Board (even though it is a *request* to the Board -- see Rule 14a-8(i) Question 9-1*) and that it is inconsistent with some unnamed state law. The proper procedure, if such arguments are to be made, would be to ask the SEC for a "no-action" letter under Rule 14a-8(j) Question 10-1. In that event, I'd respond and explain why these are not good reasons to deny ASG shareholders the right to vote on my proposal. See, *e.g.*, SEC Staff Legal Bulletin #14B (September 15, 2004) and *The Swiss Helvetia Fund,* SEC Staff No-action Letter (May 5, 2010). However, I still hope that ASG's Board will decide to discuss the question of a self-tender as a business matter, rather than allowing counsel to take up my time, waste the Fund's money and test the SEC staff's patience with this sort of useless pettifogging.

Finally, since the fax/letter says that ASG intends to exclude the proposal, I am sending copies of our correspondence, as well as the proposal itself, to the SEC as an advance alert, in accord with paragraph D of SEC Staff Legal Bulletin #14E (October 27, 2009).

Thank you for your consideration.

Sincerely,

Robert H. Daniels

Robert H. Daniels

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* "In our experience, most proposals that are cast as recommendations or requests that the board of directors take specified action are proper under state law. Accordingly, we will assume that a proposal drafted as a recommendation or suggestion is proper unless the company demonstrates otherwise."

Attachment 1

EI 028898725 US

EXPRESS MAIL — Customer Copy
Label 11-B, March 2004
UNITED STATES POSTAL SERVICE® — Post Office To Addressee

ORIGIN (POSTAL SERVICE USE ONLY)

PO ZIP Code: 94122	Day of Delivery: ☑ Next ☐ 2nd ☐ 2nd Del. Day	Postage: $ 18.30	
Date Accepted: Mo. 12 Day 14 Year 11	Scheduled Date of Delivery: Month 12 Day 15	Return Receipt Fee: $	
Time Accepted: 11:19 ☐ AM ☒ PM	Scheduled Time of Delivery: ☐ Noon ☐ 3 PM	COD Fee: $	Insurance Fee: $
Flat Rate ☐ or Weight: lbs. 3 ozs.	Military: ☐ 2nd Day ☐ 3rd Day	Total Postage & Fees: $ 18.30	
	Int'l Alpha Country Code	Acceptance Emp. Initials: TE	

DELIVERY (POSTAL USE ONLY)

Delivery Attempt — Mo. Day	Time ☐ AM ☐ PM	Employee Signature
Delivery Attempt — Mo. Day	Time ☐ AM ☐ PM	Employee Signature
Delivery Date — Mo. Day	Time ☐ AM ☐ PM	Employee Signature

CUSTOMER USE ONLY

PAYMENT BY ACCOUNT
Express Mail Corporate Acct. No.
Federal Agency Acct. No. or Postal Service Acct. No.

☐ WAIVER OF SIGNATURE (Domestic Mail Only; Additional merchandise insurance is void if customer receives waiver of signature.) I/we certify delivery to be made without obtaining signature of addressee or addressee's agent (if delivery employee judges that article can be left in secure location) and authorize the delivery employee's signature to constitute valid proof of delivery.

☐ NO DELIVERY ☐ Weekend ☐ Holiday — Mail Signature

FROM: (PLEASE PRINT) PHONE (415) 731-3151
Robert H. Daniels
1685 8th Ave.
San Francisco, CA 94122-3717

TO: (PLEASE PRINT) PHONE ( )
Liberty All-Star Growth Fund, Inc.
Attn: Secretary of the Fund
1290 Broadway, Suite 1100
Denver, CO

ZIP + 4 (U.S. ADDRESSES ONLY. DO NOT USE FOR FOREIDN POSTAL CODES.
8 0 2 0 3 + [ ] [ ] [ ] [ ]

FOR INTERNATIONAL DESTINATIONS, WRITE COUNTRY NAME BELOW.

FOR PICKUP OR TRACKING
Visit www.usps.com
Call 1-800-222-1811

Attachment 2

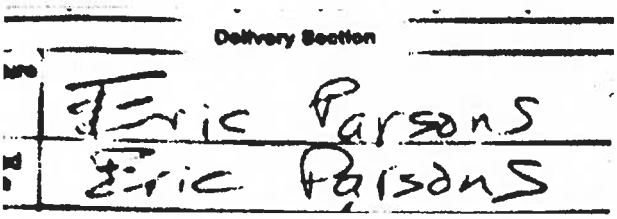
UNITED STATES POSTAL SERVICE.

Date: 12/16/2011

ROBERT DANIELS:

The following is in response to your 12/16/2011 request for delivery information on your Express Mail(R) item number EI02 8898 725U S. The delivery record shows that this item was delivered on 12/15/2011 at 11:50 AM in DENVER, CO 80203 to E PARSONS. The scanned image of the recipient information is provided below.

Signature of Recipient:



Address of Recipient:

Thank you for selecting the Postal Service for your mailing needs. If you require additional assistance, please contact your local Post Office or postal representative.

Sincerely,

United States Postal Service

Attachment 3

http://www.linkedin.com/pub/eric-parsons-cpa/17/568/222

Eric Parsons, CPA

Assistant Controller at ALPS Fund Services, Inc.

