TRI-CONTINENTAL CORP
Form N-CSR
March 07, 2008

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: 12/31/07

ITEM 1. REPORTS TO STOCKHOLDERS.

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

February 27, 2008

To the Stockholders:

Your annual report to stockholders of Tri-Continental Corporation follows this letter. The report contains a discussion with the Corporation s Portfolio Manager, investment results, the portfolio of investments, and financial statements for the year ended December 31, 2007.

For the year ended December 31, 2007, Tri-Continental posted a total return of -0.5%, based on net asset value, and 3.5%, based on market price. For the same period, the Corporation s benchmark, the S&P 500 Index, delivered a total return of 5.5%. The Corporation s peers, as measured by the Lipper Closed-End Core Funds Average and the Lipper Large-Cap Core Funds Average, returned 3.6% and 5.7%, respectively.

Though the Corporation underperformed its benchmark and peer groups for the year ended December 31, 2007, our conviction in the positioning of the portfolio, as well as its holdings, remains steadfast. The Corporation s investment process continues to stress long-term investing, and our goal remains to achieve above-average investment results over full market cycles.

A distribution of $0.722 per share was paid on December 19, 2007 to Common Stockholders of record on December 10, 2007. Total distributions made in 2007 aggregated $2.444 per share. The 2008 first quarter distribution of $0.633 per share will be paid on March 26th to Common Stockholders of record on March 18, 2008.

Stockholders who continue to take all or a portion of their distribution in cash should assess their income needs and consider receiving all or a portion of their distributions in additional shares of Tri-Continental. The distribution payment options available under the Distribution Policy are outlined on page 9 of this report. Stockholders may change their payment election at any time by contacting their financial advisor or by calling Stockholder Services as 800-TRI-1092.

We are pleased to announce that, effective March 3, 2008, the Seligman Core Investment Team, headed by John B. Cunningham, and the Seligman Growth Team, headed by Erik J. Voss, have merged. We believe this change will provide a greater depth of analytical and fundamental research capabilities in managing the Corporation s assets. In conjunction with this change, Erik Voss has been named Co-Portfolio Manager of the Corporation.

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

By order of the Board of Directors,

William C. Morris	Brian T. Zino
Chairman	President

Tri-Continental Corporation

Interview With Your Portfolio Manager, John B. Cunningham

What were Tri-Continental s investment results for the year ended December 31, 2007?

For the year ended December 31, 2007, Tri-Continental Corporation posted a total return of -0.5%, based on net asset value, and 3.5% based on market price. During the same period, Tri-Continental s benchmark, the S&P 500 Index, returned 5.5%.

What market conditions and economic factors materially impacted Tri-Continental s investment results during the year?

The year 2007 was marked by a series of advances and sharp retreats. After eight consecutive months of positive returns for the S&P 500 Index, US equities experienced a sharp decline in February 2007, which we viewed as a healthy pullback. Despite subprime mortgage fears, a weakening housing market, and continued rising oil prices, the markets continued to move forward. Solid corporate profits further fueled equity advances.

Subprime concerns came to light during the summer months and led to a tightening of the reins by credit lenders and a sell-off in the markets. Merger and acquisition activity, which had been robust in recent years, cooled significantly as market liquidity dried up and financing became increasingly difficult to secure. The Federal Reserve Board (the Fed) sought to ease concerns by reducing the discount rate (the interest rate charged to banks on loans they receive from the Federal Reserve Bank) in August and subsequently again in September. The Fed lowered the federal funds target rate (the interest rate banks charge one another on overnight loans) by half of a percentage point in September to 4.75%, and by a quarter of a percentage point in both October and December, ending the year at 4.25%. While investors showed signs of renewed interest following the Fed s September rate cut, it would not prove to be long lasting. The subprime issues proved much worse than anticipated, and some of the write-offs that brokerage firms and banks announced in late summer were multiplied substantially by October. The result was a significant flight-to-quality in November and December as investors became increasingly risk averse.

Following the close of the reporting period, on January 22, 2008 the Fed cut the federal funds target rate by an additional three-quarters of a percentage point to 3.5%. This was the first such cut the Fed has made between scheduled meetings of the Federal Open Market Committee (FOMC) since September 17, 2001 (following the 9/11 terrorist attacks), and was the largest rate cut since 1984. The Fed reduced the federal funds target rate by another 50 basis points to 3.0% at its regular FOMC meeting on January 30, 2008.

