

TRI-CONTINENTAL CORP  
Form N-CSR  
March 05, 2013

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**  
**MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-00266

**Tri-Continental Corporation**

(Exact name of registrant as specified in charter)

225 Franklin Street, Boston, Massachusetts 02110

(Address of principal executive offices) (Zip code)

Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

**Scott R. Plummer**

**5228 Ameriprise Financial Center**

**Minneapolis, MN 55474**

(Name and address of agent for service)

**Registrant's telephone number, including area code: 1-612-671-1947**

**Date of fiscal year end: December 31**

**Date of reporting period: December 31, 2012**

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

**Item 1. Reports to Stockholders.**

# **Annual Report**

December 31, 2012

# **Tri-Continental Corporation**

Tri-Continental Corporation

## Letter to Stockholders

### Dear Stockholders,

We are pleased to present the annual stockholder report for Tri-Continental Corporation (the Fund). The report includes the Fund's investment results, a discussion with the Fund's portfolio managers, and a portfolio of investment and financial statements as of December 31, 2012.

The Fund's Common Stock gained 16.24%, based on net asset value, and 16.77%, based on market price, for the 12 months ended December 31, 2012. The Fund's benchmark, the S&P 500 Index, returned 16.00% during the same period.

During 2012, the Fund paid four distributions, in accordance with its earned distribution policy, that aggregated \$0.60 per share of Common Stock of the Fund. Distributions are based upon amounts distributed by underlying portfolio companies owned by the Fund. The Fund has paid dividends on its Common Stock for 68 consecutive years.

The addition of the flexible capital and income strategy in the management of the Fund has helped the dividend yield on the Fund, as it was implemented during the year.

The Fund will hold its 83<sup>rd</sup> Annual Meeting of Stockholders on April 17, 2013 in Minneapolis, MN.

Information about the Fund, including daily pricing, current performance, Fund holdings, stockholder reports, the most current prospectus for the Fund, distributions and other information can be found at [columbiamanagement.com](http://columbiamanagement.com) under the Closed-End Funds tab.

On behalf of the Board, we would like to thank you for your support of Tri-Continental Corporation.

Regards,

Stephen R. Lewis

Chairman of the Board

Annual Report 2012

## Table of Contents

<u>Performance Overview</u>	2
<u>Manager Discussion of Fund Performance</u>	3
<u>Portfolio of Investments</u>	5
<u>Statement of Assets and Liabilities</u>	15
<u>Statement of Capital Stock and Surplus</u>	16
<u>Statement of Operations</u>	17
<u>Statement of Changes in Net Assets</u>	18
<u>Financial Highlights</u>	20
<u>Notes to Financial Statements</u>	21
<u>Report of Independent Registered Public Accounting Firm</u>	28
<u>Federal Income Tax Information</u>	29
<u>Directors and Officers</u>	30
<u>Important Information About This Report</u>	33

The views expressed in this report reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Columbia Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any particular Columbia Fund. References to specific securities should not be construed as a recommendation or investment advice.

Tri-Continental Corporation

## Performance Overview

### Performance Summary

- > Tri-Continental Corporation (the Fund) Common Stock gained 16.24% based on net asset value and 16.77% based on market price for the 12 months ended December 31, 2012.
- > The Fund's benchmark, the S&P 500 Index, returned 16.00% for the same 12-month period.
- > Both the Fund's quantitative strategy and its flexible capital and income strategy contributed positively to the Fund's results for the period.

#### Average Annual Returns As Of: 12/31/2012

	Inception	1 Year	5 Years	10 Years
Market Price	01/05/29	16.77	-0.65	5.95
Net Asset Value	01/05/29	16.24	0.61	5.83
S&P 500 Index		16.00	1.66	7.10

The performance information shown represents past performance and is not a guarantee of future results. The investment return and principal value of your investment will fluctuate so that your shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information shown. You may obtain performance information current to the most recent month-end by visiting [columbiamanagement.com](http://columbiamanagement.com).

Returns reflect changes in market price or net asset value, as applicable, and assume reinvestment of distributions. Returns do not reflect the deduction of taxes that investors may pay on distributions or the sale of shares.

The S&P 500 Index, an unmanaged index, measures the performance of 500 widely held, large-capitalization U.S. stocks and is frequently used as a general measure of market performance.

Indices are not available for investment, are not professionally managed and do not reflect sales charges, fees, brokerage commissions, taxes or other expenses of investing. Securities in the fund may not match those in an index.

#### Price Per Share

	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Market price (\$)	16.00	16.22	15.47	15.92
Net asset value (\$)	18.77	18.96	18.02	18.67

#### Distributions Paid Per Common Share<sup>(a)</sup>

Payable date	Per share amount (\$)
March 29, 2012	0.105
June 28, 2012	0.150
September 27, 2012	0.155
December 27, 2012	0.190

(a) Preferred Stockholders were paid dividends totaling \$2.50 per share.

## Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

The net asset value of the Fund's shares may not always correspond to the market price of such shares. Common stock of many closed-end funds frequently trade at a discount from their net asset value. The Fund is subject to stock market risk, which is the risk that stock prices overall will decline over short or long periods, adversely affecting the value of an investment in the Fund.



## Manager Discussion of Fund Performance

Tri-Continental Corporation (the Fund) Common Stock advanced 16.24% based on net asset value and 16.77% based on market price for the 12-month period ended December 31, 2012. The Fund outperformed its benchmark, the S&P 500 Index, which gained 16.00% for the same period. Both the Fund's quantitative strategy and its flexible capital and income strategy contributed positively to the Fund's results for the period.

### Significant Performance Factors

In 2012, the U.S. equity market had its best year since 2009, with the S&P 500 Index delivering strong gains for the year. During the year, investors vacillated between a conservative risk-off attitude and an aggressive risk-on attitude, depending on the latest U.S. economic news, the tenor of the fiscal cliff negotiations and the state of the European Union, among other factors. Through it all, investors were cheered by slow but steady improvement in the U.S. economic outlook, particularly the housing market's rebound.

Against this backdrop, investors generally favored attributes typically associated with riskier stocks. For example, in 2012, S&P 500 Index stocks with the highest risk profiles, as measured by beta, outperformed stocks with the lowest risk profiles; stocks that did not pay a dividend outperformed stocks with the highest dividend yields; and the 20% of S&P 500 Index stocks with the greatest earnings variability outperformed the 20% of S&P 500 Index stocks with the most stable earnings. Finally, smaller stocks within the S&P 500 Index performed better than larger stocks within the index for the year.

The Fund is managed in two distinct segments. One segment is managed using quantitative models to select stocks. The other portion of the Fund uses a flexible capital and income strategy to invest across a company's investable capital structure, including stocks, bonds and convertible securities. At the end of 2012, each segment accounted for approximately 50% of the Fund's portfolio and both segments contributed positively to the Fund's results for the fiscal year.

### Valuation Measures Add to Quantitative Results

Within the quantitatively managed segment of the Fund, the team uses computer-based models to analyze stocks within sectors. While keeping sector weights close to those of the benchmark, the models select stocks by focusing on metrics.

The metrics for the stock selection model are divided into three broad categories: *valuation* (fundamental measures such as earnings and cash flow relative to market values), *catalyst* (price momentum and business momentum) and *quality* (quality of earnings and financial strength).

The stock selection model worked reasonably well in 2012, led by the stocks that appear inexpensive relative to their peers. The 20% of S&P 500 Index stocks with the highest scores on the model's valuation measures outperformed the 20% of stocks with the lowest scores by over 10% for the year. The catalyst measures also performed reasonably well throughout the year, although that outperformance was confined to stocks with the highest quintile (20%) of catalyst scores. Investors appeared to favor companies that sustained their earnings growth and raised earnings expectations during 2012.

Not surprisingly, given the market's preference for riskier stock characteristics during the period, the quality measures had mixed results for 2012. Although there were very small differences between the performance of the top-ranked and bottom-ranked stocks, the 20% of stocks with the lowest quality scores outperformed the 20% of stocks with the highest quality scores, while the middle group lagged the overall return of S&P 500 Index during the period.

### Portfolio Management

Brian Condon, CFA

David King, CFA

Oliver Buckley

Yan Jin

**Top Ten Holdings (%)**

(at December 31, 2012)

Apple, Inc.	3.0
Pfizer, Inc.	2.2
JPMorgan Chase & Co.	2.1
Chevron Corp.	2.1
Verizon Communications, Inc.	2.1
Microsoft Corp.	2.0
Philip Morris International, Inc.	1.8
BlackRock, Inc.	1.8
Amgen, Inc.	1.6
ConocoPhillips	1.6

Percentages indicated are based upon total investments (excluding Money Market Funds).

For further detail about these holdings, please refer to the section entitled Portfolio of Investments.

Fund holdings are as of the date given, are subject to change at any time, and are not recommendations to buy or sell any security.

Tri-Continental Corporation

**Manager Discussion of Fund Performance** *(continued)***Portfolio Breakdown (%)**  
**(at December 31, 2012)**

<b>Common Stocks</b>	<b>68.6</b>
Consumer Discretionary	6.2
Consumer Staples	6.9
Energy	7.5
Financials	11.2
Health Care	8.1
Industrials	7.4
Information Technology	12.3
Materials	3.2
Telecommunication Services	3.0
Utilities	2.8
<b>Convertible Bonds</b>	<b>12.1</b>
Consumer Discretionary	1.8
Consumer Staples	0.3
Energy	0.2
Financials	1.4
Health Care	3.2
Industrials	1.7
Materials	0.9
Telecommunication	2.6
<b>Convertible Preferred Stocks</b>	<b>5.5</b>
Consumer Discretionary	0.3
Consumer Staples	0.5
Energy	0.7
Financials	2.1
Industrials	1.0
Utilities	0.9
<b>Corporate Bonds &amp; Notes</b>	<b>11.9</b>
Consumer Discretionary	2.7
Consumer Staples	0.4
Energy	1.1
Financials	1.0
Health Care	1.2
Industrials	2.0
Materials	0.8
Telecommunication	2.2
Utilities	0.5
<b>Limited Partnerships</b>	<b>0.0<sup>(a)</sup></b>
<b>Money Market Funds</b>	<b>1.9</b>
<b>Total</b>	<b>100.0</b>

Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.