Location
Greater Denver Area
Industry
Financial Services

Current

- **Assistant Controller** at **ALPS Fund Services, Inc.**

Past

- Accounting Manager/Financial Reporting Analyst at ALPS Fund Services, Inc.
- Accounting Manager at ALPS Holdings, Inc.
- Corporate Accountant at ALPS Fund Services, Inc.

see all

Education

- Metropolitan State College of Denver
- Occidental College

Connections

64 connections

Websites

- Company Website

ROBERT H. DANIELS
1685 EIGHTH AVENUE
SAN FRANCISCO, CA 94122-3717

Tel. (415-) 731-3151 Fax (415-) 373-9340 E-mail: rhdlaw@pacbell.net

January 13, 2012

U.S. Securities and Exchange Commission
Division of Investment Management
Office of Chief Counsel
100 F Street, N.E.
Washington, D.C. 20549

Re: Liberty All-Star Growth Fund, Inc.
Rule 14a-8 Shareholder Proxy Proposal

Dear SEC:

I have submitted a Rule 14a-8 proposal to the Liberty All-Star Growth Fund, a publicly traded closed-end investment company ("ASG"). Fund counsel has responded with a notice of intent to exclude the proposal from ASG's proxy statement, claiming untimely delivery and suggesting inconsistency with some unspecified state law. In reply, I have provided Fund counsel with proof of timely delivery.

The purpose of this e-mail is to alert the Commission and the Staff of the Division of Investment Management that ASG may soon be seeking a "no-action letter", and to provide background for considering such a request and my response. The following files are attached in .pdf format:

Shareholder proposal requesting the Board to initiate a self-tender offer, with supporting statement.

December 14th - my cover letter to ASG

December 23rd - my letter to ASG with broker statement confirming continuous ownership of at least $2,000 worth of ASG for one year.

January 6 fax/letter - from Tane Tyler, Esq. to me, giving notice of intent to exclude the proposal

January 13 fax/letter - from me to Ms. Tyler, with exhibits proving the proposal was delivered in a timely manner.

Thank you for your consideration.

Sincerely,

Robert H. Daniels

Via e-mail to shareholderproposals@sec.gov
with faxcopy to Fund counsel

K&L|GATES

K&L Gates LLP
1601 K Street NW
Washington, DC 20006-1600
T 202.778.9000 www.klgates.com

February 24, 2012

Mr. Robert H. Daniels
1685 Eighth Avenue
San Francisco, CA 94122-3717

Dear Mr. Daniels:

We serve as counsel to Liberty All-Star Growth Fund (the "Fund"). Enclosed please find a copy of the letter that was sent to the U.S. Securities and Exchange Commission (the "Commission") on February 24, 2012 pursuant to Rule 14a-8(j). The enclosed requests confirmation that the Commission staff will not recommend an enforcement action if the Fund omits from its proxy materials the proposal you submitted in your letter dated December 14, 2011.

Sincerely,

Clifford J. Alexander

Enclosure

ROBERT H. DANIELS
1685 EIGHTH AVENUE
SAN FRANCISCO, CA 94122-3717
Tel: (415-) 731-3151. Fax (415-) 373-9340 E-mail: rhdlaw@pacbell.net

March 6, 2012

Securities and Exchange Commission
Division of Investment Management
Office of Chief Counsel
100 F Street, N.E.
Washington, D.C. 20549

Re: Liberty All-Star Growth Fund, Inc.
Rule 14a-8 Shareholder Proxy Proposal

Dear SEC:

Liberty All-Star Growth Fund ("ASG" or the "Fund"), a closed-end investment company, has asked for a "no-action" letter allowing it to exclude my Rule 14a-8 shareholder proposal from the proxy for this year's annual meeting. That proposal (Attachment A), if approved, would request the Board to initiate a self-tender for ASG shares at 98% of net asset value. My supporting statement contrasted the persistent discount to NAV at which the shares have traded[1] with the above-market price that two large holders recently received when they sold 9.2% of the Fund to publicly traded DST Systems, Inc. DST was under contract to acquire the companies that advised and managed ASG[2], and DST paid 98% of NAV for Fund shares on condition that the sellers stop fighting against a new management contract. The statement expressed my belief that all shareholders should have a similar opportunity to exit at a price near NAV. The proposed resolution, I explained, was a way for shareholders to let the Board know what sort of action would best serve our interests.

ASG's managers do not want to give shareholders the opportunity to vote on this proposal. A January 6 letter from Tane Tyler, ASG's Secretary and ALPS' general counsel, told me that it would be omitted from the proxy because the Fund had not received it by the deadline

[1] 9.98% as of 2/28/12, and 9.6% for the last 6 months, per http://www.cefconnect.com/Details/Summary.aspx?ticker=ASG

[2] The Fund is managed by ALPS Advisors, Inc. ("AAI"), a subsidiary of ALPS Holdings, Inc. ("ALPS"), a "full services provider to the investment management industry". http://www.alpsinc.com/history.php Another subsidiary, ALPS Fund Services, Inc. ("AFS") is ASG's administrator. AAI subcontracts the Fund's portfolio management to two other unrelated advisors. ALPS was privately held until DST finished acquiring it for $251,900,000 on October 31, 2011

(December 17, according to the prior year's proxy filing.) This gambit failed when I responded with an Express Mail receipt signed by ALPS' Assistant Controller showing delivery on December 15. Undaunted, the Fund's outside counsel has now put up a twelve-page single-spaced barrage of negative objections, apparently hoping to persuade through sheer quantity of argument. However, these attacks fall short when measured against the standards for "no-action" relief in the Staff Legal Bulletins that interpret Rule 14a-8.

1) The proposal is "reasonably certain".

We are told that the proposal is "vague and uncertain" because it is not as detailed as a tender offer itself would be. It is faulted for not spelling out all possible results from three hypothetical levels of response to any offer, for failing to specify the date to use when calculating the offer price[3], and for neglecting to "provide for the disposition of residual assets" in the unlikely event that everyone tenders every share and there is money left over after everyone has been paid.[4]

A) The objection misunderstands the nature of this proposal. It is "precatory": it recommends a course of action but does not require it. The aim is as to inform the Board about shareholder interests. Even if the proposal is approved by ten-to-one, the Directors are not *required* to do anything, but they would at least have a better idea what their investor-constituents want. The vote on this resolution would gauge the level of interest in tendering, and thus facilitate the design of any offer the Board might decide to make.