What investment strategies and techniques materially affected Tri-Continental s investment results during the year?

Tri-Continental underperformed its benchmark for the year, due primarily to stock selection and, to a lesser degree, sector allocation. As investors became less risk tolerant in November and December, sectors that are generally considered to be defensive in nature energy, consumer staples, and utilities outperformed. Tri-Continental was underweight, relative to the benchmark in these areas,

Tri-Continental Corporation

Interview With Your Portfolio Manager (continued)

as we believed valuations, particularly for consumer staples and energy stocks, to be excessive. Sectors in which Tri-Continental was more heavily concentrated versus the benchmark, such as information technology, and to a modest degree, consumer discretionary, underperformed during this time. The best-performing sector of the benchmark for the year was energy. The worst-performing sector for the year, an area that performed abysmally throughout the year, was financials. Tri-Continental maintained an underweight in the financial sector for the entire year.

The area that had the largest positive impact on Tri-Continental s investment results for the year, relative to the benchmark, was the health care sector. Biotech firm Pharmion ended the year as the largest individual contributor to Tri-Continental s performance. In August, news that Pharmion s cancer treatment drug, Vidaza, demonstrated significant extended survivorship in a study of patients led the company s stock higher. In November, Celgene agreed to acquire Pharmion at an attractive premium, further driving up the company s stock price. Tri-Continental s position in Pharmion was eliminated by the end of the reporting period.

The area that detracted the most from Tri-Continental s investment results for the year was the information technology sector. The sector was Tri-Continental s largest weighting, and largest overweighting, versus the benchmark. Tri-Continental underperformed the benchmark by a considerable degree, particularly within communications equipment and semiconductors. Apple, however, within the computers and peripheral industry, delivered strong results for the portfolio, ending the year among Tri-Continental s top contributors. Tri-Continental continues to hold a position in Apple.

Surging oil prices continued to benefit top-ten holding Exxon Mobil, which also ended the year among Tri-Continental s top contributors to investment results. Altria, also a top-ten holding, saw its stock price rise as it spun off Kraft Foods early in the year, and announced late in the year that it will separate its international tobacco and domestic tobacco businesses. This was met with enthusiasm, as the separation should enable investors to value the different businesses more appropriately. Both Exxon Mobil and Altria remain in Tri-Continental s portfolio.

Among the largest performance detractors during the year were OfficeMax, Rite Aid, NII Holdings, and Gemstar-TV Guide International. Office superstore OfficeMax saw its stock suffer as concerns about a weaker US economy and a slowdown in consumer and small business spending weighed heavily on the company s stock. We continue to find OfficeMax attractive, from a valuation perspective, and continue to hold the stock in Tri-Continental s portfolio. Rite Aid, which was among Tri-Continental s top contributors as of June 30, saw its stock sell off sharply in the second half of 2007 following news that its recent acquisition of the Brooks Eckerd drug store chain was weaker than expected. Drug stores, in general, have experienced weaker sales in recent months as consumer spending has slowed in response to the weaker economy and lighter store foot traffic. We do believe that Rite Aid s integration effort with Brooks Eckerd is on track and that there is still upside to the stock. As such, Tri-Continental continues to hold Rite Aid in its portfolio.

NII Holdings is a Latin America-based wireless telecommunication service provider. While the sector has seen substantial growth, the company had weaker than expected new subscriptions,

Tri-Continental Corporation

Interview With Your Portfolio Manager (continued)

particularly within Mexico, which surprised investors and led to a sharp sell-off of the company s stock. The company s stock continued to sell-off further in November and December as investors became increasingly focused on risk. While NII Holdings remains in Tri-Continental s portfolio, the position has been scaled back. Gemstar-TV Guide International, the media company responsible for the cable television channel guide service, put itself up for auction over the summer following receipt of an unsolicited offer to be purchased. After several potential offers, Gemstar agreed to be acquired but by a weaker-than-expected purchaser. The deal disappointed many investors, and the stock subsequently sold off. The Corporation continued to hold Gemstar in its portfolio at year-end as our analysis gives us reason to believe that there still exists an attractive upside to the stock.

