

TRI-CONTINENTAL CORP  
Form N-CSRS  
September 05, 2007

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 811-0266

Tri-Continental Corporation  
(Exact name of Registrant as specified in charter)

100 Park Avenue  
New York, New York 10017  
(Address of principal executive offices) (Zip code)

Lawrence P. Vogel  
100 Park Avenue  
New York, New York 10017  
(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 850-1864

Date of fiscal year end: 12/31  
Date of reporting period: 6/30/07

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ITEM 1. REPORTS TO STOCKHOLDER.







*Tri-Continental Corporation invests to produce future growth of both capital and income, while providing reasonable current income.*

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TY is Tri-Continental Corporation's symbol for its Common Stock on the New York Stock Exchange.



# Tri-Continental Corporation

August 21, 2007

## To the Stockholders:

We are pleased to present your mid-year Stockholder report for Tri-Continental Corporation. The report contains the Corporation's investment results, portfolio of investments, and financial statements as of June 30, 2007.

Tri-Continental outperformed its benchmark and peers for the six months ended June 30, 2007, delivering a total return of 8.1%, based on net asset value, and 17.6%, based on market price. During the same period, its benchmark, the S&P 500 Index, returned 7.0%, while its peers, as measured by the Lipper Closed-End Core Funds Average and the Lipper Large-Cap Core Funds Average, returned 7.6% and 6.9%, respectively. We are pleased to state that, as of June 30, 2007, Tri-Continental outperformed its benchmark and peers for the one- and three-year periods, based on net asset value and market price, and for the five-year period, based on market price.

Tri-Continental's Annual Meeting of Stockholders was held on May 30, 2007. At the meeting, three Directors were re-elected to Tri-Continental's Board of Directors, Deloitte & Touche LLP was selected as the independent auditors of the Corporation, and the proposal to implement a Distribution Policy was approved. Complete details of the vote can be found on page 28 of this report.

The first distribution under the newly approved Distribution Policy was paid to Common Stockholders on July 26. The distribution aggregated \$0.707 per share, consisting of \$0.248 of net investment income and \$0.459 of net realized short-term capital gains. As of the date of this letter, total distributions already paid to Stockholders in 2007 total \$0.967 per share. A distribution of \$0.755 per share has been declared and will be paid on September 20th to Common Stockholders of record September 11, 2007. This will bring 2007's cumulative distribution to \$1.722 per share.

Based on the first two quarterly distribution payments, distributions may aggregate nearly \$3.00 on an annual basis, which is significantly higher than in recent years. Accordingly, Stockholders who currently take all or a portion of their distributions in cash should assess their income needs, and may want to consider investing a portion of their distributions in additional shares of Tri-Continental. The various payment options available under the new Policy are outlined on page 5 of this report. Stockholders can change their payment elections at any time by contacting their financial advisors or by calling Stockholder Services at 800-TRI-1092.

Thank you for your continued support of Tri-Continental Corporation. We look forward to serving your investment needs for many more years to come.

By order of the Board of Directors,

William C. Morris  
Chairman

Brian T. Zino  
President

# Tri-Continental Corporation

## Investment Results Per Common Share

### TOTAL RETURNS

For Periods Ended June 30, 2007

	Average Annual					
	Three Months*	Six Months*	One Year	Three Years	Five Years	Ten Years
<b>Market Price</b>	14.63%	17.63%	36.17%	17.45%	11.67%	6.96%
<b>Net Asset Value</b>	6.81	8.12	25.06	12.23	9.98	5.31
<b>Lipper Closed-End Core Funds Average**</b>	4.88	7.64	18.79	11.59	9.89	6.12
<b>Lipper Large-Cap Core Funds Average**</b>	6.42	6.94	19.59	10.62	9.33	6.09
<b>S&amp;P 500**</b>	6.28	6.96	20.57	11.66	10.70	7.12

### PRICE PER SHARE

	June 30, 2007	March 31, 2007	December 31, 2006
<b>Market Price</b>	\$26.02	\$22.70	\$22.38
<b>Net Asset Value</b>	27.46	25.71	25.66

### DIVIDEND, CAPITAL GAIN AND YIELD INFORMATION

For the Six Months Ended June 30, 2007

Dividends Paid□	Capital Gains Paid	Capital Gain (Loss)		SEC 30-Day YieldØ
		Realized	Unrealized	
\$0.14	\$0.12	\$1.60	\$1.96	3.63%

Performance data quoted in this report represents past performance and does not guarantee or indicate future investment results. The rates of return will vary and the principal value of an investment will fluctuate. Shares, if sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Total returns of the Corporation as of the most recent month end will be made available at [www.seligman.com](http://www.seligman.com)<sup>1</sup> by the seventh business day following that month end. J. & W. Seligman & Co. Incorporated, the investment manager of the Corporation, made certain payments to the Corporation in 2004. Absent such payments, the net asset value returns that include this period would have been lower. Returns reflect changes in market price or net asset value, as applicable, and assume reinvestment of distributions. Performance data quoted does not reflect the deduction of taxes that investors may pay on distributions or the sale of shares. An investment in Tri-Continental is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation.