The "uncertainty" argument is based on fact-free conjecture as to how many holders might tender if offered a price near NAV.[5] Fund counsel apparently does not know, does not want to know, and does not want anyone else to learn, just how many ASG holders would exit at 98% of NAV, but fear of "uncertainty" is not a reason to remain ignorant.

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[3] This, we are told, could cause problems -- in the event the folks designing the tender offer are so stupid or incompetent as to fix the buyback price at the beginning, before knowing what resources are available to pay it.

[4] Assuming, of course, that there would be any money left over after the fund pays counsel's fees.

[5] Counsel also asserts, with no supporting facts or proof, that the practice of sub-contracting the actual running of ASG's portfolio to sub-managers -- who receive only half of what ASG pays the manager -- is "unique" and is the reason investors own ASG shares. A number of fund families operate multi-manager investment funds: a Google search on the phrase yields 107,000 hits.

B) Rule 14a-8(d) limits a proposal and statement to a total of 500 words. Thus limited, a proposal can describe a goal and indicate a course of action, but it cannot be, nor is it required to be, a step-by-step guide or construction blueprint. Staff Legal Bulletin 14B[6] requires only that the meaning be "reasonably certain", not that there be detailed discussion of every aspect of every possible offer that the Board could design. As that Bulletin further explains, the Fund can include arguments reflecting its point of view in the proxy statement, and it is not limited to a mere 500 words in doing so. Last year another closed-end fund, Adams Express Company, sought to exclude a proposal asking for a self-tender. The proposal was supposedly "vague and uncertain" because:

> *"The Proposal refers alternatively to a conditional tender offer of unknown size, a liquidation, a merger and a "conversion" into an open-end fund. Each of these alternatives or combination of alternatives presents various possible outcomes, each with differing economic, tax and other consequences. As a result, neither the Board nor the stockholders are able to know with any reasonable certainty what they are being asked to do or to approve."* [7]

The response from the Investment Management Staff was direct and to the point. Despite all these 'various possible outcomes': *"We are unable to concur in your view that the Proposal may be excluded under Rule 14a-8(i)(3)."* The same conclusion should apply here.

C) A common sense reading of the present proposal should leave little doubt as to what it means: with "reasonable certainty", it asks the Board to come up with a plan so that shareholders who want to exit the Fund at 98% of NAV may do so. That should not be too difficult to understand.

2. The Factual Statements That Support the Proposal Are True

To be accused of drafting a proxy proposal that "contains false and misleading statements" is a serious matter, so please allow me to respond at some length. Rule 14a-8(g) places the burden of proof on those who seek to censor a proposal. Materiality is also a consideration, and because companies can include their opposition statements in proxy materials,

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[6] CF Staff Pub. 9/15/2004, online at **http://www.sec.gov/interps/legal/cfslb14b.htm**

[7] *Adams Express Company* No-action letter, January 26, 2011, online at **http://www.sec.gov/divisions/investment/noaction/2011/adamsexpress012611.pdf** (Quoting p. 6 of James Hanks' 11/22/10 letter to SEC, at .pdf p. 8 of 34.) Fund counsel seeks to distinguish *Adams Express* as involving only "two clearly defined outcomes", but Hanks' letter shows that this was not the case.

Staff Legal Bulletin 14B ¶ B-4 says it is not appropriate to exclude a proposal or delete supporting language simply because:

- "The company objects to factual assertions because they are not supported;
- The company objects to factual assertions that, while not materially false or misleading, may be disputed or countered; or
- The company objects to factual assertions because those assertions may be interpreted by shareholders in a manner that is unfavorable to the company, its directors, or its officers."

It might be appropriate, the Bulletin continues, to modify or exclude proposals and statements, in "certain situations", if:

- "Statements directly or indirectly impugn character, integrity, or personal reputation, or directly or indirectly make charges concerning improper, illegal, or immoral conduct or association, without factual foundation
- "The company demonstrates objectively that a factual statement is materially false or misleading." (*Emphasis added*)

Now consider the accusations point-by-point, and see whether Fund counsel has: (i) identified what factual statements he objects to, and (ii) demonstrated that they are objectively false or lack foundation. The starting point is on page 6 of Fund counsel's letter:

A) Page 6 2nd paragraph. This just rehashes the "vagueness" claim. It fails to identify any factual statement in dispute, saying instead that the proposal is "misleading" because it is "uncertain". To reiterate: this precatory proposal is "reasonably certain", and the Fund will have its own chance to conjure up dire warnings and remote contingencies.

B) Page 6 3rd paragraph. Does not identify any factual statements.

C) Page 7 first paragraph. Here we go! Statements regarding DST's above-market purchase of ASG shares:

> *"[A]re irrelevant because the transactions were between private parties, did not involve the Fund and were not approved by the Fund's Board. The supporting statement offers no explanation why the Fund, its Board or its investment adviser should be responsible for transactions between these parties or how the referenced transactions would affect the Fund."*

Please turn to Attachment B, which recounts the history of the DST purchases based on EDGAR filings and proves that the challenged statements are both relevant and true. In sum: On July 19, 2011 DST definitively agreed to acquire ALPS and its subsidiaries, including ASG's manager. The management contract would automatically terminate on completion of the acquisition, under §15(a)(4) of the Investment Company Act, which requires a shareholder vote to approve a new contract. ASG called a special meeting for September 30. On August 18, Karpus Investment Management Inc., ("KIM"), which owned 14.75% of ASG, filed a preliminary notice saying it would wage a proxy contest against the new contract because "shareholders who did not want their assets transferred should have the opportunity to exit at or near NAV".

On September 15 KIM filed Sch 13D/A to announce a Standstill Agreement with DST, under which DST would buy a substantial portion of KIM's ASG stock at 98% of net asset value (a premium over market), on condition that KIM withdraw its draft opposition proxy and vote to approve the new contract. DST gave similar terms to one other large holder (Brinker), but did not generally offer to buy ASG shares at 98% of NAV from other shareholders who may have wanted to sell at that price. At the September 30 special meeting, ASG shareholders approved the new management contract, and on October 31, DST completed its acquisition of ALPS/AAI. By the end of 2011, DST had bought a total of 2,775,555 ASG shares (9.2% of the Fund) from KIM and Brinker at the above-market price of $4.32 per share, a total cost of about $12 million.