(a) Rounds to less than 0.1%.

Within the quantitative segment, the Fund's positioning in the energy, information technology and materials sectors had the most positive effect on performance relative to the benchmark, while also delivering positive absolute returns for the year. Conversely, the consumer discretionary, utilities and industrials sectors detracted from the Fund's relative performance for the year. Despite the unfavorable effect on relative return, the Fund's consumer discretionary and industrials holdings delivered positive absolute performance, while its utilities holdings had a negative absolute return for the year.

**Equity Emphasis Benefits Flexible Capital and Income Segment**

## Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

Within the flexible capital and income segment of the portfolio, the Fund's holdings of high-yield bonds had a favorable effect on results, particularly bonds issued by telecommunications giant Sprint. An emphasis on equities was also advantageous as equities generally outperformed bonds in 2012. Within the segment, none of the Fund's equity holdings suffered significant losses for the year. Furthermore, near year end, the Fund enjoyed a large gain from its holdings of Home Depot as investors grew more enthusiastic about housing-related companies.

A focus on yield led to mixed results within the Fund's convertible bond holdings. Exposure to homebuilders and the preferred stocks of banks had a positive effect, while some small positions in energy and mining performed poorly, detracting from the Fund's results.

The Fund's flexible capital and income strategy was largely responsible for the Fund's solid dividend growth during 2012.

### **Changes to the Fund's Portfolio**

Within the quantitative portfolio segment, our stock selection models led us to purchase Cisco Systems, TJX and Prudential Financial, while leading us to sell Intel, UnitedHealth Group and Exelon. Regardless of the market environment, we strive to select stocks that we believe will outperform their industry peers.

Within the flexible capital and income segment, our baseline positioning, under normal circumstances, is approximately one-third allocated to stocks, one-third allocated to corporate bonds and one-third allocated to convertible bonds. During 2012, the stock weighting was modestly above our baseline, while the bond weighting was below baseline and the allocation to convertible securities was neutral. There were no positioning changes of note within this segment of the Fund's portfolio during the period.

### **Outlook for the Fund's Multi-Strategy Approach**

Within the quantitative segment, our strategy is based on individual stock selection using computer models. Consequently, we do not rely on macroeconomic scenarios or market outlooks to make security selections. We do not try to predict when equities, as an asset class, will perform well or when they will perform poorly. Instead, we stay fully invested at all times. We will work to continually enhance our quantitative models and will focus portfolio holdings on our three themes of valuation, catalyst and quality.

In our view, investors have continued to focus on top-down comparisons of asset classes, rather than bottom-up comparisons of specific securities. As long as this trend persists, we believe our strategy has more opportunities to exploit inefficiencies in the financial markets.

## Portfolio of Investments

December 31, 2012

(Percentages represent value of investments compared to net assets)

### Common Stocks 68.3%

Issuer	Shares	Value (\$)
<b>Consumer Discretionary 6.1%</b>		
<b>Automobiles 0.4%</b>		
Ford Motor Co.	420,000	5,439,000
<b>Hotels, Restaurants &amp; Leisure 0.4%</b>		
Darden Restaurants, Inc.	115,000	5,183,050
<b>Media 2.5%</b>		
Comcast Corp., Class A	380,626	14,227,800
DIRECTV <sup>(a)</sup>	212,600	10,664,016
Discovery Communications, Inc., Class A <sup>(a)</sup>	61,200	3,884,976
DISH Network Corp., Class A	30,200	1,099,280
Total		29,876,072
<b>Multiline Retail 0.2%</b>		
Macy's, Inc.	62,600	2,442,652
<b>Specialty Retail 2.6%</b>		
Gap, Inc. (The)	293,700	9,116,448
Home Depot, Inc. (The)	32,850	2,031,772
Ross Stores, Inc.	175,900	9,524,985
TJX Companies, Inc.	268,400	11,393,580
Total		32,066,785
<b>Total Consumer Discretionary</b>		<b>75,007,559</b>

### Consumer Staples 6.8%

<b>Beverages 0.2%</b>		
Coca-Cola Enterprises, Inc.	97,666	3,098,942
<b>Food &amp; Staples Retailing 2.3%</b>		
CVS Caremark Corp.	47,100	2,277,285
Kroger Co. (The)	398,894	10,379,222
Safeway, Inc.	161,800	2,926,962
Wal-Mart Stores, Inc.	185,529	12,658,644
Total		28,242,113
<b>Food Products 1.3%</b>		
Campbell Soup Co.	266,600	9,301,674
Kellogg Co.	110,000	6,143,500

Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

Total		15,445,174
<b>Household Products 0.6%</b>		
Kimberly-Clark Corp.	14,800	1,249,564
Procter & Gamble Co. (The)	90,000	6,110,100
Total		7,359,664
<b>Tobacco 2.4%</b>		
Lorillard, Inc.	61,364	7,159,338
Philip Morris International, Inc.	263,600	22,047,504
Total		29,206,842
<b>Total Consumer Staples</b>		<b>83,352,735</b>
<b>Common Stocks (continued)</b>		
	<b>Issuer</b>	<b>Shares</b>
		<b>Value (\$)</b>
<b>Energy 7.5%</b>		
<b>Energy Equipment &amp; Services 0.6%</b>		
Diamond Offshore Drilling, Inc.	38,000	2,582,480
National Oilwell Varco, Inc.	58,737	4,014,674
Total		6,597,154
<b>Oil, Gas &amp; Consumable Fuels 6.9%</b>		
Apache Corp.	72,000	5,652,000
Chevron Corp.(b)	233,342	25,233,604
ConocoPhillips	325,958	18,902,305
Exxon Mobil Corp.	122,011	10,560,052
Royal Dutch Shell PLC, ADR	130,000	8,963,500
Tesoro Corp.	111,000	4,889,550
Valero Energy Corp.	303,361	10,350,677
Total		84,551,688
<b>Total Energy</b>		<b>91,148,842</b>
<b>Financials 11.1%</b>		
<b>Capital Markets 2.3%</b>		
Ares Capital Corp.	350,000	6,125,000
BlackRock, Inc.	101,300	20,939,723
State Street Corp.	20,000	940,200
Total		28,004,923
<b>Commercial Banks 1.0%</b>		
Cullen/Frost Bankers, Inc.	110,000	5,969,700
Fifth Third Bancorp	104,200	1,582,798
Huntington Bancshares, Inc.	740,000	4,728,600
Total		12,281,098
<b>Consumer Finance 0.7%</b>		
Discover Financial Services	171,096	6,595,751
SLM Corp.	91,200	1,562,256
Total		8,158,007

Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

**Diversified Financial Services 3.3%**

Citigroup, Inc.	370,000	14,637,232
JPMorgan Chase & Co.	581,657	25,575,458

Total 40,212,690

**Insurance 2.8%**

ACE Ltd.	81,000	6,463,800
Aflac, Inc.	193,031	10,253,806
Lincoln National Corp.	27,700	717,430
MetLife, Inc.	30,100	991,494
Prudential Financial, Inc.	188,800	10,068,704
Travelers Companies, Inc. (The)	85,000	6,104,700

Total 34,599,934

The accompanying Notes to Financial Statements are an integral part of this statement.

Tri-Continental Corporation

**Portfolio of Investments** *(continued)*

December 31, 2012

**Common Stocks** *(continued)*

Issuer	Shares	Value (\$)
<b>Real Estate Investment Trusts (REITs) 1.0%</b>		
Simon Property Group, Inc.	81,386	12,866,313
<b>Total Financials</b>		<b>136,122,965</b>

**Health Care 8.1%****Biotechnology 1.5%**

Amgen, Inc.	219,700	18,964,504
-------------	---------	------------

**Health Care Equipment & Supplies 0.2%**

Boston Scientific Corp. <sup>(a)</sup>	352,100	2,017,533
--	---------	-----------

**Health Care Providers & Services 0.7%**

AmerisourceBergen Corp.	65,800	2,841,244
-------------------------	--------	-----------

Cardinal Health, Inc.	34,000	1,400,120
-----------------------	--------	-----------

Humana, Inc.	32,500	2,230,475
--------------	--------	-----------

McKesson Corp.	17,300	1,677,408
----------------	--------	-----------

Total		8,149,247
-------	--	-----------

**Pharmaceuticals 5.7%**

Bristol-Myers Squibb Co.	346,700	11,298,953
--------------------------	---------	------------

Eli Lilly & Co.	248,748	12,268,252
-----------------	---------	------------

Johnson & Johnson	134,000	9,393,400
-------------------	---------	-----------

Merck & Co., Inc.	256,800	10,513,392
-------------------	---------	------------

Pfizer, Inc.	1,037,965	26,032,162
--------------	-----------	------------

Total		69,506,159
-------	--	------------

<b>Total Health Care</b>		<b>98,637,443</b>
--------------------------	--	-------------------

**Industrials 7.4%****Aerospace & Defense 2.7%**

General Dynamics Corp.	34,600	2,396,742
------------------------	--------	-----------

Lockheed Martin Corp.	50,323	4,644,310
-----------------------	--------	-----------

Northrop Grumman Corp.	148,500	10,035,630
------------------------	---------	------------

Raytheon Co.	286,300	16,479,428
--------------	---------	------------

Total		33,556,110
-------	--	------------

**Air Freight & Logistics 0.4%**

United Parcel Service, Inc., Class B	61,741	4,552,164
--------------------------------------	--------	-----------

