

TRI-CONTINENTAL CORP
Form POS 8C
April 30, 2015
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1933 Act File No.: 333-104669

1940 Act File No.: 811-00266

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-2

REGISTRATION STATEMENT

UNDER

SECURITIES ACT OF 1933

X

Pre-Effective Amendment No.

..

Post-Effective Amendment No. 18
and/or

X

REGISTRATION STATEMENT

UNDER

THE INVESTMENT COMPANY ACT OF 1940

X

Amendment No. 52

X

Exact Name of Registrant as Specified in Charter:

TRI-CONTINENTAL CORPORATION

Address of Principal Executive Offices (Number, Street, City, State, Zip Code):

225 Franklin Street, Boston, Massachusetts 02110

Registrant's Telephone Number, including Area Code:

(800) 345-6611

Name and Address (Number, Street, City, State, Zip Code) of Agent for Service:

Scott R. Plummer, 5228 Ameriprise Financial Center, Minneapolis, MN 55474

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. "

It is proposed that this filing will become effective (check appropriate box)

- when declared effective pursuant to section 8(c)
- immediately upon filing pursuant to paragraph (b)
- on (date) pursuant to paragraph (b)
- 60 days after filing pursuant to paragraph (a)
- on (date) pursuant to paragraph (a) of Rule 486.

If appropriate, check the following box:

- This Post-Effective Amendment designates a new effective date for a previously filed Post-Effective Amendment or Registration Statement.
- This Post-Effective Amendment on Form N-2 is filed to register additional securities for an offering pursuant to Rule 462(b)(1) under the Securities Act of 1933 and the Securities Act Registration Statement Number of the earlier effective Registration Statement for the same offering is: _____

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PROSPECTUS

May 1, 2015

TRI-CONTINENTAL CORPORATION

Tri-Continental Corporation seeks future growth of both capital and income while providing reasonable current income.

The Securities and Exchange Commission has neither approved nor disapproved these securities, and it has not determined this Prospectus to be accurate or adequate. Any representation to the contrary is a criminal offense.

Not FDIC Insured † May Lose Value † No Bank Guarantee

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an investment you can live with

Prospectus

May 1, 2015

225 Franklin Street

Boston, Massachusetts 02110

Toll-Free Telephone (800) 345-6611, option 3

Tri-Continental Corporation (the Fund) is a diversified closed-end management investment company a publicly traded investment fund. The Fund's shares of common stock (the Common Stock) are traded primarily on the New York Stock Exchange under the symbol TY. The closing market price of the Common Stock on February 28, 2015 was \$22.01 per share.

The Fund invests primarily for the longer term, and the Fund's objective is to produce future growth of both capital and income while providing reasonable current income. The Fund may invest in all types of securities. See Investment Objective and Other Policies and Related Risks. No assurance can be given that the Fund's investment objective will be realized. The Fund's investment manager is Columbia Management Investment Advisers, LLC (Columbia Management or the Manager).

This Prospectus applies to all shares of Common Stock purchased under the Fund's various investment plans and to all shares of Common Stock issued upon exercise of the Fund's outstanding Warrants. See Investment Plans and Other Services. The shares of Common Stock covered by this Prospectus also may be issued from time to time by the Fund to acquire the assets of personal holding companies, private investment companies or publicly owned investment companies. See Issuance of Shares in Connection with Acquisitions.

This Prospectus sets forth the information that a prospective investor should know about the Fund before investing. Investors are advised to read this Prospectus carefully and to retain it for future reference. Additional information about the Fund, including a Statement of Additional Information (SAI) dated May 1, 2015, has been filed with the Securities and Exchange Commission. The SAI, as well as the Fund's most recent Annual and Semi-Annual Reports are also available upon request and without charge by writing to Columbia Management Investment Services Corp. (CMISC or the Service Agent), the Fund's stockholder servicing, dividend paying and transfer agent, at P.O. Box 8099, Boston, Massachusetts 02266-8099 or calling the Service Agent at the telephone number listed above. Investors may also write or call the Service Agent in order to request other available information or to make stockholder inquiries. The SAI is incorporated herein by reference in its entirety and its table of contents appears on page 24 of this Prospectus. The 2014 Annual Report contains financial statements of the Fund for the year ended December 31, 2014, which are incorporated by reference into the SAI. The SAI, as well as the Fund's most recent Annual and Semi-Annual Reports are also available at columbiathreadneedle.com/us. The website references in this Prospectus are inactive textual references and information contained in or otherwise accessible through this website does not form a part of this Prospectus. The Securities and Exchange Commission maintains a website (www.sec.gov) that contains the Prospectus, SAI, material incorporated by reference, and other information filed electronically by the Fund.

Common Stock

(\$0.50 par value)

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The following table illustrates the expenses and fees that the Fund expects to incur and that you can expect to bear as a holder of the Fund's Common Stock. The total annual expenses in the fee and expense table below are based on expenses incurred during the Fund's most recently completed fiscal year and are expressed as a percentage (expense ratio) of the Fund's average net assets during the period attributable to Common Stock. The expense ratio has been adjusted to reflect current fee arrangements, but has not been adjusted to reflect the Fund's assets as of a different period or point in time, as asset levels will fluctuate. In general, the Fund's annual operating expense ratio will increase as the Fund's assets decrease, such that the Fund's actual expense ratio may be higher than the expense ratio presented in the table.

Columbia Management provides investment management services for a fee, as disclosed in the fee table below. Columbia Management also serves as administrative services agent for the Fund. Columbia Management charges a fee for administrative services provided to the Fund (reflected in the Fund's Other Expenses in the fee table below). Please see the Management of the Fund section of the prospectus for a description of such fees.