Consider: Did these transactions "involve" the Fund? Obviously.

Was DST's deal with KIM approved by the Board? No, and the supporting statement does not claim that it was.

Was the Fund's investment adviser (ALPS/AAI) "responsible" for the deal? Its then-expectant corporate parent-in-waiting, DST, certainly was. Contract confidentiality provisions mean that we can only infer the role played by ALPS/AAI. The former owners of ALPS who sold to DST were obliged to use "reasonable commercial efforts" to secure approval of new management contracts, and there appear to be price adjustment provisions in the ALPS-DST agreement. (E.g. §3.06 refers to a "revenue run-rate" adjustment, as detailed in an exhibit that unfortunately was omitted from DST's July 21st 8-K EDGAR filing.)

Did the deal "affect the Fund"? Yes, it is the reason AAI is still the manager. It is also the reason Fund investors who would like to exit without suffering the trading discount remain locked in. Although the Fund was not named as a party in the DST-KIM deal, Article 5 of their contract names ASG as a recipient of notices sent under that contract.[8]

D) Page 7 1st paragraph. Another accusation:

> "*The supporting statement impugns the character and integrity of the Fund's investment adviser when it asks whether any investor [can] now feel confident that the Fund's investment adviser, as a DST subsidiary, will always treat all stockholders fairly and equally, and not favor the interests of some over others.*'"

I cannot criticize KIM: the firm did well by its investors and it owes no fiduciary duty to other ASG shareholders. DST's situation is less clear[9]: it made its deal in connection with a pending purchase of AII's fiduciary relationship with the Fund. Vote buying is a crime in politics, but there is no parallel proscription in the economic realm of corporate elections. My supporting statement conceded that DST's actions in getting the new contract approved "may well have been perfectly legal" -- a point that Fund counsel does not dispute.

Is there a factual basis for wondering about investor confidence now that DST owns ASG's manager? Confidence is a fragile state of mind. Consider Attachment C, a 9/30/2011 online article by Mike Taggart CFA, Director of Closed-End Fund Research at Morningstar, a leading provider of independent investment research.[10] It begins:

> "*Investors in Liberty All-Star Equity (USA) and Liberty All-Star Growth (ASG) should be outraged at the slap in the face that has just been dealt them by soon-to-be (assuming it garners the shareholder votes, which we believe it will) investment advisor DST*

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[8] Fund counsel has evidently forgotten that he, too, was identified by name in the DST-KIM contract, as someone who should receive copies of any notices that might be sent to "ALPS Holdings, AAI, either Fund [ASG and its sibling, USA] or either fund's Board."

[9] Consider the fiduciary issues that would arise if a fund's investment manager purchased a large block of fund shares from a single holder at a premium in order to secure the votes needed to get its contract renewed. Would the result differ if the manager's corporate parent made the purchase? Should it differ if at the time the buyer was only under contract to acquire the corporate parent?

[10] **http://news.morningstar.com/articlenet/article.aspx?id=396106**

Systems (DST). Executives at DST have cut a side deal with two of the funds' investors that gives them preferential pricing for their shares. To be sure, such side deals occur regularly with the aim of successfully completing acquisitions. While few things in life--let alone closed-end fund investing--are fair, this issue raises considerable concerns about future fiduciary oversight of the funds."

The article proceeds to describe the deal, and the many questions it raises. "*Who is looking after the other Fund shareholders?*" Will DST executives "*look after ASG and USA shareholders benevolently? Or will their interests be in keeping shareholders of DST Systems happy?*". Conclusion: "*Shareholders of these funds do indeed face many unknown risks.*"

Please understand that I am not citing this article "to prove the truth of the matter asserted therein". Instead, the fact that it exists shows there are legitimate reasons to wonder how DST-controlled entities may resolve conflicting interests in the future, especially after the 2-year freeze on imposing "unfair burdens" comes to an end[11]. If the character and reputation of DST and its entities have been impugned, it was not by my words, but by their own actions.

E) p. 7 2nd paragraph. Fund counsel juxtaposes "favored institutions"[12] with a later paragraph where I hope the Board will be "fair and open-minded... rather than retreating behind a barrage of negative objections"[13] and from this exercise in cut-and-paste editing draws the remarkable conclusion that I've "*impugn[ed] the character of the Fund's Board*" and have implied "*that the Board violated its fiduciary duty to stockholders by approving transactions that involved neither the Fund nor its Board.*"

The institutions clearly **were** favored by DST, which paid them a premium that wasn't offered to anyone else. However, nowhere does the supporting statement say or imply that the Board approved the side deals. And if my hope "that the Board will consider both sides of the question in a fair and open minded way" constitutes an attack on "the character of the Fund's Board", then it would seem that slander lurks behind every friendly "Good morning!" greeting.

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[11] ICA §15(f)(1)(b) and (2)(b).

[12] [As in "I believe that all shareholders of ASG should be given the opportunity to exit at a price near NAV, just like those favored institutions."]

[13] [As in "I am hopeful that the Board will consider both sides of the question in a fair and open-minded way, rather than retreating behind a barrage of negative objections."]

Fund counsel then asserts:

> "*These statements* [What statements? The hope for fair and open consideration?] *conflate actions of the Fund, its Board and its investment adviser with the private actions of DST, which was, at the time, not affiliated with any of these parties. When the private transactions involving Fund stockholders and DST occurred, DST was a potential purchaser of the holding company that owned the Fund's investment adviser.*" (emphasis added)

What a peculiar choice of words! "*Not affiliated*" to describe the relationship between DST and ALPS/AAI after they had made a definitive acquisition and merger agreement. "*Potential purchaser*": DST after entering into that agreement, "*Private transactions*" -- paying a premium for 9.2% of the Fund in order to purchase enough votes to get a management contract approved at a special meeting.