**Airlines 0.2%**



Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

Southwest Airlines Co.	184,000	1,884,160
<b>Commercial Services &amp; Supplies 0.5%</b>		
Republic Services, Inc.	212,500	6,232,625
<b>Electrical Equipment 0.1%</b>		
Emerson Electric Co.	20,800	1,101,568
<b>Industrial Conglomerates 1.1%</b>		
Danaher Corp.	115,100	6,434,090
General Electric Co.	338,589	7,106,983
Total		13,541,073

**Common Stocks** (continued)

	Issuer	Shares	Value (\$)
<b>Machinery 1.6%</b>			
Illinois Tool Works, Inc.		146,900	8,932,989
Ingersoll-Rand PLC		13,700	657,052
Parker Hannifin Corp.		37,600	3,198,256
Stanley Black & Decker, Inc.		88,000	6,509,360
Total			19,297,657
<b>Professional Services 0.3%</b>			
Dun & Bradstreet Corp. (The)		46,000	3,617,900
<b>Road &amp; Rail 0.5%</b>			
CSX Corp.		310,000	6,116,300
<b>Total Industrials</b>			<b>89,899,557</b>

**Information Technology 12.3%**

**Communications Equipment 1.2%**

Cisco Systems, Inc.	755,400	14,843,610
<b>Computers &amp; Peripherals 3.7%</b>		
Apple, Inc.	66,700	35,553,101
Diebold, Inc.	200,000	6,122,000
EMC Corp. <sup>(a)</sup>	132,000	3,339,600
Total		45,014,701

**Internet Software & Services 0.1%**

Google, Inc., Class A <sup>(a)</sup>	1,500	1,064,055
--------------------------------------	-------	-----------

**IT Services 2.5%**

Automatic Data Processing, Inc.	105,000	5,986,050
International Business Machines Corp.	4,708	901,817
Mastercard, Inc., Class A	27,000	13,264,560
Visa, Inc., Class A	64,400	9,761,752

Total		29,914,179
-------	--	------------

**Semiconductors & Semiconductor Equipment 1.6%**

Analog Devices, Inc.	150,000	6,309,000
Intel Corp.	308,539	6,365,160
NVIDIA Corp.	593,800	7,297,802

Total		19,971,962
-------	--	------------

**Software 3.2%**

Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

Microsoft Corp.	902,277	24,117,864
Oracle Corp.	170,200	5,671,064
VMware, Inc., Class A <sup>(a)</sup>	100,300	9,442,242
Total		39,231,170
<b>Total Information Technology</b>		<b>150,039,677</b>

The accompanying Notes to Financial Statements are an integral part of this statement.

**Portfolio of Investments** *(continued)*

December 31, 2012

**Common Stocks** *(continued)*

	Issuer	Shares	Value (\$)
<b>Materials 3.2%</b>			
<b>Chemicals 2.6%</b>			
	CF Industries Holdings, Inc.	53,232	10,814,613
	Dow Chemical Co. (The)	195,000	6,302,400
	Eastman Chemical Co.	111,700	7,601,185
	EI du Pont de Nemours & Co.	137,500	6,183,375
	PPG Industries, Inc.	8,400	1,136,940
	Total		32,038,513
<b>Paper &amp; Forest Products 0.6%</b>			
	International Paper Co.	173,000	6,892,320
	<b>Total Materials</b>		<b>38,930,833</b>
<b>Telecommunication Services 3.0%</b>			
<b>Diversified Telecommunication Services 3.0%</b>			
	AT&T, Inc.	339,294	11,437,601
	Verizon Communications, Inc.	573,898	24,832,566
	Total		36,270,167
	<b>Total Telecommunication Services</b>		<b>36,270,167</b>
<b>Utilities 2.8%</b>			
<b>Electric Utilities 0.6%</b>			
	Duke Energy Corp.	93,500	5,965,300
	Entergy Corp.	27,400	1,746,750
	Total		7,712,050
<b>Independent Power Producers &amp; Energy Traders 0.8%</b>			
	AES Corp.	872,439	9,335,097
<b>Multi-Utilities 1.4%</b>			
	CMS Energy Corp.	275,000	6,704,500
	PG&E Corp.	35,400	1,422,372
	Public Service Enterprise Group, Inc.	308,692	9,445,975
	Total		17,572,847
	<b>Total Utilities</b>		<b>34,619,994</b>

Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

**Total Common Stocks**  
(Cost: \$746,370,698) **834,029,772**

**Convertible Preferred Stocks 5.5%**

**Consumer Discretionary 0.3%**

**Media 0.3%**

Interpublic Group of Companies, Inc. (The), 5.250% 2,900 3,109,351

**Total Consumer Discretionary** **3,109,351**

**Convertible Preferred Stocks (continued)**

**Issuer**

**Shares**

**Value (\$)**

**Consumer Staples 0.5%**

**Food Products 0.5%**

Bunge Ltd., 4.875% 58,000 5,943,376

**Total Consumer Staples** **5,943,376**

**Energy 0.7%**

**Oil, Gas & Consumable Fuels 0.7%**

Apache Corp., 6.000% 48,000 2,193,600

Chesapeake Energy Corp., 5.750%<sup>(c)</sup> 6,800 6,039,250

Total 8,232,850

**Total Energy** **8,232,850**

**Financials 2.1%**

**Commercial Banks 0.5%**

Wells Fargo & Co., 7.500% 5,000 6,125,000

**Diversified Financial Services 0.6%**

Bank of America Corp., 7.250% 6,200 7,037,000

**Real Estate Investment Trusts (REITs) 1.0%**

Alexandria Real Estate Equities, Inc., 7.000% 231,000 6,078,187

Health Care REIT, Inc., 6.500% 110,000 6,290,900

Total 12,369,087

**Total Financials** **25,531,087**

**Industrials 1.0%**

**Aerospace & Defense 0.5%**

United Technologies Corp., 7.500% 113,500 6,323,085

**Professional Services 0.5%**

Nielsen Holdings NV, 6.250% 110,000 6,163,850

**Total Industrials** **12,486,935**

**Utilities 0.9%**

**Electric Utilities 0.9%**

NextEra Energy, Inc., 5.599% 111,000 5,599,018

PPL Corp., 8.750% 110,000 5,910,300

Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

Total	11,509,318
<b>Total Utilities</b>	<b>11,509,318</b>
<b>Total Convertible Preferred Stocks</b> (Cost: \$62,534,362)	<b>66,812,917</b>

**Corporate Bonds & Notes 11.8%**

Issuer	Coupon Rate	Principal Amount (\$)	Value (\$)
<b>Aerospace &amp; Defense 0.6%</b>			
ADS Tactical, Inc. Senior Secured <sup>(c)</sup> 04/01/18	11.000%	2,600,000	2,652,000

The accompanying Notes to Financial Statements are an integral part of this statement.

Tri-Continental Corporation

**Portfolio of Investments** *(continued)*

December 31, 2012

**Corporate Bonds & Notes** *(continued)*

Issuer	Coupon Rate	Principal Amount (\$)	Value (\$)
Kratos Defense & Security Solutions, Inc. Senior Secured 06/01/17	10.000%	3,529,000	3,873,078
Silver II Borrower/US Holdings LLC <sup>(c)</sup> 12/15/20	7.750%	604,000	625,140
Total			7,150,218

**Automotive 1.0%**

Allison Transmission, Inc. <sup>(c)</sup> 05/15/19	7.125%	5,300,000	5,697,500
Visteon Corp. 04/15/19	6.750%	6,750,000	7,188,750
Total			12,886,250

**Banking 0.5%**

Synovus Financial Corp. Senior Unsecured 02/15/19	7.875%	5,600,000	6,188,000
---	--------	-----------	-----------

**Construction Machinery 0.9%**

Manitowoc Co., Inc. (The) 02/15/18	9.500%	5,300,000	5,896,250
United Rentals North America, Inc. 09/15/20	8.375%	5,000,000	5,537,500
Total			11,433,750

**Diversified Manufacturing 0.2%**

Tomkins LLC/Inc. Secured 10/01/18	9.000%	1,911,000	2,140,320
---	--------	-----------	-----------

**Electric 0.5%**

AES Corp. Senior Unsecured 07/01/21	7.375%	5,300,000	5,883,000
---	--------	-----------	-----------

**Food and Beverage 0.4%**

Cott Beverages, Inc. 11/15/17	8.375%	4,700,000	5,111,250
----------------------------------	--------	-----------	-----------

Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

<b>Health Care 0.7%</b>			
HCA, Inc. Senior Secured 03/15/22	5.875%	5,713,000	6,212,887
Rural/Metro Corp. Senior Unsecured <sup>(c)</sup> 07/15/19	10.125%	2,800,000	2,709,000
Total			8,921,887
<b>Corporate Bonds &amp; Notes (continued)</b>			
Issuer	Coupon Rate	Principal Amount (\$)	Value (\$)
<b>Independent Energy 1.1%</b>			
Goodrich Petroleum Corp. 03/15/19	8.875%	7,999,000	7,639,045
Laredo Petroleum, Inc. 02/15/19	9.500%	5,154,000	5,759,595
Total			13,398,640
<b>Media Non-Cable 0.5%</b>			
AMC Networks, Inc. 07/15/21	7.750%	5,100,000	5,826,750
<b>Metals 0.8%</b>			
Alpha Natural Resources, Inc. 04/15/18	9.750%	6,100,000	6,588,000
Molycorp, Inc. Senior Secured <sup>(c)</sup> 06/01/20	10.000%	3,000,000	2,790,000
Total			9,378,000
<b>Non-Captive Diversified 0.5%</b>			
International Lease Finance Corp. Senior Unsecured 08/15/22	5.875%	5,700,000	6,037,508
<b>Pharmaceuticals 0.4%</b>			
Jaguar Holding Co. II/Merger Sub, Inc. Senior Unsecured <sup>(c)</sup> 12/01/19	9.500%	4,900,000	5,561,500
<b>Restaurants 0.3%</b>			
Shearer's Foods, Inc. LLC Senior Secured <sup>(c)</sup> 11/01/19	9.000%	3,032,000	3,183,600
<b>Retailers 1.4%</b>			
99 Cent Only Stores 12/15/19	11.000%	2,700,000	3,088,125
J. Crew Group, Inc. 03/01/19	8.125%	2,600,000	2,749,500
Michaels Stores, Inc. 11/01/18	7.750%	5,100,000	5,597,250
Rite Aid Corp. 03/15/20	9.250%	4,300,000	4,579,500

## Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

Senior Unsecured 02/15/27	7.700%	1,860,000	1,590,300
Total			17,604,675
<b>Transportation Services 0.3%</b>			
Hertz Corp. (The) <sup>(c)</sup> 10/15/20	5.875%	3,000,000	3,135,000

The accompanying Notes to Financial Statements are an integral part of this statement.