Stockholder Transaction Expenses

Automatic Dividend Investment and Cash Purchase Plan Fees	\$ 2.00 ⁽¹⁾
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Annual Expenses (as a percentage of net assets attributable to Common Stock)

Management Fees ⁽²⁾	0.36%
Other Expenses ⁽³⁾	0.14%
Acquired fund fees and expenses	0.06%
Total Annual Expenses Before Impact of Dividends on Preferred Stock ⁽⁴⁾	0.56%
Impact of Dividends on Preferred Stock	0.13%
Total Annual Expenses, including Impact of Dividends on Preferred Stock	0.69%

(1) Stockholders participating in the Fund's Cash Purchase Plan pay a \$2.00 fee per transaction. See Investment Plans and Other Services Automatic Dividend Investment and Cash Purchase Plan for a description of the investment plans and services.

(2) The management fee is 0.355% of the Fund's average daily net assets (which includes assets attributable to the Fund's Common Stock and Preferred Stock) and is borne by the Fund's Common Stockholders. The management fee rate noted in the table reflects the rate paid by Common Stockholders as a percentage of the Fund's net assets attributable to Common Stock.

(3) Other expenses have been restated to reflect current fees paid by the Fund. The Fund's administrative services fee (reflected in Other Expenses) is 0.06% of the Fund's average daily net assets (which includes assets attributable to the Fund's Common Stock and Preferred Stock) and is borne by the Fund's Common Stockholders.

(4) Total Annual Expenses Before Impact of Dividends on Preferred Stock include acquired fund fees and expenses (expenses the Fund incurs indirectly through its investments in other investment companies) and may be higher than expense ratio shown in the Financial Highlights section of this prospectus because the expense ratio does not include acquired fund fees and expenses.

The following example illustrates the costs you would pay on a \$1,000 investment, assuming a 5% annual return (includes the impact of dividends on preferred stock):

	1 Year	3 Years	5 Years	10 Years
Tri-Continental Corporation Common Stock	\$ 7	\$ 22	\$ 38	\$ 86

If dividends on the Fund's Preferred Stock (as defined herein) were not included, the total expenses incurred for 1, 3, 5 and 10 years will be \$6, \$18, \$31 and \$70.

The purpose of the table above is to assist you in understanding the various costs and expenses you will bear directly or indirectly. For more complete descriptions of the various costs and expenses, see Management of the Fund and Investment Plans and Other Services Automatic Dividend Investment and Cash Purchase Plan.

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The example does not represent actual costs, which may be more or less than those shown. Moreover, the Fund's actual rate of return may be more or less than the hypothetical 5% return shown in the example.

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Prospectus Summary

The following is qualified in its entirety by the more detailed information included elsewhere in this Prospectus.

This Prospectus applies to shares of Common Stock of the Fund. The Fund invests primarily for the longer term and has no charter restrictions with respect to such investments. The Fund's objective is to produce future growth of both capital and income while providing reasonable current income. There can be no assurance that this objective will be achieved. With respect to the Fund's investments, assets may be held in cash or invested in all types of securities in whatever amounts or proportions the Manager believes is best suited to current and anticipated economic and market conditions. These may include preferred and common stocks, debt securities, repurchase agreements, derivatives, including futures contracts, illiquid securities and securities of foreign issuers (including emerging markets issuers), each of which could involve certain risks. The Fund also employs leverage through its outstanding shares of preferred stock. See Investment Objective and Other Policies and Related Risks.

Columbia Management Investment Advisers, LLC, a wholly owned subsidiary of Ameriprise Financial, Inc., is the investment manager of the Fund. Columbia Management also serves as administrative services agent to the Fund and provides or compensates others to provide accounting, treasury and other services to the Fund and the other Columbia funds.

The management fee rate for the year ended December 31, 2014 was equivalent to 0.36% of the Fund's average daily net assets. See Management of the Fund for more information.

Shares of Common Stock covered by this Prospectus may be purchased from time to time by the Service Agent, the Plan service agent for the Automatic Dividend Investment and Cash Purchase Plans, Individual Retirement Accounts (IRAs) and Retirement Plans for Self-Employed Individuals, Partnerships and Corporations (collectively, the Plans), as directed by participants, and may be sold from time to time by the Service Agent for participants in Systematic Withdrawal Plans. See Investment Plans and Other Services. Shares will be purchased for the Plans on the New York Stock Exchange or elsewhere when the market price of the Common Stock is equal to or less than its net asset value, and any brokerage commissions applicable to such purchases will be charged pro rata to the Plan participants. Shares will be purchased for the Plans from the Fund at net asset value when the net asset value is lower than the market price, all as more fully described in this Prospectus.

The Board re-approved the Fund's stock repurchase program for 2015. Identical to the Fund's 2014 stock repurchase program, the Fund's 2015 stock repurchase program allows the Fund to repurchase up to 5% of the Fund's outstanding Common Stock during the year directly from Stockholders and in the open market, provided that, with respect to shares purchased in the open market, the excess of the net asset value of a share of Common Stock over its market price (the discount) is greater than 10%. During 2014, the Fund purchased 885,692 shares of Common Stock in the open market. The intent of the stock repurchase program is, among other things, to moderate the growth in the number of shares of Common Stock outstanding, increase the NAV of the Fund's outstanding shares, reduce the dilutive impact on stockholders who do not take capital gains distributions in additional shares and increase the liquidity of the Fund's Common Stock in the marketplace.

The Fund

The Fund is a Maryland corporation formed in 1929 by the consolidation of two predecessor corporations. It is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a diversified management investment company of closed-end type. The Fund's Common Stock is listed on the New York Stock Exchange under the symbol TY. The average weekly trading volume on that and other exchanges during 2014 was 246,678 shares. The Fund's Common Stock has historically been traded on the market at less than net asset value. As of February 28, 2015, the Fund had 60,608,791 shares of Common Stock outstanding and net assets attributable to Common Stock of \$1,552,752,750.