While investment results for the year were disappointing, our conviction in the portfolio s holdings and positioning remains strong, as does our commitment to our long-term investment strategy.

A Team Approach

Tri-Continental Corporation is managed by the Seligman Core/Growth Investment Team, co-headed by John B. Cunningham (Portfolio Manager of the Corporation) and Erik J. Voss (Co-Portfolio Manager of the Corporation). Messrs. Cunningham and Voss are assisted by a group of seasoned professionals who are responsible for research and trading consistent with Tri-Continental s investment objective. Team members include Christopher Boova, Ido Cohen, Jennifer Haberkorn (trader), Chris Kagaoan, Dave Levy (trader), Edward Mehalick, Helen Ng, and Doug Peta.

The views and opinions expressed are those of the Portfolio Manager(s), are provided for general information only, and do not constitute specific tax, legal, or investment advice to, or recommendations for, any person. There can be no guarantee as to the accuracy of market forecasts. Opinions, estimates, and forecasts may be changed without notice.

Tri-Continental Corporation

Investment Results Per Common Share

TOTAL RETURNS
For Periods Ended December 31, 2007

		Average Annual				
	Three Months*	One Year	Two Years	Three Years	Five Years	Ten Years
Market Price	(11.00)%	3.51%	12.42%	9.18%	12.98%	4.64%
Net Asset Value	(9.40)	(0.52)	8.06	6.23	11.33	3.74
Lipper Closed-End Core Funds Average**	(2.30)	3.58	10.19	7.78	12.65	4.99
Lipper Large-Cap Core Funds Average**	(3.07)	5.73	9.69	8.07	11.70	5.04
S&P 500 Index**	(3.33)	5.50	10.52	8.61	12.81	5.90

PRICE PER SHARE

	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006
Market Price	$ 20.90	$ 24.25	$ 26.02	$ 22.70	$ 22.38
Net Asset Value	23.03	26.25	27.46	25.71	25.66

DIVIDEND, CAPITAL GAIN AND YIELD INFORMATION
For Periods Ended December 31, 2007

		Capital Gain (Loss)			
Dividends Paid	Capital Gains Paid	Realized	Unrealized Gain	Unrealized Loss	SEC 30-Day Yield[Ø]
$ 0.87	$ 1.57	$ 1.76	$ 1.38	$ (3.24)	4.66%

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[1]*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 6.

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Tri-Continental Corporation

Investment Results Per Common Share (continued)

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* 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 Index) 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 Index 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 ($16.0 billion at December 31, 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 Index 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 $2.50 per share.

Represents the per share amount of gross unrealized gain or loss of portfolio securities as of December 31, 2007.

Ø Current yield, representing the annualized yield for the 30-day period ended December 31, 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 Year

Net asset value of each share of Common Stock was $23.03 at December 31, 2007 compared to $25.66 at the start of the year. Assuming the reinvestment of distributions in additional shares, the total return was -0.52%.

Common Stock distributions, paid quarterly, totaled $2.44 per share, compared to $0.28 in 2006. Tri-Continental has paid dividends to Common Stockholders, uninterrupted, for 63 years.

The following table sets forth the amounts of distributions paid 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.

	Cumulative 2007 Distributions	
	Amount	% Breakdown
Net Investment Income	$ 0.870	35.60%
Net Realized Short-Term Capital Gains	1.083	44.31
Net Realized Long-Term Capital Gains	0.491	20.09
Return of Capital	None	
Total (per common share)	$ 2.444	100.00%

The amounts and sources of distributions reported above are based upon the Corporation s accounting records and are not being provided for tax reporting purposes. 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.

Preferred Stock dividends, paid each quarter, completed 77 years of uninterrupted payments. In 2007, the total net investment income available to cover the $2.50 Preferred Stock dividend was equivalent to $114.54 per Preferred share.

Stock Repurchase Program. For the year ended December 31, 2007, the Corporation repurchased 4,245,571 shares, representing 4.1% of outstanding shares at the beginning of the year. This compares to 4,984,873 shares repurchased in the year ended December 31, 2006, representing 4.6% of shares outstanding. The shares acquired during the current year were repurchased at discounts that ranged from 5.65% to 14.93%. As a consequence, the repurchase program increased the Corporation s net asset value by approximately $0.09 per share, or 0.35%.