**Portfolio of Investments** *(continued)*

December 31, 2012

**Corporate Bonds & Notes** *(continued)*

Issuer	Coupon Rate	Principal Amount (\$)	Value (\$)
<b>Wireless 1.0%</b>			
Sprint Nextel Corp. <sup>(c)</sup> 11/15/18	9.000%	7,300,000	9,015,500
Wind Acquisition Finance SA Secured <sup>(c)</sup> 07/15/17	11.750%	2,700,000	2,828,250
Total			11,843,750
<b>Wirelines 0.7%</b>			
Level 3 Financing, Inc. <sup>(c)</sup> 06/01/20	7.000%	2,850,000	2,978,250
Qwest Corp. Senior Unsecured 12/01/21	6.750%	5,000,000	5,859,835
Total			8,838,085
<b>Total Corporate Bonds &amp; Notes</b> (Cost: \$135,626,300)			<b>144,522,183</b>

**Convertible Bonds 12.1%**

<b>Airlines 0.2%</b>			
United Continental Holdings, Inc. 06/30/21	4.500%	3,071,000	2,932,897
<b>Automotive 0.5%</b>			
Navistar International Corp. Senior Subordinated Notes 10/15/14	3.000%	6,700,000	6,117,937
<b>Banking 0.3%</b>			
Walter Investment Management Corp. Senior Subordinated Notes 11/01/19	4.500%	3,000,000	3,166,875
<b>Building Materials 0.5%</b>			
Cemex SAB de CV Subordinated Notes 03/15/15	4.875%	5,880,000	6,409,200

Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

**Diversified Manufacturing 0.1%**

GT Advanced Technologies, Inc. Senior Unsecured 10/01/17	3.000%	2,000,000	1,455,000
--	--------	-----------	-----------

**Gaming 0.7%**

MGM Resorts International 04/15/15	4.250%	8,200,000	8,676,625
---------------------------------------	--------	-----------	-----------

**Convertible Bonds (continued)**

Issuer	Coupon Rate	Principal Amount (\$)	Value (\$)
<b>Health Care 1.5%</b>			
HeartWare International, Inc. Senior Unsecured 12/15/17	3.500%	2,800,000	3,235,750
Insulet Corp. Senior Unsecured 06/15/16	3.750%	2,700,000	2,985,633
NuVasive, Inc. Senior Unsecured 07/01/17	2.750%	7,150,000	6,269,900
Omnicare, Inc. 04/01/42	3.750%	5,920,000	6,015,963
Total			18,507,246

**Home Construction 0.5%**

Lennar Corp. <sup>(c)</sup> 11/15/21	3.250%	3,660,000	6,565,125
---	--------	-----------	-----------

**Independent Energy 0.2%**

Endeavour International Corp. 07/15/16	5.500%	3,450,000	2,572,406
---	--------	-----------	-----------

**Media Non-Cable 0.5%**

Liberty Interactive LLC Senior Unsecured 03/15/31	3.250%	6,800,000	6,426,000
---	--------	-----------	-----------

**Metals 0.4%**

Jaguar Mining, Inc. Senior Unsecured <sup>(c)</sup> 11/01/14	4.500%	3,200,000	1,424,000
James River Coal Co. Senior Unsecured 12/01/15	4.500%	5,100,000	2,249,146
Molycorp, Inc. Senior Unsecured 06/15/16	3.250%	1,753,000	1,137,872
Total			4,811,018

**Non-Captive Consumer 0.4%**

DFC Global Corp. Senior Unsecured <sup>(c)</sup> 04/15/17	3.250%	4,107,000	4,475,398
---	--------	-----------	-----------

**Non-Captive Diversified 0.3%**

Air Lease Corp.

Senior Unsecured<sup>(c)</sup>

12/01/18

3.875%

3,150,000

3,424,869

The accompanying Notes to Financial Statements are an integral part of this statement.

Tri-Continental Corporation

**Portfolio of Investments** *(continued)*

December 31, 2012

**Convertible Bonds** *(continued)*

Issuer	Coupon Rate	Principal Amount (\$)	Value (\$)
<b>Other Financial Institutions 0.5%</b>			
Forest City Enterprises, Inc. Senior Unsecured 08/15/18	4.250%	5,700,000	6,006,375
<b>Other Industry 0.3%</b>			
WESCO International, Inc. 09/15/29	6.000%	1,270,000	3,146,425
<b>Pharmaceuticals 1.7%</b>			
Dendreon Corp. Senior Unsecured 01/15/16	2.875%	14,500,000	10,837,300
InterMune, Inc. Senior Unsecured 09/15/18	2.500%	3,900,000	3,049,313
Medivation, Inc. Senior Unsecured 04/01/17	2.625%	2,500,000	3,195,312
Vertex Pharmaceuticals, Inc. Senior Subordinated Notes 10/01/15	3.350%	3,500,000	3,935,312
Total			21,017,237
<b>Railroads 0.5%</b>			
Greenbrier Companies, Inc. Senior Unsecured 04/01/18	3.500%	6,500,000	5,902,813
<b>Technology 2.1%</b>			
Ciena Corp. Senior Unsecured <sup>(c)</sup> 10/15/18	3.750%	5,300,000	5,979,619
Ixia Senior Notes 12/15/15	3.000%	2,700,000	3,135,375
Mentor Graphics Corp. 04/01/31	4.000%	5,500,000	6,465,937
Nuance Communications, Inc. Senior Unsecured 11/01/31	2.750%	5,200,000	5,645,250
Powerwave Technologies, Inc. Subordinated Notes			

Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

10/01/27		3.875%	2,000,000	87,500
<b>Convertible Bonds</b> <i>(continued)</i>				
	<b>Issuer</b>	<b>Coupon Rate</b>	<b>Principal Amount (\$)</b>	<b>Value (\$)</b>
TiVo, Inc. Senior Unsecured <sup>(c)</sup> 03/15/16		4.000%	2,700,000	3,606,188
Total				24,919,869

**Tobacco 0.3%**

Vector Group Ltd. Senior Unsecured <sup>(d)</sup> 01/15/19		7.500%	2,840,000	3,074,130
--	--	--------	-----------	-----------

**Transportation Services 0.6%**

DryShips, Inc. Senior Unsecured 12/01/14		5.000%	5,700,000	4,503,000
Wabash National Corp. Senior Unsecured 05/01/18		3.375%	2,900,000	3,196,409
Total				7,699,409

**Total Convertible Bonds**

(Cost: \$138,183,776) **147,306,854**

**Limited Partnerships %**

	<b>Issuer</b>	<b>Capital</b>	<b>Value</b>
--	---------------	----------------	--------------

**Financials %**

**Capital Markets %**

WCAS Capital Partners II LP <sup>(a)(e)(f)</sup>		2,498,440	225,480
--	--	-----------	---------

**Total Financials** **225,480**

**Total Limited Partnerships**

(Cost: \$2,498,440) **225,480**

**Money Market Funds 1.9%**

	<b>Shares</b>	<b>Value</b>
Columbia Short-Term Cash Fund, 0.142% <sup>(g)(h)</sup>	4,647,865	4,647,865
JPMorgan Prime Money Market Fund, 0.010% <sup>(g)</sup>	18,738,537	18,738,537

**Total Money Market Funds**

(Cost: \$23,386,402) **23,386,402**

**Total Investments**

(Cost: \$1,108,599,978) **1,216,283,608**

**Other Assets & Liabilities, Net** **4,638,608**

**Net Assets** **1,220,922,216**

The accompanying Notes to Financial Statements are an integral part of this statement.



**Portfolio of Investments** *(continued)*

December 31, 2012

**Investments in Derivatives****Futures Contracts Outstanding at December 31, 2012**

Contract Description	Number of Contracts Long (Short)	Notional Market Value (\$)	Expiration Date	Unrealized Appreciation (\$)	Unrealized Depreciation (\$)
S&P 500 Index	15	5,325,375	March 2013	19,798	

**Notes to Portfolio of Investments**

- (a) Non-income producing.
- (b) At December 31, 2012, investments in securities included securities valued at \$454,188 that were partially pledged as collateral to cover initial margin deposits on open stock index futures contracts.
- (c) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2012, the value of these securities amounted to \$72,690,189 or 5.95% of net assets.
- (d) Variable rate security.
- (e) Identifies issues considered to be illiquid as to their marketability. The aggregate value of such securities at December 31, 2012 was \$225,480, representing 0.02% of net assets. Information concerning such security holdings at December 31, 2012 is as follows:

Security Description	Acquisition Dates	Cost (\$)
WCAS Capital Partners II LP	12/11/90 03/24/98	2,498,440

- (f) At December 31, 2012, the Fund owned one limited partnership investment that was purchased through a private offering and cannot be sold without prior registration under the Securities Act of 1933 or pursuant to an exemption therefrom. The investment is valued at fair value as determined in accordance with procedures approved by the Board of Directors of the Fund. The acquisition dates of investment in the limited partnership, along with the cost and value at December 31, 2012, were as follows:

Security Description	Acquisition Dates	Cost (\$)	Value (\$)
WCAS Capital Partners II LP	12/11/90 03/24/98	2,498,440	225,480

## Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

(g) The rate shown is the seven-day current annualized yield at December 31, 2012.