F) Page 7 last paragraph. Fund counsel is upset because I called ASG's persistent market discount to NAV a "deadweight loss to us as investors." After rambling on about market fluctuations and accusing me of wanting to make a profit (horrors!), Fund counsel suggests the phrase is somehow misleading, (though "materiality" is never mentioned.) This demonstrates that Fund counsel does not understand what "deadweight loss" means when used in an economic context. It refers to:

> "*A loss of economic efficiency that can occur when equilibrium for a good or service is not Pareto optimal.*"

or, more broadly: "*A cost that adds no value to the entity incurring it.*"[14] As of 3/2/12, the reported value for ASG's net assets was $4.70 per share, or about $141 million, but the value the stock market placed on ASG itself was $4.29/sh, or about $129 million. This discount implies that the Fund itself, when interposed between investors and the underlying portfolio assets, reduces value by about $12 million. In other words, ASG is worth **negative** $12 million, a burden that would be lifted from investors if ASG were to self-tender at a price near NAV or be wound up. That negative $12 million generates no corresponding benefit for holders, so "deadweight loss" fits the facts.

The remaining objections need be discussed only briefly.

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[14] Wiley Online Library, *The Exchange-Traded Funds Manual, Second Edition* by Gary L. Gastineau, in Glossary. "Deadweight loss", meaning (2), online at **http://onlinelibrary.wiley.com/doi/10.1002/9781118266946.gloss/pdf**

3. Any Question of Board Authority Under State Law is Easily Fixed

My statement in support explained that the shareholder resolution would leave it to the Board to arrange the details of any tender offer the Fund might make in response: "For example, the Board could provide for an orderly winding-up in case so many shares are tendered that the remaining Fund would not be viable." Fund counsel argues that this might involve action that a Board may not undertake all by itself under Maryland Corporation law, which requires shareholder approval for liquidation or a merger. This objection may well be valid, although there is no supporting legal opinion, as required by Rule 14a-8(j)(2)(iii) and Staff Legal Bulletin 14B ¶E, and counsel's online vita[15] does not indicate that he is licensed to practice in Maryland.

Page 8 of Fund counsel's letter quotes ¶B of Staff Legal Bulletin 14D to prove that such a defect justifies excluding a proposal:

> "In Staff Legal Bulletin No. 14D (CF) (Nov. 7, 2(08) ('SLB 14D), the Staff recognized that when a proposal recommends, requests, or requires corporate action that state law mandates 'be initiated by the board and then approved by stockholders,' that proposal may be excluded under either Rule 14a-8(i)(2) or Rule 14a-8(i)(6)."

But the **next two sentences** in that Bulletin put matters in a completely different light:

> "In accordance with longstanding staff practice, however, our response may permit the proponent to revise the proposal to provide that the board of directors "take the steps necessary" to amend the company's charter. If the proponent revises the proposal in this manner within the time frame specified in our response letter, we do not believe there would be a basis for the company to exclude the proposal under rule 14a-8(i)(1), rule 14a-8(i)(2), or rule 14a-8(i)(6)." *(emphasis added)*

That is exactly what happened in the *Adams Express* matter cited by Fund counsel. The proponent amended the tender offer resolution accordingly, and it was included in the proxy for that fund's 2011 annual meeting.[16] I would certainly agree to revise the last sentence in my supporting statement along the following lines:

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[15] http://www.klgates.com/clifford-j-alexander/

[16] Adams Express Co. DEF14A filed 2/18/11, online at http://www.sec.gov/Archives/edgar/data/2230/000119312511039956/ddef14a.htm

"For example, the Board could *<take the necessary steps to>* provide for an orderly winding-up in case so many shares are tendered that the remaining Fund would not be viable."

4. A Tender Offer Open to All Holders Would Not Benefit Me Alone

The fourth argument piles sophistry on fallacy and reaches a silly conclusion: that asking ASG to buy back shares from any holder who wants to sell at 98% of NAV would benefit me alone, with my 2,200 shares, and not the other shareholders who own the other 30,078,140.

The sophistry lies in assuming a high level of participation in a tender offer -- meaning that most shareholders want to exit on these terms -- that could reduce the size of the Fund so much that it would no longer be viable and be forced to liquidate or merge. Fund counsel then imagines, without offering any evidence, that some investors might not have tendered because they wanted to continue with the Fund just as it was. Therefore, says Fund counsel, the proposal would not "further the interests of all stockholders", but would advance personal ends "not in the common interest of shareholders generally", as required by the Rule.

Spot the fallacy? It lies in treating the phrase "the common interest of stockholders generally" as though it meant "the particular interest of each and every stockholder". This would prevent any proposal from coming to a vote unless assured of unanimous support from the start. But corporate governance does not recognize the "*liberum veto*".[17] If so many shareholders want to exit, why should a small minority block them? And since a self-tender would be open to all shareholders who want to participate, proposing that they be allowed to do so is hardly in my personal interest alone.

5. The Proposal Was Timely, and Eligibility Was Promptly Confirmed.

Fund Counsel calls the proposal "incomplete" because the broker's confirmation letter (that I was beneficial owner for more than a year of $2,000+ worth of ASG held in street name) was submitted separately a week later. This objection confuses a proposal itself with the procedural proof of eligibility to submit it. Because the letter confirming eligibility must cover a one-year period including the date the proposal itself was submitted, as a practical matter it may take a few days for a broker to prepare such a letter and make it available. Staff Legal Bulletin 14B ¶C-2 explains the procedure that is used to avoid a timing snag.

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[17] http://en.wikipedia.org/wiki/Liberum_veto

If the Fund could not determine from its own records whether I was an eligible holder, it could send a notice of procedural defect within 14 days of receiving the proposal. This would then give me another 14 days to cure. The Fund sent no such notice: any question of procedural eligibility was resolved by the December 23 confirmation letter from the Charles Schwab Co., which I forwarded to the Fund that same day.