Tri-Continental Corporation

Highlights of the Year (continued)

	2007	2006
Assets at Year End:		
Total assets	$ 2,471,980,381	$ 2,698,964,372
Amounts owed	60,914,462	4,118,004
Net Investment Assets	2,411,065,919	2,694,846,368
Preferred Stock, at par value	37,637,000	37,637,000
Net Assets for Common Stock	$ 2,373,428,919	$ 2,657,209,368
Common shares outstanding	103,037,616	103,534,430
Net Assets Per Common Share	**$ 23.03**	**$ 25.66**
Capital Gains:		
Net capital gains realized	$ 181,232,494	$ 294,943,675
Per Common share	$ 1.76	$ 2.85
Accumulated capital gains, end of year	$ 32,369,341	$ 12,790,815
Per Common share, end of year	$ 0.31	$ 0.12
Unrealized capital gains, end of year	$ 142,335,577	$ 146,339,068
Per Common share, end of year	$ 1.38	$ 1.41
Unrealized capital losses, end of year	$ (333,895,723)	$ (51,402,101)
Per Common share, end of year	$ (3.24)	$ (0.49)
Income:		
Total investment income earned	$ 103,924,289	$ 54,300,233
Expenses	17,704,363	19,804,434
Preferred Stock dividends	1,881,850	1,881,850
Income for Common Stock.	$ 84,338,076	$ 32,613,949
Expenses to average net investment assets	0.65%	0.79%
Expenses to average net assets for Common Stock	0.66%	0.80%
Distributions Paid per Common Share	$ 2.44	$ 0.28

Tri-Continental Corporation

Stockholder Services

Tri-Continental provides a number of services to make maintaining an investment in its Common Stock more convenient.

Distribution Policy. Holders of Tri-Continental 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 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

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

Automatic Dividend Investment and Cash Purchase Plan. Subject to the terms and conditions set forth in the prospectus, Stockholders may automatically purchase additional shares with distribution payments. There is no charge for this service. Stockholders may also, subject to the terms and conditions of the prospectus, purchase additional shares directly from the Corporation. There is a service fee of a maximum of $2.00 for each cash purchase transaction. During 2007, Stockholders directly purchased 192,264 shares through the Plan.

Automatic Cash Withdrawal Plan. Stockholders who hold Common stock with a market value of $5,000 or more may elect to receive a fixed amount from their investment at regular intervals by selling their shares to the Corporation. Investors use the plan to supplement current or retirement income, for educational expenses, or for other purposes.

Purchases of Common Stock. Under the Automatic Dividend Investment and Cash Purchase Plan, and other Stockholder plans, purchases of Common Stock are made by the Corporation in the open market or elsewhere to satisfy Plan requirements. Those shares are then sold to Stockholders using the Plan. During 2007, the Corporation purchased 1,893,815 shares from stockholders through the Plan.

Traditional Individual Retirement Account (IRA). Stockholders who have earned income and are under age 70½ may contribute up to $4,000 per year to a Traditional IRA for 2007 ($5,000 per year in 2008). A working or nonworking spouse may also contribute up to $4,000 to a separate Traditional IRA for 2007 ($5,000 per year in 2008). Additionally, individuals who reach age 50 prior to the end of a taxable year may make catch-up contributions to a Traditional IRA of up to $1,000. Contributions to a Traditional IRA may be deductible or non-deductible. If you are single and *not* covered by an employer s retirement plan, your contribution will always be deductible. For individuals who are covered by a plan, contributions will be fully deductible if your modified adjusted gross income (MAGI) in 2007 is less than $51,000 ($53,000 in 2008). For spouses who are both covered by a plan, contributions will be fully deductible if your MAGI is less than $83,000 ($85,000 in 2008). If one spouse does not work or is not covered by a retirement plan, that spouse s contribution will be fully deductible provided your household MAGI does not exceed $156,000 ($159,000 in 2008). If your contribution is not deductible, you may still take advantage of the tax-deferred accumulation of earnings in your Traditional IRA.