(h) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of its outstanding voting securities, or a company which is under common ownership or control with the Fund. Holdings and transactions in these affiliated companies during the year ended December 31, 2012, are as follows:

Issuer	Beginning Cost (\$)	Purchase Cost (\$)	Sales Cost/ Proceeds From Sales (\$)	Ending Cost (\$)	Dividends or Interest Income (\$)	Value (\$)
Columbia Short-Term Cash Fund	3,550,359	58,777,816	(57,680,310)	4,647,865	4,532	4,647,865

### Abbreviation Legend

ADR American Depositary Receipt

### Fair Value Measurements

Generally accepted accounting principles (GAAP) require disclosure regarding the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, investments shall be disclosed by major category.

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

- > Level 1 Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date (including NAV for open-end mutual funds). Valuation adjustments are not applied to Level 1 investments.
- > Level 2 Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).
- > Level 3 Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

The accompanying Notes to Financial Statements are an integral part of this statement.



Tri-Continental Corporation

**Portfolio of Investments** *(continued)*

December 31, 2012

**Fair Value Measurements** *(continued)*

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Investment Manager, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by the Investment Manager. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

Under the direction of the Fund's Board of Trustees (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for carrying out the valuation procedures approved by the Board. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are readily available, including recommendations of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third-party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include: (i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

The following table is a summary of the inputs used to value the Fund's investments at December 31, 2012:

Description	Level 1	Level 2		Level 3	Total (\$)
	Quoted Prices in Active Markets for Identical Assets (\$)	Other Significant Observable Inputs (\$)	Unobservable Inputs (\$)	Significant Inputs (\$)	
Equity Securities					
Common Stocks					
Consumer Discretionary	75,007,559				75,007,559
Consumer Staples	83,352,735				83,352,735
Energy	91,148,842				91,148,842
Financials	136,122,965				136,122,965

Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

Health Care	98,637,443		98,637,443
Industrials	89,899,557		89,899,557
Information Technology	150,039,677		150,039,677
Materials	38,930,833		38,930,833
Telecommunication Services	36,270,167		36,270,167
Utilities	34,619,994		34,619,994
Convertible Preferred Stocks			
Consumer Discretionary		3,109,351	3,109,351
Consumer Staples		5,943,376	5,943,376
Energy	2,193,600	6,039,250	8,232,850
Financials	19,452,900	6,078,187	25,531,087
Industrials	6,323,085	6,163,850	12,486,935
Utilities	5,910,300	5,599,018	11,509,318
Total Equity Securities	867,909,657	32,933,032	900,842,689

The accompanying Notes to Financial Statements are an integral part of this statement.

**Portfolio of Investments** *(continued)*

December 31, 2012

**Fair Value Measurements** *(continued)*

Description	Level 1 Quoted Prices in Active Markets for Identical Assets (\$)	Level 2 Other Significant Observable Inputs (\$)	Level 3 Significant Unobservable Inputs (\$)	Total (\$)
Bonds				
Corporate Bonds & Notes		144,522,183		144,522,183
Convertible Bonds		147,306,854		147,306,854
Total Bonds		291,829,037		291,829,037
Other				
Limited Partnerships			225,480	225,480
Money Market Funds	23,386,402			23,386,402
Total Other	23,386,402		225,480	23,611,882
Investments in Securities	891,296,059	324,762,069	225,480	1,216,283,608
Derivatives				
Assets				
Futures Contracts	19,798			19,798
Total	891,315,857	324,762,069	225,480	1,216,303,406

See the Portfolio of Investments for all investment classifications not indicated in the table.

The Fund's assets assigned to the Level 2 input category are generally valued using the market approach, in which a security's value is determined through reference to prices and information from market transactions for similar or identical assets.

Financial assets were transferred from Level 2 to Level 1 as the market for these assets was deemed to be active during the period and fair values were consequently obtained using quoted prices for identical assets rather than being based upon other observable market inputs as of period end, December 31, 2012.

Financial assets were transferred from Level 1 to Level 2 as the market for these assets was deemed not to be active and fair values were consequently obtained using the observable market inputs rather than quoted prices for identical assets as of period end, December 31, 2012.

Transfers In		Transfers Out	
Level 1 (\$)	Level 2 (\$)	Level 1 (\$)	Level 2 (\$)
21,981,655	3,598,500	3,598,500	21,981,655

Transfers between Level 1 and Level 2 are determined based on the fair value at the beginning of the period for security positions held throughout the period.

## Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

Derivative instruments are valued at unrealized appreciation (depreciation).

The following table is a reconciliation of Level 3 assets for which significant observable and/or unobservable inputs were used to determine fair value.

	<b>Limited Partnerships (\$)</b>
Balance as of December 31, 2011	412,516
Accrued discounts/premiums	
Realized gain (loss)	
Change in unrealized appreciation (depreciation) <sup>(a)</sup>	1,030
Sales	(188,066)
Purchases	
Transfers into Level 3	
Transfers out of Level 3	
Balance as of December 31, 2012	225,480

(a) Change in unrealized appreciation (depreciation) relating to securities held at December 31, 2012 was \$1,030.

The accompanying Notes to Financial Statements are an integral part of this statement.

## Portfolio of Investments *(continued)*

December 31, 2012

### **Fair Value Measurements** *(continued)*

The Fund does not hold any significant investments with unobservable inputs which are categorized as Level 3.

The Fund's assets assigned to the Level 3 category are valued utilizing the valuation technique deemed the most appropriate in the circumstances. Certain limited partnership securities classified as Level 3 are valued using a market approach. To determine fair value for these securities, management considered various factors which may have included, but were not limited to, the Fund's pro-rata interest in the limited partnership's capital balance, estimated earnings of the respective company, and the position of the security within the respective company's capital structure. Significant increases (decreases) to any of these inputs would result in a significantly lower (higher) fair value measurement. Generally, a change in the fund's pro-rata interest would result in a change to the limited partnership's capital balance.

Transfers in and/or out of Level 3 are determined based on the fair value at the beginning of the period for security positions held throughout the period.

The accompanying Notes to Financial Statements are an integral part of this statement.

## Statement of Assets and Liabilities

December 31, 2012

<b>Assets</b>	
Investments, at value	
Unaffiliated issuers (identified cost \$1,103,952,113)	\$1,211,635,743
Affiliated issuers (identified cost \$4,647,865)	4,647,865
Total investments (identified cost \$1,108,599,978)	1,216,283,608
Receivable for:	
Investments sold	404,674
Dividends	1,322,918
Interest	4,136,659
Variation margin on futures contracts	135,375
Equity-linked notes (Note 9)	3,441,727
Prepaid expenses	48,700
Other assets	43,681
Total assets	1,225,817,342
<b>Liabilities</b>	
Payable for:	
Investments purchased	3,772,647
Common Stock payable	3,027
Preferred Stock dividends	470,463
Investment management fees	35,103
Stockholder servicing and transfer agent fees	6,758
Administration fees	5,559
Compensation of board members	63,017
Other expenses	538,552
Total liabilities	4,895,126
Net assets	1,220,922,216
Preferred stock	37,637,000
<b>Net assets for Common Stock</b>	<b>\$1,183,285,216</b>
Net asset value per share of outstanding Common Stock	\$18.77
Market price per share of Common Stock	\$16.00

The accompanying Notes to Financial Statements are an integral part of this statement.



Tri-Continental Corporation

## Statement of Capital Stock and Surplus

December 31, 2012

### Capital Stock

\$2.50 Cumulative Preferred Stock, \$50 par value, assets coverage per share \$1,621

Shares issued and outstanding	752,740	\$37,637,000
-------------------------------	---------	--------------

Common Stock, \$0.50 par value:

Shares issued and outstanding	63,052,938	31,526,469
-------------------------------	------------	------------

### Surplus

Capital surplus		1,644,329,697
-----------------	--	---------------

Undistributed net investment income		2,461,850
-------------------------------------	--	-----------

Accumulated net realized loss		(602,736,228)
-------------------------------	--	---------------

Unrealized appreciation (depreciation) on:

Investments unaffiliated issuers		107,683,630
----------------------------------	--	-------------

Futures contracts		19,798
-------------------	--	--------

<b>Net assets</b>		<b>\$1,220,922,216</b>
-------------------	--	------------------------

The accompanying Notes to Financial Statements are an integral part of this statement.



## Statement of Operations

Year Ended December 31, 2012

### Net investment income

Income:

Dividends unaffiliated issuers	\$27,359,984
Dividends affiliated issuers	4,532
Interest	18,438,012
Income from securities lending net	473,708
Foreign taxes withheld	(44,237)
<b>Total income</b>	<b>46,231,999</b>

Expenses:

Investment management fees	4,278,176
Stockholder servicing and transfer agent fees	785,672
Administration fees	677,765
Compensation of board members	45,328
Custodian fees	15,299
Printing and postage fees	118,001
Professional fees	59,112
Other	117,208
<b>Total expenses</b>	<b>6,096,561</b>

Net investment income<sup>(a)</sup> 40,135,438

### Realized and unrealized gain (loss) net

Net realized gain (loss) on:

Investments	87,887,632
Futures contracts	540,774
<b>Net realized gain</b>	<b>88,428,406</b>
Net change in unrealized appreciation (depreciation) on:	
Investments	41,446,819
Futures contracts	(49,189)
Receivables for equity-linked notes (Note 9)	(5,226,468)
<b>Net change in unrealized appreciation (depreciation)</b>	<b>36,171,162</b>
<b>Net realized and unrealized gain</b>	<b>124,599,568</b>
<b>Net increase in net assets resulting from operations</b>	<b>\$164,735,006</b>

Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

(a) Net investment income for Common Stock is \$38,253,588, which is net of Preferred Stock dividends of \$1,881,850.