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Financial Highlights

The Fund's financial highlights for the three most recent fiscal years presented on the following pages have been derived from the financial statements audited by PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm. Financial highlights for prior fiscal years were derived from the financial statements audited by other auditors. The information below, which is derived from the financial and accounting records of the Fund, should be read in conjunction with the financial statements and notes contained in the Fund's 2014 Annual Report, which may be obtained from CMISC as provided in this Prospectus.

Per Share Operating Performance data is designed to allow you 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 you can understand what effect the individual items have on your investment, assuming it was held throughout the year. 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 shares outstanding during the period.

The total investment return based on market value measures the Fund's performance assuming you purchased shares of the Fund at the market value as of the beginning of the year, invested dividends and capital gains paid as provided for in the Fund's Automatic Dividend Investment and Cash Purchase Plan, and then sold your shares at the closing market value per share on the last day of the year. The computation does not reflect any sales commissions you may incur in purchasing or selling shares of the Fund. The total investment return based on net asset value is similarly computed except that the Fund's net asset value is substituted for the corresponding market value.

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 holders of the Fund's \$2.50 cumulative preferred stock (the Preferred Stock).

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(for a share of Common Stock outstanding throughout each year)

	Year ended December 31,			
	2014	2013	2012	2011
Per share data				
Net asset value, beginning of period	\$23.11	\$18.77	\$16.77	\$15.96
Income from investment operations:				
Net investment income	.73	.69	.63	.33
Net realized and unrealized gain (loss)	1.70	4.36	2.00	.79
Increase from payments by affiliate				
Total from investment operations	2.43	5.05	2.63	1.12
Less distributions to Stockholders from:				
Net investment income				
Preferred stock	(.03)	(.03)	(.03)	(.03)
Common stock	(.75)	(.68)	(.60)	(.28)
Net realized gains				
Common stock				
Tax return of capital				
Common stock				
Total distributions to Stockholders	(.78)	(.71)	(.63)	(.31)
Capital stock transactions at market price				
Net asset value, end of period	\$24.76	\$23.11	\$18.77	\$16.77
Adjusted net asset value, end of period ^(b)	\$24.68	\$23.04	\$18.71	\$16.72
Market price, end of period	\$21.41	\$19.98	\$16.00	\$14.23
Total return				
Based upon net asset value	11.09%	27.76%	16.24%	7.15%
Based upon market price	11.11%	29.58%	16.77%	5.46%
Ratios to average net assets^(e)				
Expenses to average net assets for Common Stock	.49%	.50%	.52%	.59%
Net investment income to average net assets for Common Stock	2.91%	3.12%	3.28%	1.80%
Supplemental data				
Net assets, end of period (000 \$):				
Common stock	\$1,511,285	\$1,435,734	\$1,183,285	\$1,078,160
Preferred stock	37,637	37,637	37,637	37,637
Total net assets	\$1,548,922	\$1,473,371	\$1,220,922	\$1,115,797
Portfolio turnover	76%	62%	68%	97%

Notes to Financial Highlights

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

(b) Assumes the exercise of outstanding warrants.

(c) During the year ended Dec. 31, 2009, 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) Excluding the effect of a payment received from the Fund's predecessor investment manager, the total return would have been 13.33%.

(e) 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.

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2010	2009	Year ended December 31,		2006	2005
		2008	2007		
\$13.73	\$11.29	\$23.03	\$25.66	\$22.16	\$21.87
.30	.20	.52	.84	.33	.26
2.28	2.42	(9.88)	(1.01)	3.47	.29
	.04				
2.58	2.66	(9.36)	(.17)	3.80	.55
(.03)	(.03)	(.02)	(.02)	(.02)	(.02)
(.25)	(.17)	(.50)	(.87)	(.28)	(.24)
		(.39)	(1.57)		
	(.02)	(1.22)			
(.28)	(.22)	(2.13)	(2.46)	(.30)	(.26)
(.07)		(.25) ^(a)			
\$15.96	\$13.73	\$11.29	\$23.03	\$25.66	\$22.16
\$15.90	\$13.69	\$11.26	\$22.98	\$25.60	\$22.10
\$13.76	\$11.52	\$9.86	\$20.90	\$22.38	\$18.58
18.58%	24.11% ^(c)	(43.77%)	(.52%)	17.38%	2.66%
21.85%	19.24%	(45.89%)	3.51%	22.10%	2.98%
.60%	.98%	.73%	.66%	.80%	.65%
1.84%	1.46%	2.96%	3.22%	1.40%	1.20%
\$1,061,251	\$946,344	\$893,899	\$2,373,429	\$2,657,209	\$2,392,304
37,637	37,637	37,637	37,637	37,637	37,637
\$1,098,888	\$983,981	\$931,536	\$2,411,066	\$2,694,846	\$2,429,941
86%	70%	111%	123%	122%	71%

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The following information is being presented with respect to the Fund's \$2.50 cumulative Preferred Stock. The first column presents the number of shares of Preferred Stock outstanding at the end of each year presented. Year-End Asset Coverage Per Share represents the total amount of net assets of the Fund in relation to each share of Preferred Stock outstanding as of the end of the respective year. The Involuntary Liquidation Preference Per Share is the amount each share of Preferred Stock would be entitled to upon involuntary liquidation of these shares.

Year	Total Shares Outstanding	Year-End Asset Coverage Per Share	Involuntary	Average Daily
			Liquidation Preference Per Share	Market Value Per Share
2014	752,740	\$ 2,058	\$ 50	\$ 46.32
2013	752,740	1,957	50	48.50
2012	752,740	1,622	50	50.02
2011	752,740	1,482	50	46.33
2010	752,740	1,460	50	46.62
2009	752,740	1,307	50	42.31
2008	752,740	1,238	50	42.08
2007	752,740	3,203	50	43.77
2006	752,740	3,580	50	43.48
2005	752,740	3,228	50	45.70

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Title of Class	Authorized	Outstanding	Amount Held by Fund or for its Account
\$2.50 Cumulative Preferred Stock, \$50 par value	1,000,000 shs.	752,740 shs.	0 shs.
Common Stock, \$0.50 par value	159,000,000 shs.*	60,608,791 shs.	0 shs.
Warrants to purchase Common Stock	8,148 wts.	8,148 wts.	0 wts.