Tri-Continental Corporation

Stockholder Services (continued)

Rollover IRA. You may be eligible to roll over a distribution of assets received from another IRA, a qualified employee benefit plan, or tax-deferred annuity into a Rollover IRA with Tri-Continental. To avoid a tax penalty, the transfer to a Rollover IRA must occur within 60 days of receipt of the qualifying distribution. If you do not make a direct transfer of a distribution from a qualified employee benefit plan or a tax-deferred annuity to a Rollover IRA, the payor of the distribution must withhold 20% of the distribution.

Roth IRA. You (and a working or non-working spouse) may each make an after-tax contribution of up to $4,000 per year ($5,000 in 2008) to a Roth IRA provided you have earned income and meet the eligibility requirements. Your MAGI must be less than $95,000 for individuals ($101,000 in 2008) or $150,000 for married couples ($159,000 in 2008) to be eligible to make a full contribution to a Roth IRA. You are eligible to make a partial Roth IRA contribution if your MAGI is below $110,000 for individuals ($116,000 in 2008) or $160,000 for married couples ($169,000 in 2008). Total combined contributions to a Roth IRA and a Traditional IRA cannot exceed $4,000 in any year. Additionally, individuals who reach age 50 prior to the end of a taxable year may make catch-up contributions to either a Roth IRA or Traditional IRA of up to $1,000. Earnings grow tax-free and will be distributed to you tax-free and penalty-free provided that you hold your account for at least five years and you take the distribution either after age 59½, for disability, upon death, or to make a first-time home purchase (up to $10,000). Unlike a Traditional IRA, you may contribute to a Roth IRA even if you are over age 70½ (if you have earned income), and you are not required to take minimum distributions at age 70½. You may convert an existing Traditional IRA to a Roth IRA to take advantage of tax-free distributions. You must pay taxes on any earnings and deductible contributions in your Traditional IRA when converting it to a Roth IRA. Talk to your financial advisor for more details on converting your Traditional IRA.

Retirement Planning Qualified Plans. Unincorporated businesses and the self-employed may take advantage of the same benefits in their retirement plans that are available to corporations. Contribution levels can go as high as 100% of earned income (reduced by plan contributions), to a maximum of $45,000 per participant ($46,000 in 2008). For retirement plan purposes, no more than $225,000 may be taken into account as earned income under the plan in 2007 ($230,000 in 2008). Social Security integration and employee vesting schedules are also available as options in the Tri-Continental prototype retirement plans. Although you already may be participating in an employer s retirement plan, you may be eligible to establish another plan based upon income from other sources, such as director s fees.

Retirement Plan Services provides information about our prototype retirement plans. The toll-free telephone number is (800) 445-1777 in the Continental US and (212) 682-7600 outside the US.

Gifts Free of Federal Tax are often made using Tri-Continental Common Stock. You may give as much as $12,000 a year to as many individuals as desired free of federal gift tax; married couples may give up to $24,000 a year.

Tri-Continental Corporation

Stock Repurchase Program

On March 20, 2007, Tri-Continental suspended the open-market purchases portion of its stock repurchase program pending the outcome of the vote of Stockholders of the Corporation on a proposal to implement a Distribution Policy. The Distribution Policy was approved by Stockholders on May 30, 2007, and the Board of Directors authorized the repurchase of common stock in the open market if the discount to net asset value is greater than 5%. The Board intends such repurchases to moderate the growth in the number of outstanding shares resulting from the investment by Stockholders of distributions received under the Distribution Policy. The Corporation recommenced its open market purchases in August 2007 following the first distribution paid under the Distribution Policy. During 2007, the Corporation purchased 2,351,756 shares in the open market.

On November 15, 2007, the Board of Directors voted to renew Tri-Continental s stock repurchase program. The program allows the Corporation to repurchase in 2008 up to 5% of its common stock directly from stockholders and in the open market, as long as its discount to net asset value exceeds 5%.

Federal Taxes

Quarterly dividends paid on both the Preferred and Common Stocks for 2007 are subject to federal income tax as ordinary income. Under the Internal Revenue Code, 17.66% of the 2007 quarterly dividends paid to Common and Preferred Stockholders qualifies for the dividends received deduction available to corporate Stockholders. In order to claim the dividends received deduction for these distributions, corporate Stockholders must have held their shares for 46 days or more during the 90-day period beginning 45 days before each ex-dividend date.