The accompanying Notes to Financial Statements are an integral part of this statement.

## Statement of Changes in Net Assets

	Year Ended December 31, 2012	Year Ended December 31, 2011
<b>Operations</b>		
Net investment income	\$40,135,438	\$21,272,340
Net realized gain	88,428,406	109,499,990
Net change in unrealized appreciation (depreciation)	36,171,162	(62,345,406)
Net increase in net assets resulting from operations	164,735,006	68,426,924
<b>Distributions to Stockholders</b>		
Net investment income		
Preferred Stock	(1,881,850)	(1,881,850)
Common Stock	(37,995,752)	(17,927,111)
Total Distributions to Stockholders	(39,877,602)	(19,808,961)
Increase (decrease) in net assets from capital stock activity	(19,731,798)	(31,709,705)
Total increase in net assets	105,125,606	16,908,258
Net assets at beginning of year	1,115,796,610	1,098,888,352
<b>Net assets at end of year</b>	<b>\$1,220,922,216</b>	<b>\$1,115,796,610</b>
Undistributed net investment income	\$2,461,850	\$2,225,966

The accompanying Notes to Financial Statements are an integral part of this statement.

**Statement of Changes in Net Assets** *(continued)*

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Shares	Dollars (\$)	Shares	Dollars (\$)
<b>Capital stock activity</b>				
Common Stock issued at market price in distributions	747,244	11,809,653	424,615	5,954,436
Common Stock issued for investment plan purchases	344,461	5,377,332	129,968	1,838,794
Common Stock purchased from investment plan participants	(1,549,971)	(24,265,282)	(1,540,448)	(21,866,509)
Common Stock purchased in the open market	(806,299)	(12,683,718)	(1,238,498)	(17,636,426)
Net proceeds from issuance of shares of Common Stock upon exercise of warrants	32,487	30,217		
<b>Total net decrease</b>	<b>(1,232,078)</b>	<b>(19,731,798)</b>	<b>(2,224,363)</b>	<b>(31,709,705)</b>

The accompanying Notes to Financial Statements are an integral part of this statement.

## Financial Highlights

Per share operating performance data is designed to allow investors to trace the operating performance, on a per Common Stock share basis, from the beginning net asset value to the ending net asset value, so that investors can understand what effect the individual items have on their investment, assuming it was held throughout the period. Generally, the per share amounts are derived by converting the actual dollar amounts incurred for each item, as disclosed in the financial statements, to their equivalent per Common Stock share amounts, using average Common Stock shares outstanding during the period.

Total return measures the Fund's performance assuming that investors purchased shares of the Fund at the market price or net asset value as of the beginning of the period, invested all distributions paid, as provided for in the Fund's Prospectus and Automatic Dividend Investment and Cash Purchase Plan, and then sold their shares at the closing market price or net asset value per share on the last day of the period. The computations do not reflect any sales charges or transaction costs on your investment or taxes investors may incur on distributions or on the sale of shares of the Fund, and are not annualized for periods of less than one year.

The ratios of expenses and net investment income to average net assets for Common Stock for the periods presented do not reflect the effect of dividends paid to Preferred Stockholders.

	Year Ended December 31,				
	2012	2011	2010	2009	2008
<b>Per share data</b>					
Net asset value, beginning of period	\$16.77	\$15.96	\$13.73	\$11.29	\$23.03
<b>Income from investment operations</b>					
Net investment income	0.63	0.33	0.30	0.20	0.52
Net realized and unrealized gain (loss)	2.00	0.79	2.28	2.42	(9.88)
Increase from payments by affiliate				0.04	
Total from investment operations	2.63	1.12	2.58	2.66	(9.36)
<b>Less distributions to Stockholders from:</b>					
Net investment income					
Preferred Stock	(0.03)	(0.03)	(0.03)	(0.03)	(0.02)
Common Stock	(0.60)	(0.28)	(0.25)	(0.17)	(0.50)
Net realized gains					
Common Stock					(0.39)
Tax return of capital					
Common Stock				(0.02)	(1.22)
Total distributions to Stockholders	(0.63)	(0.31)	(0.28)	(0.22)	(2.13)
Capital stock transactions at market price			(0.07)		(0.25) <sup>(a)</sup>
Net asset value, end of period	\$18.77	\$16.77	\$15.96	\$13.73	\$11.29
Adjusted net asset value, end of period <sup>(b)</sup>	\$18.71	\$16.72	\$15.90	\$13.69	\$11.26
Market value, end of period	\$16.00	\$14.23	\$13.76	\$11.52	\$9.86
<b>Total return</b>					

## Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

Based upon net asset value	16.24%	7.15%	18.58%	24.11% <sup>(c)</sup>	(43.77%)
Based upon market value	16.77%	5.46%	21.85%	19.24%	(45.89%)
<b>Ratios to average net assets<sup>(d)</sup></b>					
Expenses to average net assets for Common Stock	0.52%	0.59%	0.60%	0.98%	0.73%
Net investment income to average net assets for Common Stock	3.28%	1.80%	1.84%	1.46%	2.96%
<b>Supplemental data</b>					
Net assets, end of period (000s):					
Common Stock	\$1,183,285	\$1,078,160	\$1,061,251	\$946,344	\$893,899
Preferred Stock	37,637	37,637	37,637	37,637	37,637
<b>Total net assets</b>	<b>\$1,220,922</b>	<b>\$1,115,797</b>	<b>\$1,098,888</b>	<b>\$983,981</b>	<b>\$931,536</b>
Portfolio turnover	68%	97%	86%	70%	111%

### Notes to Financial Highlights

(a) Reflects the issuance of Common Stock in distributions.

(b) Assumes the exercise of outstanding warrants.

(c) The Fund received a payment by an affiliate. Had the Fund not received this payment, the total return would have been lower by 0.47%.

(d) In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

The accompanying Notes to Financial Statements are an integral part of this statement.

## Notes to Financial Statements

December 31, 2012

### Note 1. Organization

Tri-Continental Corporation (the Fund) is a diversified fund. The Fund is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a closed-end management investment company.

The Fund has 1 million authorized shares of preferred capital stock (Preferred Stock) and 159 million authorized shares of common stock (Common Stock). The issued and outstanding Common Stock trades primarily on the New York Stock Exchange (NYSE) under the symbol TY .

Tri-Continental Corporation's Preferred Stock is entitled to two votes and the Common Stock is entitled to one vote per share at all meetings of Stockholders. In the event of a default in payments of dividends on the Preferred Stock equivalent to six quarterly dividends, the Preferred Stockholders are entitled, voting separately as a class to the exclusion of Common Stockholders, to elect two additional directors, such right to continue until all arrearages have been paid and current Preferred Stock dividends are provided for. Generally, the vote of Preferred Stockholders is required to approve certain actions adversely affecting their rights.

### Note 2. Summary of Significant Accounting Policies

#### Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

#### Security Valuation

All equity securities are valued at the close of business of the (NYSE). Equity securities are valued at the last quoted sales price on the principal exchange or market on which they trade, except for securities traded on the NASDAQ Stock Market, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the mean of the latest quoted bid and ask prices on such exchanges or markets.

Debt securities generally are valued by pricing services approved by the Board of Directors (the Board) based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available may also be valued based upon an over-the-counter or exchange bid quotation.

Foreign securities are valued based on quotations from the principal market in which such securities are normally traded. If any foreign share prices are not readily available as a result of limited share activity the securities are valued at the mean of the latest quoted bid and ask prices on such exchanges or markets. Foreign currency exchange rates are generally determined at 4:00 p.m. Eastern (U.S.) time. However, many securities markets and exchanges outside the U.S. close prior to the close of the NYSE; therefore, the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the NYSE. In those situations, foreign securities will be fair valued pursuant to the policy adopted by the Board, including utilizing a third party pricing service to determine these fair values. The third party pricing service takes into account multiple factors, including, but not limited to, movements in the U.S. securities markets, certain depositary receipts, futures contracts and foreign exchange rates that have occurred subsequent to the close of the foreign exchange or market, to determine a good faith estimate that reasonably reflects the current market conditions as of the close of the NYSE. The fair value of a security is likely to be different from the quoted or published price, if available.

## Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

Investments in other open-end investment companies, including money market funds, are valued at net asset value.

Short-term securities purchased within 60 days to maturity are valued at amortized cost, which approximates market value. The value of short-term securities originally purchased with maturities greater than 60 days is determined based on an amortized value to par upon reaching 60 days to maturity. Short-term securities maturing in more than 60 days from the valuation date are valued at the market price or approximate market value based on current interest rates.

Futures and options on futures contracts are valued based upon the settlement price established each day by the board of trade or exchange on which they are traded.

Investments for which market quotations are not readily available, or that have quotations which management believes are not reliable, are valued at fair value as determined in good



## Notes to Financial Statements *(continued)*

December 31, 2012

faith under consistently applied procedures established by and under the general supervision of the Board. If a security or class of securities (such as foreign securities) is valued at fair value, such value is likely to be different from the last quoted market price for the security.

The determination of fair value often requires significant judgment. To determine fair value, management may use assumptions including but not limited to future cash flows and estimated risk premiums. Multiple inputs from various sources may be used to determine fair value.