That concludes my response, but for one final concern. Fund counsel's letter (p. 13) requests the opportunity to confer with Staff before any adverse determination is finalized. I hope this is not an invitation to communicate *ex parte*: according to Staff Legal Bulletin 14B ¶F-1:

> "In order to ensure that the staff's process is fair to all parties, we base our determinations on the written materials provided to us. While we will respond to telephone questions from the company or the shareholder proponent regarding the status of a request, we do not discuss the substantive nature of any specific no-action request with either the company or the shareholder proponent."

I appreciate your consideration of this response, and I thank you for your patience.

Sincerely,

Robert H. Daniels

Via post and e-mail

With cc to Clifford J. Alexander, Esq.

Liberty All-Star Growth Fund - Shareholder Proposal - Rule 14a-8

Proposal: REQUEST THAT BOARD INITIATE SELF-TENDER OFFER

RESOLVED: the Shareholders request that the Board promptly initiate a self-tender under which the Fund shall offer to repurchase all of its outstanding Shares for cash at 98% of net asset value per Share.

Supporting Statement

Fellow Shareholders:

Our fund's current (12/9/11) market price is about 11% below its net asset value. Persistent trading discounts like this represent a deadweight loss to us as investors. However, two institutional holders recently got 98% of net asset value -- substantially above the market price -- when they agreed to sell more than 2.5 million shares of ASG for about $10.9 million. What made their sale special? The buyer was DST Systems, Inc., which was in the process of acquiring the company that managed our Fund. As part of the deal, the institutions agreed to drop their opposition to the proposed new management contract for ASG, and to vote in favor of that contract at the recent special shareholder meeting.

I believe that all shareholders of ASG should be given the opportunity to exit at a price near NAV, just like those favored institutions. DST's decision to purchase large blocks of dissenting shares at a premium to market in order to get its management contract approved may well have been perfectly legal. But can any investor now feel confident that the Fund's manager, as a DST subsidiary, will always treat all shareholders fairly and equally, and not favor the interests of some over others?

This proposal allows us as Shareholders to tell the Board what action will best serve our interests. I am hopeful that the Board will consider both sides of the question in a fair and open-minded way, rather than retreating behind a barrage of negative objections. If the Board accepts our request, it would then arrange the implementing details. For example, the Board could provide for an orderly winding-up in case so many shares are tendered that the remaining Fund would not be viable.

Thank you for your consideration.

ATTACHMENT "A"

ROBERT H. DANIELS
1685 EIGHTH AVENUE
SAN FRANCISCO, CA 94122-3717

Tel: (415-) 731-3151. Fax (415-) 373-9340 E-mail: rhdlaw@pacbell.net

Re: Liberty All-Star Growth Fund, Inc.
Rule 14a-8 Shareholder Proxy Proposal

Attachment B

EDGAR filings showing the context for DST's purchase of ASG shares:

July 21, 2011: DST Systems Inc. files Form 8-K stating that on July 19th it entered into a definitive agreement to acquire ALPS (the privately held parent company of ASG's manager and administrator) for $250,000,000.[1] The merger agreement, which was included as Exhibit 2.1, obliged ALPS (among other things) to use commercially reasonable efforts to have new advisory agreements approved by the Boards and shareholders of the various funds under management (§6.05).

August 8: ASG files Form PRE14A, a draft proxy for a special meeting to be held on September 30, asking shareholders to approve a new management agreement to take effect when DST's acquisition closes.[2]

August 11: Karpus Management Inc. ("KIM") files Schedule 13D. It owns 4,435,750 shares (14.75% of ASG) on behalf of accounts it manages.[3]

August 18: KIM files Form PREC14A, a preliminary proxy contest statement. It will seek proxy votes against the proposed new contract, or boycott the meeting to prevent a quorum. The reason, KIM explains, is its belief:

"[T]hat shareholders should be afforded the opportunity by each Fund to receive fair value for their investment in the wake of the impending Transaction. Given the situation, Karpus feels that shareholders who do not wish to see their assets transferred should be afforded the opportunity to exit their investment at or near net asset value. It is Karpus' belief that shareholders of both Funds must be compensated for the unknown risks they are being asked to assume. The consummation of these agreements is clearly in the interests of the new parent company; otherwise, they would not be proposing this transition to take place. Similar to management's interest in

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[1] http://www.sec.gov/Archives/edgar/data/714603/000110465911040147/a11-20162_18k.htm.

[2] http://www.sec.gov/Archives/edgar/data/786035/000119312511214237/ dpre14a.htm

[3] http://www.sec.gov/Archives/edgar/data/786035/000104870311000147/ asg13d.htm

seeking full value for this Transaction, as your fellows shareholders we also seek to realize full value."[4]

August 19: ASG files Form DEFC 14A, its definitive proxy statement.[5]

August 30, September 1 and September 8: ASG files additional solicitation materials and telephone scripts.

September 15: KIM files Schedule 13D/A to report a "**Standstill Agreement**" with DST dated September 14. The Agreement is an exhibit.

"Karpus and DST have agreed that, within 30 days after the closing of DST's purchase of ALPS Holdings Inc., the parent company of ALPS Advisors Inc, DST will pay Karpus $10.91 million for shares of Liberty All-Star Growth Fund, Inc. (ASG) and $2.67 million for shares of Liberty All-Star Equity Fund (USA). The parties may agree to a different allocation between the two funds, so long as the total purchases do not exceed $13.58 million. The price per share will be 98% of the net asset value per share on the second business day before the date of purchase. The number of shares of each fund to be purchased will be the fixed dollar amount, divided by the appropriate price per share.