For the year ended December 31, 2007, the Corporation designates 17.61% of its dividend distributions paid to Common and Preferred Stockholders as qualified dividend income. In order for an individual to claim dividends received as qualified dividends, individual Common Stockholders must have held their shares for more than 60 days during the 121-day period beginning 60 days before each ex-dividend date, while Preferred Stockholders must have held their shares for more than 90 days during the 181-day period beginning 90 days before each ex-dividend date.

Tri-Continental Corporation

A History of Building Long-Term Wealth and Income

Tri-Continental invests primarily to produce long-term growth of both capital and income, while providing reasonable current income. The chart below shows the growth of Tri-Continental Stockholders capital over the past 20 years. The total cost of 1,000 shares of Tri-Continental Common Stock purchased on December 31, 1987, was $20,625. Stockholders who received 100% of their distributions in shares would have realized an increase in the market value of these 1,000 shares of more than five times to $126,704 by year-end 2007.

* Assumes the Stockholder did not exercise or sell the transferable rights distributed in connection with the 1992 rights offering. Either the exercise or sale of the rights would improve the above results.

For the 20-year period ended December 31, 2007, based on market value. The information provided above is based on past performance, which is no guarantee of future results, and excludes any commissions or sales charges associated with the purchase of Tri-Continental shares. The rate 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. If commissions or sales charges had been included, performance would have been lower. In addition, capital gain and dividend distributions taken in additional shares are subject to personal income tax in the year earned. The examples shown do not reflect the effect of such taxes.

Tri-Continental Corporation

Introduce Tri-Continental to a Friend

Introduce Tri-Continental to a Friend is a program designed to help encourage potential investors to consider investing in Tri-Continental. The initiative targets the more than 44,000 current Stockholders of record, individual investors, Wall Street analysts, and financial consultants through a comprehensive effort including advertising, direct mail, and one-on-one meetings. Tri-Continental has also published a brochure that traces its history since its launch in 1929.

Reply cards allowing Stockholders to request a copy of The Story of Tri-Continental brochure and the Introduce Tri-Continental to a Friend investor package have been inserted in the Annual Reports since the program s inception. A new reply card is inserted in this Annual Report. Stockholders are invited to request that an investor package be sent to one or more family members, friends, or associates. This package includes a letter from Mr. William C. Morris, Tri-Continental s Chairman, a copy of the most recent Stockholder Report, a Prospectus, The Story of Tri-Continental brochure, and a pamphlet explaining the attributes of closed-end funds.

Visit www.tricontinental.com*

Stockholders can get the latest Tri-Continental information including daily net asset values, monthly fact sheets, portfolio manager commentary, recent reports, and more over the Internet, 24 hours a day, seven days a week.

Tri-Continental s website has been developed for the convenience of current Stockholders and to let the world know about Tri-Continental. In addition to up-to-date practical information, the site contains interesting facts about Tri-Continental, including a complete history. We hope you find the site a useful one that you will want to visit often.

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* The reference to Tri-Continental s website is an inactive textual reference and information contained in or otherwise accessible through Tri-Continental s website does not form a part of this report or Tri-Continental s prospectus or statement of additional information.

Tri-Continental Corporation

Diversification of Net Investment Assets

The diversification of portfolio holdings by industry on December 31, 2007 was as follows. Individual securities owned are listed on pages 17 through 23.

	Issues	Cost	Value	Percent of Net Investment Assets December 31, 2007	2006
Common Stocks and Warrants:					
Aerospace and Defense	3	$ 54,710,389	$ 67,160,241	2.8	3.6
Air Freight and Logistics	1	13,650,808	12,593,110	0.5	0.6
Airlines	3	39,233,861	27,906,719	1.2	
Auto Components	1	26,316,606	25,508,058	1.1	
Automobiles	1	11,975,122	9,204,322	0.4	
Beverages					1.2
Biotechnology	3	53,198,495	46,235,448	1.9	2.9
Capital Markets	5	125,243,704	105,221,298	4.4	2.5
Chemicals					0.8
Commercial Banks	2	36,742,593	29,254,220	1.2	3.5
Commercial Services and Supplies	2				