### Foreign Currency Transactions and Translations

The values of all assets and liabilities denominated in foreign currencies are translated into U.S. dollars at that day's exchange rates. Net realized and unrealized gains (losses) on foreign currency transactions and translations include gains (losses) arising from the fluctuation in exchange rates between trade and settlement dates on securities transactions, gains (losses) arising from the disposition of foreign currency and currency gains (losses) between the accrual and payment dates on dividends, interest income and foreign withholding taxes.

For financial statement purposes, the Fund does not distinguish that portion of gains (losses) on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains (losses) on investments in the Statement of Operations.

### Derivative Instruments

The Fund invests in certain derivative instruments, as detailed below, to meet its investment objectives. Derivatives are instruments whose values depend on, or are derived from, in whole or in part, the value of one or more other assets, such as securities, currencies, commodities or indices. Derivative instruments may be used to maintain cash reserves while maintaining exposure to certain other assets, to offset anticipated declines in values of investments, to facilitate trading, to reduce transaction costs and to pursue higher investment returns. The Fund may also use derivative instruments to mitigate certain investment risks, such as foreign currency exchange rate risk, interest rate risk and credit risk. Derivatives may involve various risks, including the potential inability of the counterparty to fulfill its obligation under the terms of the contract, the potential for an illiquid secondary market and the potential for market movements which may expose the Fund to gains or losses in excess of the amount shown in the Statement of Assets and Liabilities.

The Fund and any counterparty are required to maintain an agreement that requires the Fund and that counterparty to

monitor (on a daily basis) the net fair value of all derivatives entered into pursuant to the agreement between the Fund and such counterparty. If the net fair value of such derivatives between the Fund and that counterparty exceeds a certain threshold (as defined in the agreement), the Fund or the counterparty (as the case may be) is required to post cash and/or securities as collateral. Fair values of derivatives presented in the financial statements are not netted with the fair value of other derivatives or with any collateral amounts posted by the Fund or any counterparty.

### Futures Contracts

Futures contracts represent commitments for the future purchase or sale of an asset at a specified price on a specified date. The Fund bought and sold futures contracts to maintain appropriate equity market exposure while keeping sufficient cash to accommodate daily redemptions. Upon entering into futures contracts, the Fund bears risks which may include interest rates, exchange rates or securities prices moving unexpectedly, in which case, the Fund may not achieve the anticipated benefits of the futures contracts and may realize a loss. Additional risks include counterparty credit risk, the possibility of an illiquid market, and that a change in the value of the contract or option may not correlate with changes in the value of the underlying asset.

Upon entering into a futures contract, the Fund pledges cash or securities with the broker in an amount sufficient to meet the initial margin requirement. Subsequent payments (variation margin) are made or received by the Fund each day. The variation margin payments are equal to the daily change in the contract value and are recorded as variation margin receivable or payable and are offset in unrealized gains or losses. The

Fund recognizes a realized gain or loss when the contract is closed or expires. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed in the Statement of Assets and Liabilities.

**Effects of Derivative Transactions in the Financial Statements**

The following tables are intended to provide additional information about the effect of derivatives on the financial statements of the Fund, including: the fair value of derivatives by risk category and the location of those fair values in the Statement of Assets and Liabilities; and the impact of derivative transactions on the Fund's operations over the period including realized gains or losses and unrealized gains or losses. The derivative schedules following the Portfolio of Investments present additional information regarding derivative instruments outstanding at the end of the period, if any.

## Notes to Financial Statements *(continued)*

December 31, 2012

The following table is a summary of the fair value of derivative instruments at December 31, 2012:

Risk Exposure Category	Asset Derivatives		Fair Value (\$)
	Statement of Assets and Liabilities Location		
Equity contracts	Net assets	unrealized appreciation on futures contracts	19,798*

\* Includes cumulative appreciation (depreciation) of futures contracts as reported in the Futures Contracts Outstanding table following the Portfolio of Investments. Only the current day's variation margin is reported in receivables or payables in the Statement of Assets and Liabilities.

The effect of derivative instruments in the Statement of Operations for the year ended December 31, 2012:

Risk Exposure Category	Amount of Realized Gain (Loss) on Derivatives Recognized in Income		Futures Contracts (\$)
	Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income		
Equity contracts			540,774
Equity contracts			(49,189)

The following table is a summary of the volume of derivative instruments for the year ended December 31, 2012:

Derivative Instrument	Contracts Opened
Futures contracts	152

### Security Transactions

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

### Income Recognition

Corporate actions and dividend income are recorded net of any non-reclaimable tax withholdings, on the ex-dividend date or upon receipt of ex-dividend notification in the case of certain foreign securities.

Interest income is recorded on an accrual basis. Market premiums and discounts, including original issue discounts, are amortized and accreted, respectively, over the expected life of the security on all debt securities, unless otherwise noted.

### Federal Income Tax Status

The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal

Revenue Code, as amended, and will distribute substantially all of its taxable income (including net short-term capital gains), if any, for its tax year, and as such will not be subject to federal income taxes. In addition, the Fund intends to distribute in each calendar year substantially all of its net investment income, capital gains and certain other amounts, if any, such that the Fund should not be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded.

#### **Foreign Taxes**

The Fund may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries, as applicable, based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

Realized gains in certain countries may be subject to foreign taxes at the Fund level, based on statutory rates. The Fund accrues for such foreign taxes on net realized and unrealized gains at the appropriate rate for each jurisdiction, as applicable. The amount, if any, is disclosed as a liability on the Statement of Assets and Liabilities.

#### **Dividends to Stockholders**

The Fund has an earned distribution policy. Under this policy, the Fund intends to make quarterly distributions to holders of Common Stock that are approximately equal to net investment income, less dividends payable on the Fund's Preferred Stock. Capital gains, when available, are distributed to Common Stockholders along with the last income distribution of the calendar year.

Dividends and other distributions to Stockholders are recorded on ex-dividend dates.

#### **Guarantees and Indemnifications**

Under the Fund's organizational documents and, in some cases, by contract, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, certain of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined, and the Fund has no historical basis for predicting the likelihood of any such claims.

## Notes to Financial Statements *(continued)*

December 31, 2012

### Recent Accounting Pronouncement

#### *Disclosures about Offsetting Assets and Liabilities*

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*. The objective of the FASB is to enhance current disclosure requirements on offsetting of certain assets and liabilities and to enable financial statement users to compare financial statements prepared under GAAP and International Financial Reporting Standards.

Specifically, ASU No. 2011-11 requires an entity to disclose both gross and net information for derivatives and other financial instruments that are subject to a master netting arrangement or similar agreement. The standard requires disclosure of collateral received in connection with the master netting agreements or similar agreements. The effective date of ASU No. 2011-11 is for interim and annual periods beginning on or after January 1, 2013. At this time, management is evaluating the implications of this guidance and the impact it will have on the financial statement amounts and footnote disclosures, if any.

### Note 3. Fees and Compensation Paid to Affiliates

#### Investment Management Fees

Under an Investment Management Services Agreement, Columbia Management Investment Advisers, LLC (the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), determines which securities will be purchased, held or sold. The investment management fee is an annual fee that is equal to 0.355% of the Fund's average daily net assets.

#### Administration Fees

Under an Administrative Services Agreement, the Investment Manager also serves as the Fund Administrator. The Fund pays the Fund Administrator an annual fee for administration and accounting services equal to a percentage of the Fund's average daily net assets that declines from 0.06% to 0.03% as the Fund's net assets increase. The effective administration fee rate for the year ended December 31, 2012 was 0.06% of the Fund's average daily net assets.

#### Other Expenses

Other expenses are for, among other things, certain expenses of the Fund or the Board, including: Fund boardroom and office expense, employee compensation, employee health and retirement benefits, and certain other expenses. Payment of these Fund and Board expenses is facilitated by a company

providing limited administrative services to the Fund and the Board. For the year ended December 31, 2012, other expenses paid to this company were \$1,381.

#### Compensation of Board Members

Board members are compensated for their services to the Fund as disclosed in the Statement of Operations. Under a Deferred Compensation Plan (the Plan), the Board members who are not interested persons of the Fund, as defined under the 1940 Act, may elect to defer payment of up to 100% of their compensation. Deferred amounts are treated as though equivalent dollar amounts had been invested in shares of certain funds managed by the Investment Manager. The Fund's liability for these amounts is adjusted for market value changes and remains in the Fund until distributed in accordance with the Plan.

### **Stockholder Servicing Fees**

Under a Stockholder Service Agent Agreement, Columbia Management Investment Services Corp. (the Stockholder Servicing Agent), an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, maintains Fund Stockholder accounts and records and provides Fund Stockholder services. Under the Agreement, the Fund pays the Stockholder Servicing Agent a fee equal to 0.10% of the average daily net assets of the Fund's shares of Common Stock. Effective July 1, 2012, under an amended Agreement, the Fund pays the Stockholder Servicing Agent a \$21 fee per common stock open account.

The Fund and certain other associated investment companies (together, the Guarantors) have severally, but not jointly, guaranteed the performance and observance of all the terms and conditions of a lease entered into by Seligman Data Corp. (SDC), including the payment of rent by SDC (the Guaranty). The lease and the Guaranty expire in January 2019. At December 31, 2012, the Fund's total potential future obligation over the life of the Guaranty is \$812,872. The liability remaining at December 31, 2012 for non-recurring charges associated with the lease amounted to \$442,526 and is included within payable for other expenses in the Statement of Assets and Liabilities. SDC is owned by six associated investment companies, including the Fund. The Fund's ownership interest in SDC at December 31, 2012 is included within other assets in the Statement of Assets and Liabilities at a cost of \$43,681.

### **Note 4. Federal Tax Information**

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP because of temporary or permanent book to tax differences.