* 197,100 shares of Common Stock were reserved for issuance upon the exercise of outstanding Warrants.

Trading and Net Asset Value Information

The following table shows the high and low closing prices of the Fund's Common Stock on the composite tape for issues listed on the New York Stock Exchange for each calendar quarter since the beginning of 2013, as well as the net asset values and the range of the percentage discounts to net asset value per share that correspond to such prices.

	Market Price		Corresponding Net Asset Value		Corresponding Discount to Net Asset Value	
	High	Low	High	Low	High	Low
2013						
1st Q	17.60	16.41	20.18	19.13	(12.78)	(14.22)
2nd Q	18.82	17.31	21.53	19.94	(12.59)	(13.19)
3rd Q	18.91	17.96	21.82	20.63	(13.34)	(12.94)
4th Q	20.21	18.06	23.01	21.19	(12.17)	(14.77)
2014						
1st Q	20.11	18.93	23.49	22.11	(14.39)	(14.38)
2nd Q	20.99	19.68	24.41	22.90	(14.01)	(14.06)
3rd Q	21.47	20.49	24.97	23.91	(14.02)	(14.30)
4th Q	21.69	19.60	25.25	22.92	(14.10)	(14.49)
2015						
1st Q	22.15	20.81	25.74	24.27	(13.95)	(14.26)

The Fund's Common Stock has historically been traded on the market at less than net asset value. The closing market price, net asset value and percentage discount to net asset value per share of the Fund's Common Stock on March 31, 2015 were \$21.69, \$25.12 and 13.65%.

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Investment Objective and Other Policies and Related Risks

The Fund is a Maryland corporation formed in 1929 by the consolidation of two predecessor corporations. It is registered under the 1940 Act as a diversified management investment company of the closed-end type.

The Fund invests primarily for the longer term and has no charter restrictions with respect to such investments. The Fund's investment objective is to produce future growth of both capital and income while providing reasonable current income. There can be no assurance that this objective will be achieved. With respect to the Fund's investments, assets may be held in cash or invested in all types of securities, that is, in common stocks, bonds, convertible bonds (including high yield instruments), debentures, notes, preferred and convertible preferred stocks, rights, derivatives (including futures contracts), and other securities, in whatever amounts or proportions the Manager believes best suited to current and anticipated economic and market conditions. Derivatives may be used to produce incremental earnings, to hedge existing positions, to maintain investment efficiency, or to increase flexibility. Fixed income and convertible securities may be rated below investment grade or be deemed to have a comparable rating. The Fund may invest in fixed income securities of any maturity and does not seek to maintain a particular dollar-weighted average maturity. The Fund may invest up to 25% of its net assets in foreign investments, including those in emerging markets. The Fund also employs leverage through its outstanding shares of preferred stock.

The Fund's present investment policies, in respect to which it has freedom of action, are:

- (1) it keeps investments in individual issuers within the limits permitted diversified companies under the 1940 Act (i.e., 75% of its total assets must be represented by cash items, government securities, securities of other investment companies, and securities of other issuers which, at the time of investment, do not exceed 5% of the Fund's total assets at market value in the securities of any issuer and do not exceed 10% of the voting securities of any issuer);
- (2) it does not make investments with a view to exercising control or management except that, as of the date hereof, it has an investment in Seligman Data Corp., the former shareholder servicing agent for the Fund;
- (3) it ordinarily does not invest in other investment companies, but it may purchase up to 3% of the voting securities of such investment companies, provided purchases of securities of a single investment company do not exceed in value 5% of the total assets of the Fund and all investments in investment company securities do not exceed 10% of total assets; and
- (4) it has no fixed policy with respect to portfolio turnover and purchases and sales in the light of economic, market and investment considerations. The portfolio turnover rates for the ten fiscal years ended December 31, 2014 are shown under Financial Highlights.

The foregoing investment objective and policies may be changed by the Fund's Board of Directors (the Board) without stockholder approval, unless such a change would change the Fund's status from a diversified to a non-diversified company under the 1940 Act.

The Fund has fundamental policies relating to the issuance of senior securities, the borrowing of money, the underwriting of securities of other issuers, the concentration of investments in a particular industry or groups of industries, the purchase or sale of real estate, the purchase or sale of commodities or commodity contracts, and the making of loans. These policies may not be changed without a vote of stockholders. A more detailed description of the Fund's investment policies, including a list of those restrictions on the Fund's investment activities which cannot be changed without such a vote, appears in the SAI. Within the limits of these fundamental policies, the Manager has reserved freedom of action.

The Fund may not invest 25% or more of its total assets in securities of companies in any one industry. The Fund may, however, invest a substantial percentage of its assets in certain industries or economic sectors believed to offer good investment opportunities. If an industry or economic sector in which the Fund is invested falls out of favor, the Fund's performance may be negatively affected.

Active Management Risk. The Fund is actively managed and its performance therefore will reflect, in part, the ability of the portfolio managers to make investment decisions that will achieve the Fund's investment objective. Due to its active management, the Fund could underperform its benchmark index and/or other funds with a similar investment objective and/or strategies.

Convertible Securities Risk. Convertible securities are subject to the usual risks associated with debt securities, such as interest rate risk (the risk of losses attributable to changes in interest rates) and credit risk (the risk that the issuer of a debt security will default or otherwise become unable, or be perceived to be unable or unwilling, to honor a financial obligation, such as making payments to the Fund when due). Convertible securities also react to changes in the value of the common stock into which they convert, and are thus subject to market risk (the risk that the market values of securities or other investments that the Fund holds will fall, sometimes rapidly or unpredictably, or fail to rise). Because the

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value of a convertible security can be influenced by both interest rates and the common stock's market movements, a convertible security generally is not as sensitive to interest rates as a similar debt security, and generally will not vary in value in response to other factors to the same extent as the underlying common stock. In the event of a liquidation of the issuing company, holders of convertible securities would typically be paid

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before the company's common stockholders but after holders of any senior debt obligations of the company. The Fund may be forced to convert a convertible security before it otherwise would choose to do so, which may decrease the Fund's return.