See footnotes on page 3.





# Tri-Continental Corporation

## Investment Results Per Common Share (continued)

\* Returns for periods of less than one year are not annualized.

\*\* The Lipper Closed-End Core Funds Average and the Lipper Large-Cap Core Funds Average (the "Lipper Averages") and the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500") are unmanaged benchmarks that assume reinvestment of all distributions. The Lipper Averages exclude the effect of taxes and any costs associated with the purchase of shares, and the S&P 500 excludes the effect of fees, taxes, and sales charges. The Lipper Closed-End Core Funds Average measures the performance of closed-end funds. The Lipper Large-Cap Core Funds Average includes open-end funds that, by portfolio practice, invest at least 75% of their assets in companies with market capitalizations (on a three-year weighted basis) greater than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index (\$16.8 billion at June 30, 2007). The Lipper Large-Cap Core Funds Average is provided for comparative purposes so that the Corporation's performance can be measured against both closed-end and open-end funds with similar portfolio holdings as the Corporation. Lipper classifies the Corporation, based on its portfolio holdings, as a Closed-End Core Fund. The S&P 500 measures the performance of 500 of the largest US companies based on market capitalizations. Investors cannot invest directly in an index or an average.

□ Preferred Stockholders were paid dividends totaling \$1.25 per share.

□ Represents the per share amount of gross unrealized gain or loss of portfolio securities as of June 30, 2007.

∅ Current yield, representing the annualized yield for the 30-day period ended June 30, 2007, has been computed in accordance with SEC regulations and will vary.

1 The website reference is an inactive textual reference and information contained in or otherwise accessible through the website does not form a part of this report or the Corporation's prospectus or statement of additional information.

# Tri-Continental Corporation

## Highlights of the First Half

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
<b>Assets:</b>		
Total assets	\$ 2,926,909,398	\$ 2,698,964,372
Amounts owed	75,928,137	4,118,004
<b>Net Investment Assets</b>		
Preferred Stock, at par value	37,637,000	37,637,000
Net Assets for Common Stock	\$ 2,813,344,261	\$ 2,657,209,368
Common shares outstanding	102,443,745	103,534,430
<b>Net Assets Per Common Share</b>	<b>\$27.46</b>	<b>\$25.66</b>
	<b>Six Months Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>Capital Gains:</b>		
Net capital gains realized	\$ 164,160,146	\$ 139,425,899
Per Common share	\$1.60	\$1.32
Accumulated capital gains (losses), end of period	\$ 164,633,714	\$ (141,703,756)
Per Common share, end of period	\$1.61	\$(1.34)
Unrealized capital gains, end of period	\$ 201,281,954	\$ 125,759,668
Per Common share, end of period	\$1.96	\$1.19
Unrealized capital losses, end of period	\$ (100,327,407)	\$ (212,605,518)
Per Common share, end of period	\$(0.98)	\$(2.01)
 <b>Capital Gains Paid per Common Share</b>	 \$0.12	 □
<b>Income:</b>		
Total investment income earned	\$ 49,086,414	\$ 23,251,826
Expenses	9,284,581	8,956,611
Preferred Stock dividends	940,925	940,925
Income for Common Stock	\$ 38,860,908	\$ 13,354,290
Expenses to average net investment assets	0.68%*	0.73%*
Expenses to average net assets for Common Stock	0.69%*	0.74%*
 <b>Dividends Paid per Common Share</b>	 \$0.14	 \$0.14

\* Annualized.

# Tri-Continental Corporation

## Distribution Policy

The proposal to implement a new Distribution Policy was approved by more than 90% of the shares voted at the Annual Meeting of Stockholders of Tri-Continental, held on May 30, 2007. Under the Distribution Policy, holders of Tri-Continental's Common Stock will receive quarterly distributions equal to a minimum of 2.75% of the net asset value of Tri-Continental's common stock on the last business day of the preceding calendar quarter (approximately 11% annually). The quarterly distributions will not be *in addition to*, but rather will *take the place of*, the capital gain payments and dividend distributions you may have grown accustomed to receiving in the past.

## Sources of Distribution for Common Stock

The following table sets forth the estimated amounts of the July 26, 2007 distribution and the cumulative distributions paid to date in 2007 from the following sources, as applicable: net investment income, net realized short- and long-term capital gains, and return of capital. All amounts are expressed per common share.