## Notes to Financial Statements *(continued)*

December 31, 2012

At December 31, 2012, these differences are primarily due to differing treatment for capital loss carryforwards, deferral/reversal of wash sales losses, Trustees' deferred compensation, post-October capital losses, re-characterization of distributions from investments, derivative investments and adjustments on certain convertible preferred securities. To the extent these differences are permanent, reclassifications are made among the components of the Fund's net assets in the Statement of Assets and Liabilities. Temporary differences do not require reclassifications. In the Statement of Assets and Liabilities the following reclassifications were made:

Undistributed net investment income	\$(21,952)
Accumulated net realized loss	145,184
Paid-in capital	(123,232)

Net investment income and net realized gains (losses), as disclosed in the Statement of Operations, and net assets were not affected by this reclassification.

The tax character of distributions paid during the years indicated was as follows:

	<b>Year Ended December 31,</b>	<b>2012</b>	<b>2011</b>
Ordinary income		\$39,877,602	\$19,808,961
Short-term capital gain distributions, if any, are considered ordinary income distributions for tax purposes.			

At December 31, 2012, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$2,571,350
Accumulated realized loss	(605,964,658)
Unrealized appreciation	110,936,263

At December 31, 2012, the cost of investments for federal income tax purposes was \$1,105,347,345 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	\$134,069,668
Unrealized depreciation	(23,133,405)
Net unrealized appreciation	110,936,263

The following capital loss carryforward, determined at December 31, 2012, may be available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

	<b>Year of Expiration</b>	<b>Amount (\$)</b>
2016		(49,455,851)
2017		(556,508,807)
Total		(605,964,658)

Unlimited capital loss carryforwards are required to be utilized prior to any capital losses which carry an expiration date. As a result of this ordering rule, capital loss carryforwards which carry an expiration date may be more likely to expire unused.

## Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

For the year ended December 31, 2012, \$54,627,404 of capital loss carryforward was utilized.

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

### **Note 5. Portfolio Information**

The cost of purchases and proceeds from sales of securities, excluding short-term obligations, aggregated to \$801,892,323 and \$816,589,577, respectively, for the year ended December 31, 2012.

### **Note 6. Capital Stock Transactions**

Under the Fund's Charter, dividends on Common Stock cannot be declared unless net assets, after deducting the amount of such dividends and all unpaid dividends declared on Preferred Stock, equal at least \$100 per share of Preferred Stock outstanding. The Preferred Stock is subject to redemption at the Fund's option at any time on 30 days' notice at \$55 per share (or a total of \$41,400,700 for the shares outstanding) plus accrued dividends, and entitled in liquidation to \$50 per share plus dividends accrued or in arrears, as the case may be.

#### **Automatic Dividend and Cash Purchase Plan**

The Fund, in connection with its Automatic Dividend Investment and Cash Purchase Plan (the Plan) and other Stockholder plans, acquires and issues shares of its own Common Stock, as needed, to satisfy Plan requirements. A total of 344,461 shares were issued to Plan participants during the period for proceeds of \$5,377,332, a weighted average discount of 14.2% from the net asset value of those shares. In addition, a total of 747,244 shares were issued at market price in distributions during the period for proceeds of 11,809,653, a weighted average discount of 14.4% from the net asset value of those shares.

For Stockholder accounts established after June 1, 2007, unless the Stockholder Servicing Agent is otherwise instructed



## Notes to Financial Statements *(continued)*

December 31, 2012

by the Stockholder, distributions on the Common Stock are paid in book shares of Common Stock which are entered in the Stockholder's account as book credits. Each Stockholder may also elect to receive distributions 75% in shares and 25% in cash, 50% in shares and 50% in cash, or 100% in cash. Any such election must be received by the Stockholder Servicing Agent by the record date for a distribution. If the Stockholder holds shares of Common Stock through a financial intermediary (such as a broker), the Stockholder should contact the financial intermediary to discuss reinvestment and distribution options. Elections received after a record date for a distribution will be effective in respect of the next distribution. Shares issued to the Stockholder in respect of distributions will be at a price equal to the lower of: (i) the closing sale price of the Common Stock on the NYSE on the ex-dividend date or (ii) the greater of net asset value per share of Common Stock and 95% of the closing price of the Common Stock on the NYSE on the ex-dividend date. The issuance of Common Stock at less than net asset value per share will dilute the net asset value of all Common Stock outstanding at that time.

For the year ended December 31, 2012, the Fund purchased 806,299 shares of its Common Stock in the open market at an aggregate cost of \$12,683,718, which represented a weighted average discount of 14.2% from the net asset value of those acquired shares. For the year ended December 31, 2012, the Fund purchased 1,549,971 shares of its Common Stock from Plan participants at a cost of \$24,265,282, which represented a weighted average discount of 14.5% from the net asset value of those acquired shares. Shares of Common Stock repurchased to satisfy Plan requirements or in the open market are retired and no longer outstanding.

Under the Fund's stock repurchase program for 2012, the amount of the Fund's outstanding Common Stock that the Fund may repurchase from Stockholders and in the open market is 5%, provided that, with respect to shares purchased in the open market, the discount must be greater than 10%. The intent of the stock repurchase program is, among other things, to moderate the growth in the number of shares outstanding, increase the NAV of the Fund's outstanding shares, reduce the dilutive impact on stockholders who do not take capital gain distributions in additional shares and increase the liquidity of the Fund's Common Stock in the marketplace.

### Warrants

At December 31, 2012, the Fund reserved 197,100 shares of Common Stock for issuance upon exercise of 8,148 Warrants, each of which entitled the holder to purchase 24.19 shares of Common Stock at \$0.93 per share.

Assuming the exercise of all Warrants outstanding at December 31, 2012, net assets would have increased by \$183,303 and the net asset value of the Common Stock would have been \$18.71 per share. The number of Warrants exercised during the years ended December 31, 2012 and 2011 was 1,343 and 0, respectively.

### Note 7. Lending of Portfolio Securities

Effective December 31, 2012, the Fund no longer participates in securities lending activity. Prior to that date, the Fund had entered into a Master Securities Lending Agreement (the Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan). The Agreement authorized JPMorgan as lending agent to lend securities to authorized borrowers in order to generate additional income on behalf of the Fund. Pursuant to the Agreement, the securities loaned were secured by cash or securities that either were issued or guaranteed as to principal and interest by the U.S. government, its agencies, authorities or instrumentalities with value equal to at least 100% of the market value of the loaned securities. Any additional collateral required to maintain those levels due to market fluctuations of the loaned securities was requested to be delivered the following business day. Cash collateral received was invested by the lending agent on behalf of the Fund into authorized investments pursuant to the Agreement.

Pursuant to the Agreement, the Fund received income for lending its securities either in the form of fees or by earning interest on invested cash collateral, net of negotiated rebates paid to borrowers and fees paid to the lending agent for services provided and any other securities lending expenses. Net income earned from securities lending for the year ended December 31, 2012 is disclosed in the Statement of Operations. The Fund continued to earn and accrue interest and dividends on the securities loaned. At December 31, 2012, the Fund did not have any securities on loan.

**Note 8. Affiliated Money Market Fund**

The Fund invests its daily cash balances in Columbia Short-Term Cash Fund, an affiliated money market fund established for the exclusive use by the Fund and other affiliated funds. The income earned by the Fund from such investments is included as Dividends affiliated issuers in the Statement of Operations. As an investing fund, the Fund indirectly bears its proportionate share of the expenses of Columbia Short-Term Cash Fund.

**Note 9. Lehman Brothers Holdings Inc. Equity-Linked Notes**

The Fund holds investments in two equity-linked notes (notes) for which Lehman Brothers Holdings Inc. (Lehman Brothers)

## Notes to Financial Statements *(continued)*

December 31, 2012

is the counterparty. The notes (with an aggregate principal amount of \$29.7 million) defaulted as of their respective maturity dates, September 14, 2008 and October 2, 2008. Lehman Brothers filed a Chapter 11 bankruptcy petition on September 15, 2008, and as such, it is likely that the Fund will receive less than the maturity value of the notes, pending the outcome of the bankruptcy proceedings. Based on the bankruptcy proceedings, the Fund recorded receivables aggregating \$2.9 million based on the estimated amounts recoverable for the notes and recognized realized losses of \$26.8 million. The estimates of the amounts recoverable for the notes are based on the current information regarding the claim provided by the bankruptcy court and any amounts received as payments for the claim, which provide an indication of amounts recoverable through the bankruptcy proceedings. To date, the Fund has received \$3.0 million on this claim. Any changes to the receivable balances resulting from such adjustments are recorded as a change in unrealized appreciation or depreciation in the Statement of Operations. At December 31, 2012, the value of the receivable balances was approximately \$3.4 million, which represented 0.28% of the Fund's net assets.

### Note 10. Significant Risks

#### Large-Capitalization Risk

To the extent that the Fund invests a substantial percentage of its assets in an industry, the Fund's performance may be negatively affected if that industry falls out of favor. Stocks of large-capitalization companies have at times experienced periods of volatility and negative performance. During such periods, the value of the stocks may decline and the Fund's performance may be negatively affected.

### Note 11. Subsequent Events

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

### Note 12. Information Regarding Pending and Settled Legal Proceedings

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial)) entered into settlement agreements with the Securities and Exchange Commission (SEC) and

Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of \$10 million and civil money penalties of \$7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at [www.sec.gov/litigation/admin/ia-2451.pdf](http://www.sec.gov/litigation/admin/ia-2451.pdf). Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the funds' Boards of Directors.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Funds are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at [www.sec.gov](http://www.sec.gov).

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these

## Edgar Filing: TRI-CONTINENTAL CORP - Form N-CSR

proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

---

Tri-Continental Corporation

## Report of Independent Registered Public Accounting Firm

### To the Board of Directors and Stockholders of Tri-Continental Corporation

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Tri-Continental Corporati