Credit Risk. The value of fixed-income securities may decline if the issuer of the security defaults or otherwise becomes unable or unwilling, or is perceived to be unable or unwilling, to honor its financial obligations, such as making payments to the Fund when due. Various factors could affect the actual or perceived willingness or ability of the issuer to make timely interest or principal payments, including changes in the financial condition of the issuer or in general economic conditions. Fixed-income securities backed by an issuer's taxing authority may be subject to legal limits on the issuer's power to increase taxes or otherwise to raise revenue, or may be dependent on legislative appropriation or government aid. Certain fixed-income securities are backed only by revenues derived from a particular project or source, rather than by an issuer's taxing authority, and thus may have a greater risk of default. Rating agencies assign credit ratings to certain fixed-income securities to indicate their credit risk. Lower quality or unrated securities held by the Fund may present increased credit risk as compared to higher-rated securities. Non-investment grade fixed-income securities (commonly called "high-yield" or "junk") are subject to greater price fluctuations and are more likely to experience a default than investment grade securities and therefore may expose the Fund to increased credit risk. If the Fund purchases unrated fixed-income securities, or if the ratings of securities held by the Fund are lowered after purchase, the Fund will depend on analysis of credit risk more heavily than usual.

Derivatives Risk. Derivatives are financial instruments whose value depends on, or is derived from, the value of other underlying assets. Losses involving derivative instruments may be substantial, because a relatively small price movement in the underlying security(ies), instrument, commodity, currency or index may result in a substantial loss for the Fund. In addition to the potential for increased losses, the use of derivative instruments may lead to increased volatility for the Fund. Derivative investments will typically increase the Fund's exposure to principal risks to which it is otherwise exposed, and may expose the Fund to additional risks. Depending on the type and purpose of the Fund's derivative investments, these risks may include: correlation risk (there may be an incomplete correlation between the hedge and the opposite position, which is related to hedging risk), counterparty risk (the counterparty to the instrument may not perform or be able to perform in accordance with the terms of the instrument), leverage risk (losses from the derivative instrument may be greater than the amount invested in the derivative instrument), hedging risk (the risk that a hedging strategy may not eliminate the risk that it is intended to offset, and may offset gains), and/or liquidity risk (it may not be possible for the Fund to liquidate the instrument at an advantageous time or price), each of which may result in significant losses for the Fund.

Derivatives Risk/Futures Contracts Risk. The use of futures contracts is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. A futures contract is a sales contract between a buyer (holding the "long" position) and a seller (holding the "short" position) for an asset with delivery deferred until a future date. The buyer agrees to pay a fixed price at the agreed future date and the seller agrees to deliver the asset. The seller hopes that the market price on the delivery date is less than the agreed upon price, while the buyer hopes for the contrary. The liquidity of the futures markets depends on participants entering into off-setting transactions rather than making or taking delivery. To the extent participants decide to make or take delivery, liquidity in the futures market could be reduced. In addition, futures exchanges often impose a maximum permissible price movement on each futures contract for each trading session. The Fund may be disadvantaged if it is prohibited from executing a trade outside the daily permissible price movement. Moreover, to the extent the Fund engages in futures contracts on foreign exchanges, such exchanges may not provide the same protection as U.S. exchanges. The loss that the Fund may incur in entering into futures contracts may exceed the amount of the premium paid and may be potentially unlimited. Futures markets are highly volatile and the use of futures may increase the volatility of the Fund's NAV. Additionally, as a result of the low collateral deposits normally involved in futures trading, a relatively small price movement in a futures contract may result in substantial losses for the Fund. Investment in these instruments involves risks, including counterparty risk (the risk that the counterparty to the instrument will not perform or be able to perform in accordance with the terms of the instrument), hedging risk (the risk that a hedging strategy may not eliminate the risk that it is intended to offset, and may offset gains) and pricing risk (the risk that the instrument may be difficult to value), each of which may result in significant losses for the Fund.

Emerging Market Securities Risk. Securities issued by foreign governments or companies in emerging market countries are more likely to have greater exposure to the risks of investing in foreign securities that are described in Foreign Securities Risk. In addition, emerging market countries are more likely to experience instability resulting, for example, from rapid changes or developments in social, political, economic or other conditions. Their economies are usually less mature and their securities markets are typically less developed with more limited trading activity (i.e., lower trading volumes and less liquidity) than more developed countries. Emerging market securities tend to be more volatile than securities in more developed markets. Many emerging market countries are heavily dependent on international trade and have fewer trading partners, which makes them more sensitive to world commodity prices and economic downturns in other countries. Some emerging market countries have a higher risk of currency devaluations, and some of these countries may experience periods of high inflation or rapid changes in inflation rates and may have hostile relations with other countries.