"In the Standstill Agreement, Karpus agreed, with respect to both Funds, to withdraw its preliminary proxy statements and to vote in favor of new advisory agreements for the Funds that would become effective upon the Closing. Karpus also agreed that, for a period of five years from September 14, 2011, Karpus will not take certain actions with respect to shares of the Funds or with respect to the management of the Funds."[6]

September 29: DST files a Schedule 13D one day before the special meeting. "In connection with the ALPS acquisition" it has agreed to purchase @ 2,683,962 shares of ASG from KIM and Brinker Capital, Inc. at 98% of net asset value.[7]

September 30: At the special meeting ASG shareholders approve the new contract by a vote of 16,226,187 in favor, 2,481,739 against and 741,821 abstaining, a total of 19,449,748 shares of the 30,080,340 outstanding. If the KIM and Brinker shares had been absent or had voted "no", the new contract would not have received the requisite "1940 Act majority"[8].

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[4] http://www.sec.gov/Archives/edgar/data/786035/000104870311000152/asgprec14a.htm

[5] http://www.sec.gov/Archives/edgar/data/786035/000119312511227645/ddefc14a.htm

[6] http://www.sec.gov/Archives/edgar/data/786035/000104870311000156/asg13d.htm

[7] http://www.sec.gov/Archives/edgar/data/714603/000090445411000552/s13d_092911-libertyallstar.htm

[8] See Exhibit 99.77Q1 to ASG's Form NSAR-B filed on 2/28/2012, http://www.sec.gov/Archives/edgar/data/786035/000078603512000002/grw77q.htm Approval

November 23: DST files Schedule 13D/A, reporting that the Standstill Agreement has been amended to extend time and to fix the purchase price for all shares at $4.32/sh, equal to 98% of the NAV on November 14.[9]

December 15: DST files Schedule 13D/A. It has acquired 353,693 more shares @ $4.32 per the Agreement, in what it calls "open market transactions".[10]

December 29: DST files Schedule 13D/A to report completing the Standstill Agreement purchases at $4.32/share. It now owns 2,775,555 shares, equal to 9.2% of ASG.[11] The next day KMI files Schedule 13G. It now holds just 1,861,139 ASG shares, or 6.19%.[12]

The Standstill Agreement price -- 98% of NAV -- was consistently higher than that prevailing on the exchange. ASG's trading discount was 4.63% and 7.11% on September 14th and 15th respectively, and on September 30, the date of the special meeting, it stood at 8.86%. From that time to the present it has hovered around 10%. On November 14, when DST agreed to pay $4.32/share, the NAV was $4.41/sh but the market price was only $3.94/sh, a discount of 10.66%.[13]

2,775,555 shares times $4.32 is $11,990,398. The same number times $3.94 is $10,935,687. The difference, which appears to be the premium paid to get the management contract approved, is $1,054,711.

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would require "yes" votes from either (i) >50% of the outstanding shares, or (ii) 67% of the shares at a meeting where >50% of the outstanding shares were present. ICA §2(a)(42). Under NYSE rules, uninstructed "broker non-votes" don't count towards approval. If 4,409,578 shares had boycotted there would be no quorum, and 1,186,017 fewer "yes" votes would have lowered approval below 50% of the outstanding shares.

[9] http://www.sec.gov/Archives/edgar/data/714603/000090445411000633/s13da_112311-libertyallstar.htm

10 http://www.sec.gov/Archives/edgar/data/714603/000090445411000658/s13da_121311-libertyallstar.htm

11 http://www.sec.gov/Archives/edgar/data/714603/000090445411000681/s13da_122911-libertyallstar.htm

12 http://www.sec.gov/Archives/edgar/data/786035/000104870311000170/asg13ga.htm

[13] http://www.cefconnect.com/Details/Summary.aspx?ticker=ASG

http://news.morningstar.com/articlenet/article.aspx?id=396106

CEF Weekly

Side Deals for Two CEF Shareholders

Shareholders in Liberty All-Star Funds should be outraged. We are.

PrintCommentRecommend (4)

By Mike Taggart, CFA | 09-30-11 | 10:15 AM | E-mail Article

Investors in **Liberty All-Star Equity** (USA) and **Liberty All-Star Growth** (ASG) should be outraged at the slap in the face that has just been dealt them by soon-to-be (assuming it garners the shareholder votes, which we believe it will) investment advisor DST Systems (DST). Executives at DST have cut a side deal with two of the funds' investors that gives them preferential pricing for their shares. To be sure, such side deals occur regularly with the aim of successfully completing acquisitions. While few things in life--let alone closed-end fund investing--are fair, this issue raises considerable concerns about future fiduciary oversight of the funds.

About the Author

Mike Taggart, CFA, is the director of closed-end fund research at Morningstar.

Contact Author | Meet other investing specialists

Background

On July 19, DST Systems--the largest U.S. provider of third-party mutual fund record-keeping services--announced that it would acquire ALPS Holdings for $250 million. ALPS serves as the investment advisor for both Liberty All-Star CEFs. Karpus Investment Management--an activist CEF investor--owned 13.6% of ASG (about $15.4 million worth) and 3.1% of USA (about $25.2 million). Both funds have typically traded at large, double-digit discounts over the past three years: ASG's three-year average discount is about 13.1%, while USA's has been 15.7%.

On Aug. 18, Karpus filed a proxy with the Securities and Exchange Commission contesting DST's planned acquisition of ALPS and, effectively thereby, these funds. As Karpus noted in the proxy: "It is Karpus' belief that shareholders of both funds must be compensated for the unknown risks they are being asked to assume." The statement then goes on to point out the funds' persistent discounts and to chastise the directors for failure to take sufficient action for shareholders.

Shutting Them Up

DST could have responded to this proxy contest with a public commitment to do everything in its power as the planned investment advisor to narrow the discount and support directors in doing what's right for the funds' shareholders. There are literally hundreds of tactics to mollify any investors who may have been swayed by Karpus' argument.