	July 26, 2007 Distribution		Cumulative 2007 Distributions	
	Amount	% Breakdown	Amount	% Breakdown
Net Investment Income	\$ 0.248	35.08%	\$ 0.388	40.12%
Net Realized Short-Term Capital Gains	0.459	64.92	0.459	47.47
Net Realized Long-Term Capital Gains	None	□	0.120	12.41
Return of Capital	None	□	None	□
Total (per common share)	\$ 0.707	100.00%	\$ 0.967	100.00%

You should not necessarily draw any conclusions about the investment performance of Tri-Continental Corporation (the "Corporation") from the amount of these distributions or from the terms of the Corporation's Distribution Policy.

The amounts and sources of distributions reported are estimates only and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes, which may include return of capital, will depend upon the Corporation's investment experience during the remainder of the year and may be subject to changes based on tax regulations. The Corporation will send you a Form 1099-DIV in January 2008 for the calendar year 2007 that will tell you how to report these distributions for federal income tax purposes.

## Distribution Payment Options for Common Stock

Prior to the implementation of the Distribution Policy, you were able to elect separate payment options for capital gain payments and dividend distributions. Under the new Distribution Policy, however, because one distribution will be made quarterly (which may consist of both capital gains and net investment income, as well as a return of capital), the payment options have changed.

The new payment options for receiving distributions are:

- 100% of distribution to be invested in additional shares of Tri-Continental
- 75% of distribution to be invested in additional shares, 25% of distribution to be paid in cash
- 50% of distribution to be invested in additional shares, 50% of distribution to be paid in cash
- 100% of distribution to be paid in cash

## Tri-Continental Corporation

The first distribution under the new Distribution Policy was payable to Stockholders on July 26, 2007. As communicated to you in a letter sent in June, if we did not receive instruction from you by July 17, 2007, we used a default option (detailed in the table below) based on your prior election, and will continue to use this default option until you instruct us otherwise.

	<b>Previous Election</b>	<b>Default Election</b>
Capital Gains	Dividends	Distribution
Invested in shares	Invested in shares	100% invested in shares
Invested in shares	Cash payment	75% invested in shares
		25% paid in cash
75% invested in shares	Invested in shares	75% invested in shares
25% cash payment		25% paid in cash
75% invested in shares	Cash payment	50% invested in shares
25% cash payment		50% paid in cash
Cash payment	Cash payment	100% paid in cash

In 2006, Tri-Continental distributed \$0.28 per Common share. Under the new Distribution Policy, using Tri-Continental's net asset value of \$27.46 on June 29, 2007 as a guide and the 11% minimum annual distribution, distributions for the next four quarterly payments would aggregate approximately \$3.00 per Common share. If you currently take all or a portion of your distributions in cash, you may want to evaluate your income needs and consider investing a portion of your distributions in additional shares of Tri-Continental.

You can change your payment election for future quarterly distributions at any time by contacting your financial advisor or Stockholder Services at 800-TRI-1092.

Please keep in mind that, in order to meet the minimum quarterly distribution of 2.75%, distributions under the new Distribution Policy may at times include a return of capital. A return of capital is a distribution in excess of, and not a part of, the Corporation's net profits. It is a return of a portion of your investment and results in a decrease in the value of your account. You can avoid this result by reinvesting 100% of distributions in additional shares. You can mitigate the impact of a return of capital by reinvesting a portion of distributions in additional shares of Tri-Continental.

We believe the implementation of the Distribution Policy will be beneficial for Stockholders as well as for Tri-Continental. It will serve to provide Stockholders with regular, periodic cash distributions and may also reduce the trading discount for Tri-Continental's Common stock.

### Frequently Asked Questions

*What happens to my distributions if I hold my shares in a retirement account?*

If you currently hold shares of Tri-Continental in a retirement account and have elected to have 100% of distributions invested on your behalf in additional shares of Tri-Continental, under the new distribution policy, this election will remain in place and **no action is required by you** unless you wish to make a change. If you are under the age of 59½, distributions from your retirement account will be reinvested.

# *Tri-Continental Corporation*

*Why is it important to know what my distribution is made up of? Isn't a distribution income earned on my investment?*

The distribution you will be receiving quarterly may come from a few different sources, all of which are treated differently by the IRS. Part of the distribution may come from:

- **investment income** □ interest payments and dividends that are paid by securities in Tri-Continental's portfolio
- **capital gain** □ a profit that results when a security held in the portfolio is sold
- **return of capital** □ money that you invested in Tri-Continental is paid back to you

The final determination of the source of all distributions made in 2007 for federal tax purposes will be made after year-end, and you will receive notification (Form 1099-DIV) in January 2008.