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Foreign Securities Risk. Investments in or exposure to foreign securities involve certain risks not associated with investments in or exposure to securities of U.S. companies. For example, foreign markets can be extremely volatile. The performance of the Fund may be negatively impacted by fluctuations in a foreign currency's strength or weakness relative to the U.S. dollar. Foreign securities may also be less liquid than securities of U.S. companies so that the Fund may, at times, be unable to sell foreign securities at desirable times or prices. Brokerage commissions, custodial costs and other fees are also generally higher for foreign securities. The Fund may have limited or no legal recourse in the event of default with respect to certain foreign securities, including those issued by foreign governments. In addition, foreign governments may impose potentially confiscatory withholding or other taxes on the Fund's income, capital gains or proceeds from the disposition of foreign securities, which could reduce the Fund's return on such securities. Other risks include: possible delays in the settlement of transactions or in the payment of income; generally less publicly available information about foreign companies; the impact of economic, political, social, diplomatic or other conditions or events; possible seizure, expropriation or nationalization of a company or its assets or the assets of a particular investor or category of investors; possible imposition of currency exchange controls; accounting, auditing and financial reporting standards that may be less comprehensive and stringent than those applicable to domestic companies; the imposition of economic and other sanctions against a particular foreign country, its nationals or industries or businesses within the country; and the generally less stringent standard of care to which local agents may be held in the local markets. In addition it may be difficult to obtain reliable information about the securities and business operations of certain foreign issuers. Governments or trade groups may compel local agents to hold securities in designated depositories that are not subject to independent evaluation. The less developed a country's securities market is, the greater the level of risks. The risks posed by sanctions against a particular foreign country, its nationals or industries or businesses within the country may be heightened to the extent the Fund invests significantly in the affected country or region or in issuers from the affected country that depend on global markets.

Frequent Trading Risk. The portfolio managers may actively and frequently trade investments in the Fund's portfolio to carry out its investment strategies. Frequent trading can mean higher brokerage and other transaction costs, which could reduce the Fund's return. The trading costs associated with portfolio turnover may adversely affect the Fund's performance.

High-Yield Securities Risk. Securities rated below investment grade (commonly called high-yield or junk bonds) and unrated securities of comparable quality tend to be more sensitive to credit risk than higher-rated securities and may experience greater price fluctuations in response to perceived changes in the ability of the issuing entity or obligor to pay interest and principal when due than to changes in interest rates. These investments are generally more likely to experience a default than higher-rated securities. High-yield securities are considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. These securities typically pay a premium at a higher interest rate or yield because of the increased risk of loss, including default. High-yield securities may require a greater degree of judgment to establish a price, may be difficult to sell at the time and price the Fund desires, may carry high transaction costs, and also are generally less liquid than higher-rated securities. The securities ratings provided by third party rating agencies are based on analyses by these ratings agencies of the credit quality of the securities and may not take into account every risk related to whether interest or principal will be timely repaid. In adverse economic and other circumstances, issuers of lower-rated securities are more likely to have difficulty making principal and interest payments than issuers of higher-rated securities.

Interest Rate Risk. Interest rate risk is the risk of losses attributable to changes in interest rates. In general, if prevailing interest rates rise, the values of debt securities tend to fall, and if interest rates fall, the values of debt securities tend to rise. Changes in the value of a debt security usually will not affect the amount of income the Fund receives from it but will usually affect the value of the Fund's shares. In general, the longer the maturity or duration of a debt security, the greater its sensitivity to changes in interest rates. Interest rate declines also may increase prepayments of debt obligations, which, in turn, would increase prepayment risk. Similarly, a period of rising interest rates may negatively impact the Fund's performance. Actions by governments and central banking authorities can result in increases in interest rates. Such actions may negatively affect the value of fixed-income securities held by the Fund, resulting in a negative impact on the Fund's performance and NAV.

Issuer Risk. An issuer in which the Fund invests or to which it has exposure may perform poorly, and therefore, the value of its securities may decline, which would negatively affect the Fund's performance. Poor performance may be caused by poor management decisions, competitive pressures, breakthroughs in technology, reliance on suppliers, labor problems or shortages, corporate restructurings, fraudulent disclosures, natural disasters or other events, conditions or factors.

Leverage and its Risks: Senior securities issued or money borrowed to raise funds for investment have a prior fixed dollar claim on the Fund's assets and income. Any gain in the value of securities purchased or income received in excess of the cost of the amount borrowed or interest or dividends payable causes the net asset value of the Fund's Common Stock or the income available to it to increase more than otherwise would be the case. Conversely, any decline in the value of securities purchased or income received on them that is less than the asset or income claims of the senior securities or cost of borrowed money causes the net asset value of the Common Stock or income available to it to decline more sharply than would be the case if there were no prior

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claim. Funds obtained through senior securities or borrowings thus create investment opportunity, but they also increase exposure to risk. This influence ordinarily is called leverage. As of February 28, 2015, the only senior securities of the Fund outstanding were 752,740 shares of its \$2.50 Cumulative Preferred Stock, \$50 par value. The dividend rate as of February 28, 2015 on the Preferred Stock was \$2.50 per annum payable quarterly. Based on the net asset value of the Fund's Common Stock on February 28, 2015, the Fund's portfolio requires an annual return of 0.12% in order to cover dividend payments on the Preferred Stock. For a description of such payments, see Description of Capital Stock. The following table illustrates the effect of leverage relating to presently outstanding Preferred Stock on the return available to a holder of the Fund's Common Stock.

Assumed return on portfolio (net of expenses)	-10%	-5%	0%	5%	10%
Corresponding return to common stockholder	-10.36%	-5.24%	-0.12%	5.00%	10.12%

The purpose of the table above is to assist you in understanding the effects of leverage caused by the Fund's Preferred Stock. The percentages appearing in the table are hypothetical. Actual returns may be greater or less than those shown above.

The use of leverage creates certain risks for the Fund's Common Stockholders, including the greater likelihood of higher volatility of the Fund's return, its net asset value and the market price of the Fund's Common Stock. Changes in the value of the Fund's total assets will have a disproportionate effect on the net asset value per share of Common Stock because of the Fund's leveraged assets. For example, if the Fund was leveraged equal to 50% of the Fund's Common Stock equity, it would show an approximately 1.5% increase or decline in net asset value for each 1% increase or decline in the value of its total assets. An additional risk of leverage is that the cost of the leverage plus applicable Fund expenses may exceed the return on the transactions undertaken with the proceeds of the leverage, thereby diminishing rather than enhancing the return to the Fund's Common Stockholders. These risks generally would make the Fund's return to Common Stockholders more volatile. The Fund also may be required to sell investments in order to make interest payments on borrowings used for leverage when it may be disadvantageous to do so. Because the fees received by the Manager are based on the net assets of the Fund (including assets attributable to the Fund's Preferred Stock and borrowings that may be outstanding), the Manager has a financial incentive for the Fund to maintain the Preferred Stock or use borrowings, which may create a conflict of interest between the Manager, on the one hand, and the Common Stockholders on the other hand.