Instead, DST executives cut a side deal with Karpus. In exchange for Karpus' revocation of the contested proxy and its support for the planned DST acquisition, DST will purchase Karpus' shares at a 2% discount. Yes, Karpus--because it is a large, ornery shareholder--is

getting preferential treatment. DST has agreed to buy about 70% of Karpus' investment in ASG and about 10% of its USA holdings.

Oh, don't worry: The transactions are perfectly legal, and the current investment advisor (ALPS) is not participating in the transaction. A third-party (an entity set up by the supposed future investment advisor) is handling the arrangements. We are not suggesting that anything illegal under the strict definition of the law is taking place.

On Sept. 28, Brinker Capital--a formerly unheard of owner of both funds--got in on the action with a side deal (officially known as a standstill agreement) of its own. The details are similar to Karpus' so are not worth delving into.

The Upshot

It would be easy to dismiss this story. Such side deals can be viewed as necessary in the case of corporate mergers and acquisitions, as disturbing as they may be. I have no doubt that DST executives did what they believed necessary for the long-term benefit of DST's shareholders. Karpus' and Brinker's executives did a great job of fulfilling their fiduciary duties to their investors, and our hats go off to the executives at both firms who made the side deals happen: One is inclined to respect such moxie.

But who, pray tell, is looking after the rest of ASG's and USA's shareholders?

Is it the directors, who have allowed these two equity-focused closed-end funds to languish at large discounts, to have tracking error against their indexes, and to give investors reason to seek lower-cost alternatives elsewhere? Is it the directors, who have cut ASG's and USA's quarterly distribution amounts by $0.10 and $0.14 per share, respectively, since late 2007, even as both funds persist in returning capital to investors? Where is the evidence of true fiduciary action, other than checking boxes to ensure that regulatory minimum standards are being met?

Is it the executives at the likely new parent company, DST Systems? Are we to believe that, upon completion of the acquisition, they will look after ASG and USA shareholders benevolently? Or will their interests be in keeping shareholders of DST Systems happy? When a large, ornery vendor attempts to shaft the funds, will directors turn a blind eye and DST executives roll over? How many more side deals will be cut--deals that won't necessarily require public disclosure?

These are all questions that we cannot answer. We raise them to point out our considerable concerns about such deals.

Karpus' proxy contest was correct, but it didn't go far enough: Shareholders of these funds do indeed face many unknown risks.

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March 14, 2012

VIA E-MAIL

Securities and Exchange Commission
Office of the Chief Counsel
Division of Investment Management
100 F Street, N.E.
Washington, D.C. 20549

Re: **Stockholder Proposal Submitted by Robert H. Daniels**

Ladies and Gentlemen:

Pursuant to Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as counsel to Liberty All-Star Growth Fund, Inc., a Maryland corporation (the "Fund"), by letter dated February 24, 2012, we requested confirmation that the staff of the Division of Investment Management will not recommend an enforcement action if the Fund omits from its proxy materials for the Fund's 2012 Annual Meeting of Stockholders (the "2012 Annual Meeting") the proposal described below for the reasons set forth herein.

By letter dated March 6, 2012, Mr. Daniels responded to the February 24 letter we submitted on behalf of the Fund. There is no need, and we do not intend, to discuss all of Mr. Daniels' comments. However, we do believe it is important to reemphasize the fundamental legal defects in the proposal.

1. Mr. Daniels' proposal is entirely vague and indefinite. Adoption and implementation of the tender offer he proposes would almost certainly require a major change in the Fund and very possibly liquidation. Despite Mr. Daniels' assertions, it is not a simple proposal to provide liquidity to some minority set of shareholders. His proposal does not enable shareholders to understand the potential serious consequences of what they are voting on.

Mr. Daniels tries to argue that his proposal is merely "precatory." But the words cannot support that interpretation. The proposal does not direct the Board to "consider" a tender offer. It requests "that the Board promptly initiate a self-tender offer." Even if it were interpreted to be precatory, proposals must be drafted with precision so stockholders know what they are voting on.

2. For the same reasons the proposal is inherently false and misleading. It leads stockholders to believe that the proposal is merely requiring a liquidity event. In fact, it may require the liquidation of the Fund.

3. Mr. Daniels does not provide any legal rationale in response to our objection that the proposal would violate Maryland law. He admits that "this objection may very well be valid..." His proposal solution, which is to simply revise his supporting statement, does not solve the legal problem or cure the deficiency in his proposal. Moreover, he states that, in the event the proposal is adopted, "the board could provide for an orderly winding-up" of the Fund – an admission that the proposal may very well result in liquidation of the Fund.

4. Mr. Daniels does not deny that the objective of his proposal is to benefit himself. He only argues that it would benefit all shareholders. However, this ignores the detrimental effect on shareholders who would like to continue to be invested in this Fund.

5. Mr. Daniels misinterprets our reference to the Adams Express letter. Our letter pointed out that Mr. Daniels failed to meet the standard discussed in Adams Express. That letter included a proposal for a tender offer with adequate disclosure that the tender offer could result in radical changes to a fund, including liquidation. In contrast, Mr. Daniels fails to disclose the possible consequences.

In conclusion, we would like to reiterate that, in this case, if the Proposal is revised to address the deficiencies discussed herein, the revision would constitute a substantive alteration of the Proposal, inconsistent with the Staff's long-standing practice. On behalf of the Fund, we again respectfully request the concurrence of the Staff that the Proposal may be excluded from the Fund's proxy materials for the 2012 Annual Meeting.

If you have any questions or would like any additional information regarding the foregoing, please do not hesitate to contact me at 202-778-9068 or, in my absence, Kathy Ingber or Jennifer Gonzalez at 202-778-9015 and 202-778-9286, respectively. If you do not agree with the conclusions set forth herein, we respectfully request the opportunity to confer with you before any determination is finalized. Thank you for your attention to this matter.

Very truly yours,

Clifford J. Alexander

cc: Robert H. Daniels, Esquire