*Why would Tri-Continental make a return of capital distribution?*

Under the new Distribution Policy, Tri-Continental will distribute 2.75% of its net asset value on a quarterly basis. If the portfolio has not generated enough in investment income and capital gains to meet the minimum 2.75% distribution, Tri-Continental will have to include a return of capital. A return of capital distribution does not necessarily reflect Tri-Continental's investment performance and should not be confused with "yield" or "income."

# Tri-Continental Corporation

## Diversification of Net Investment Assets

The diversification of portfolio holdings by industry on June 30, 2007 was as follows. Individual securities owned are listed on pages 11 through 17.

	Issues	Cost	Value	Percent of Net Investment Assets	
				June 30, 2007	December 31, 2006
<b>Common Stocks and Warrants:</b>					
Aerospace and Defense	2	\$ 48,398,879	\$ 62,579,444	2.2	3.6
Air Freight and Logistics	2	34,980,500	37,616,532	1.3	0.6
Airlines	1	6,778,496	6,609,375	0.2	□
Beverages	□	□	□	□	1.2
Biotechnology	4	101,208,276	88,745,549	3.1	2.9
Capital Markets	3	56,908,395	57,427,435	2.0	2.5
Chemicals	1	16,419,768	16,889,048	0.6	0.8
Commercial Banks	1	61,016,327	56,783,104	2.0	3.5
Commercial Services and Supplies	1	22,053,894	24,027,465	0.8	0.7
Communications Equipment	6	148,533,876	142,180,878	5.0	6.2
Computers and Peripherals	5	97,996,788	100,816,590	3.5	3.4
Consumer Finance	2	68,569,947	68,758,108	2.4	2.2
Containers and Packaging	1	40,289,290	39,336,374	1.4	0.9
Diversified Consumer Services	1	12,806,223	16,962,229	0.6	□
Diversified Financial Services	3	159,499,848	161,242,609	5.6	5.8
Diversified Telecommunication Services	1	23,638,026	25,253,950	0.9	1.6
Energy Equipment and Services	2	29,934,776	34,412,896	1.2	1.5
Food and Staples Retailing	4	88,137,741	101,405,201	3.6	4.1
Food Products	1	22,499,357	21,045,240	0.7	□
Health Care Equipment and Supplies	4	68,051,445	61,163,626	2.1	1.8
Health Care Providers and Services	1	21,538,004	21,326,285	0.7	3.6
Hotels, Restaurants and Leisure	2	72,597,312	64,852,136	2.3	□
Independent Power Producers and Energy Traders	□	□	□	□	0.6
Industrial Conglomerates	2	134,191,562	138,087,411	4.8	4.9
Insurance	2	68,072,775	78,286,500	2.7	2.6
Internet Software and Services	2	50,700,934	56,068,913	2.0	1.6
IT Services	1	19,215,335	22,259,380	0.8	1.0
Machinery	1	17,419,487	21,555,990	0.8	0.7
Media	3	67,285,728	74,235,188	2.6	1.9
Metals and Mining	3	52,074,943	58,823,571	2.1	1.3
Multiline Retail	□	□	□	□	0.7
Oil, Gas and Consumable Fuels	5	153,187,984	195,538,140	6.9	7.9
Personal Products	1	16,322,605	19,955,845	0.7	□
Pharmaceuticals	6	151,634,330	161,236,165	5.7	3.0

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Road and Rail	1	14,824,366	14,155,157	0.5	0.9
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*(continued on page 9)*



*Tri-Continental Corporation***Diversification of Net Investment Assets** (continued)

				<b>Percent of Net Investment Assets</b>	
	<b>Issues</b>	<b>Cost</b>	<b>Value</b>	<b>June 30, 2007</b>	<b>December 31, 2006</b>
<b>Common Stocks and</b>					
<b>Warrants: (continued)</b>					
Semiconductors and					
Semiconductor Equipment	3	\$ 45,907,471	\$ 45,795,745	1.6	0.9
Software	5	117,628,417	122,240,604	4.3	2.3
Specialty Retail	3	92,776,076	89,847,941	3.2	3.6
Thrifts and Mortgage Finance	2	36,332,800	36,263,119	1.3	1.0
Tobacco	1	69,611,466	77,678,647	2.7	3.3
Wireless Telecommunication					
Services	1	11,895,839	11,989,650	0.4	1.1
<b>Total Common Stocks and</b>					
<b>Warrants</b>					
	90	2,320,939,286	2,433,452,040	85.3	86.2
<b>Options Purchased</b>	26	74,128,725	70,687,088	2.5	3.2
<b>Tri-Continental Financial</b>					