Market Risk. Market risk refers to the possibility that the market values of securities or other investments that the Fund holds will fall, sometimes rapidly or unpredictably, or fail to rise. Security values may fall or fail to rise because of a variety of actual or perceived factors affecting an issuer (e.g., an unfavorable earnings report), the industry or sector in which it operates, or the market as a whole, which may reduce the value of an investment in the Fund. Accordingly, an investment in the Fund could lose money over short or long periods. The market values of the securities the Fund holds can be affected by changes or perceived changes in U.S. or foreign economies and financial markets, and the liquidity of these securities, among other factors. Although equity securities generally tend to have greater price volatility than debt securities, under certain market conditions, debt securities may have comparable or greater price volatility. In addition, common stock prices may be sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase.

Preferred Stock Risk. Preferred stock is a type of stock that generally pays dividends at a specified rate and that has preference over common stock in the payment of dividends and the liquidation of assets. Preferred stock does not ordinarily carry voting rights. The price of a preferred stock is generally determined by earnings, type of products or services, projected growth rates, experience of management, liquidity, and general market conditions of the markets on which the stock trades. The most significant risks associated with investments in preferred stock include issuer risk, market risk and interest rate risk (i.e., the risk of losses attributable to changes in interest rates).

Quantitative Model Risk. The Fund may use quantitative methods to select investments. Securities or other investments selected using quantitative methods may perform differently from the market as a whole or from their expected performance for many reasons, including factors used in building the quantitative analytical framework, the weights placed on each factor, and changing sources of market returns, among others. Any errors or imperfections in the Fund portfolio manager's quantitative analyses or models, or in the data on which they are based, could adversely affect the portfolio manager's effective use of such analyses or models, which in turn could adversely affect the Fund's performance. It is not possible or practicable for a manager to factor all relevant, available data into quantitative model forecasts and/or trading decisions. Quantitative managers will use their discretion to determine what data to gather with respect to an investment strategy and what data the models will take into account to produce forecasts that may have an impact on ultimate trading decisions. Shareholders should be aware that there is no guarantee that a quantitative manager will use any specific data or type of data in making trading decisions on behalf of the Fund, nor is there any guarantee that the data actually utilized in generating forecasts or making trading decisions on behalf of the Fund will be the most accurate data available or free from errors. There can be no assurance that these methodologies will enable the Fund to achieve its objective.

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Columbia Management Investment Advisers, LLC is located at 225 Franklin Street, Boston, MA 02110 and serves as investment adviser to the Columbia Funds, which includes the Fund. Columbia Management is a registered investment adviser and a wholly-owned subsidiary of Ameriprise Financial. Columbia Management's management experience covers all major asset classes, including equity securities, fixed-income securities and money market instruments. In addition to serving as an investment adviser to traditional mutual funds, exchange-traded funds and another closed-end fund, Columbia Management acts as an investment adviser for itself, its affiliates, individuals, corporations, retirement plans, private investment companies and financial intermediaries.

Under an Investment Management Services Agreement between Columbia Management and the Fund (the Management Agreement), the Manager determines on behalf of the Fund which securities will be purchased, held or sold. The annual management fee rate charged by the Manager is 0.355% of the Fund's average daily net assets (which includes assets attributable to the Fund's Common Stock and Preferred Stock). The management fee for the year ended December 31, 2014 was 0.364% (expressed as a percentage of the Fund's average daily net assets attributable to Common Stock).

Under an Administrative Services Agreement between the Fund and Columbia Management, Columbia Management provides, or compensates others to provide, administrative services, including accounting, treasury and other services to the Fund for a fee at an annual rate equal to a percentage of the Fund's average daily net assets (which includes assets attributable to the Fund's Common Stock and Preferred Stock) as follows:

	Asset levels and breakpoints in applicable fees				
	500,000,001-	1,000,000,001-	3,000,000,001-	12,000,000,001	
	\$0-500,000,000	1,000,000,000	3,000,000,000	12,000,000,000	or more
Tri-Continental Corporation	0.060%	0.055%	0.050%	0.040%	0.030%

For the year ended December 31, 2014, administrative services were provided to the Fund by Columbia Management, for which the Fund paid to Columbia Management 0.06% (expressed as a percentage of the Fund's average daily net assets attributable to Common Stock).

The Management Agreement was originally entered into on November 7, 2008 and will continue in full force and effect and from year to year thereafter if such continuance is approved in the manner required by the 1940 Act (i.e., by a vote of a majority of the Board or of the outstanding voting securities of the Fund and by a vote of a majority of Fund's directors who are not parties to the Management Agreement or interested persons (as defined in the 1940 Act) of any such party). The Management Agreement may be terminated by either the Fund or Columbia Management at any time by giving the other party 60 days' written notice of such intention to terminate, provided that any termination shall be made without the payment of any penalty, and provided further that termination may be effected either by the Board or by a vote of the majority of the outstanding voting shares of the Fund. The Management Agreement will terminate automatically in the event of its assignment, as such term is defined in the 1940 Act.

Under the Management Agreement, the Fund also pays taxes, brokerage commissions and nonadvisory expenses, which include custodian fees and charges; fidelity bond premiums; certain legal fees; registration fees for shares, as necessary; consultants' fees; compensation of Board members, officers and employees not employed by the Manager or its affiliates; corporate filing fees; organizational expenses; expenses incurred in connection with lending securities; interest and fee expense related to the Fund's participation in inverse floater structures; and expenses properly payable by the Fund, approved by the Board.

A discussion regarding the basis for the Board's approval of the Management Agreement is available in the Fund's Semi-Annual Report for the period ending June 30, 2014.

Portfolio Managers. The portfolio managers responsible for the Fund's day-to-day management are:

Brian M. Condon, Co-Portfolio Manager

Managed the Fund since May 2010.

Joined the investment manager in May 2010 when it acquired the long-term asset management business of Columbia Management Group, where he worked as an investment professional since 1999.

Began investment career in 1993.

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BA from Bryant University and MS in finance from Bentley University.
Peter Albanese, Co-Portfolio Manager

Managed the Fund since August 2014.

Joined the investment manager in August 2014 as a Senior Portfolio Manager.

Previously, Mr. Albanese was employed by Robeco Investment Management from 2003 to 2013, where he was a managing director and senior portfolio manager.

Began investment career in 1991.

BS from Stony Brook University and an MBA from the Stern School of Business at New York University.

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Yan Jin, Co-Portfolio Manager

Managed the Fund since March 2012.

Joined the investment manager in 2010 when it acquired the long-term asset management business of Columbia Management Group, where he worked as an investment professional since 2002.

Began investment career in 1998.

MA in economics from North Carolina State University.

David L. King, Co-Portfolio Manager

Managed the Fund since April 2011.

Joined the investment manager in May 2010 when it acquired the long-term asset management business of Columbia Management Group, where he worked as an investment professional since March 2010.

Previously, Mr. King was employed by Putnam Investments from 1983 to 2008, where he was a senior portfolio manager.

Began his investment career in 1983.

BS from the University of New Hampshire and an MBA from Harvard Business School.

The SAI provides additional information about portfolio manager compensation, management of other accounts and ownership of shares in the Fund.

Administration Services. Columbia Management Investment Advisers, LLC serves as administrator to the Fund and is located at 225 Franklin Street, Boston, Massachusetts 02110. Columbia Management provides or compensates others to provide administrative services to the Fund and the other funds in the Columbia Family of Funds.

Board Services Corporation. The Fund has an agreement with Board Services Corporation (Board Services) located at 901 Marquette Avenue South, Suite 2810, Minneapolis, MN 55402. This agreement sets forth the terms of Board Services' responsibility to serve as an agent of the Columbia funds, which includes the Fund, for purposes of administering the payment of compensation to each independent Board member, to provide office space for use by the funds and their boards, and to provide any other services to the boards or the independent members, as may be reasonably requested.

Transfer, Stockholder Service and Dividend Paying Agent. Columbia Management Investment Services Corp. is the Fund's transfer, stockholder service and dividend paying agent. CMISC is located at 225 Franklin Street, Boston, Massachusetts 02110.

Independent Registered Public Accounting Firm. PricewaterhouseCoopers LLP is the Fund's independent registered public accounting firm. Their address is 225 South 6th Street, Minneapolis, MN 55402.

LEGAL PROCEEDINGS

Ameriprise Financial, the parent company of Columbia Management (the Fund's investment adviser), 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 Fund is 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 Fund or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Fund. Information regarding certain pending and settled legal proceedings may be found in the Fund's stockholder reports and in the SAI.

Additionally, 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.

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Description of Capital Stock

(a) **Dividend Rights:** Holders of Common Stock (Common Stockholders) are entitled to receive dividends only if and to the extent declared by the Fund's Board and only after (i) such provisions have been made for working capital and for reserves as the Board may deem advisable, (ii) full cumulative dividends at the rate of \$0.625 per share per quarterly dividend period have been paid on the Preferred Stock for all past quarterly periods and have been provided for the current quarterly period, and (iii) such provisions have been made for the purchase or for the redemption (at a price of \$55 per share) of the Preferred Stock as the Board may deem advisable. In any event, no dividend may be declared upon the Common Stock unless, at the time of such declaration, the net assets of the Fund, after deducting the amount of such dividend and the amount of all unpaid dividends declared on the Preferred Stock, shall be at least equal to \$100 per outstanding share of Preferred Stock. The equivalent figure was \$2,112.80 at February 28, 2015.

(b) **Voting Rights:** The 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. Notwithstanding any provision of law requiring any action to be taken or authorized by the affirmative vote of the holders of a designated portion of all the shares or of the shares of each class, such action shall be effective if taken or authorized by the affirmative vote of a majority of the aggregate number of the votes entitled to vote thereon, except that a class vote of Preferred Stockholders is also required to approve certain actions adversely affecting their rights. Any change in the Fund's fundamental policies may also be authorized by the vote of 67% of the votes present at a meeting if the holders of a majority of the aggregate number of votes entitled to vote are present or represented by proxy.

Consistent with the requirements of Maryland law, the Fund's charter provides that the affirmative vote of two-thirds of the aggregate number of votes entitled to be cast thereon shall be necessary to authorize any of the following actions: (i) the dissolution of the Fund; (ii) a merger or consolidation of the Fund (in which the Fund is not the surviving corporation) with (a) an open-end investment company or (b) a closed-end investment company, unless such closed-end investment company's articles of incorporation require a two-thirds or greater proportion of the votes entitled to be cast by such company's stock to approve the types of transactions covered by clauses (i) through (iv) of this paragraph; (iii) the sale of all or substantially all of the assets of the Fund to any person (as such term is defined in the 1940 Act); or (iv) any amendment of the charter of this Fund which makes any class of the Fund's stock a redeemable security (as such term is defined in the 1940 Act) or reduces the two-thirds vote required to authorize the actions listed in this paragraph. This could have the effect of delaying, deferring or preventing changes in control of the Fund.

(c) **Liquidation Rights:** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Fund, after payment to the holders of Preferred Stock (Preferred Stockholders) of an amount equal to \$50 per share plus dividends accrued or in arrears, the Common Stockholders are entitled, to the exclusion of the Preferred Stockholders, to share ratably in all the remaining assets of the Fund available for distribution to stockholders.

(d) **Other Provisions:** Common Stockholders do not have preemptive, subscription or conversion rights, and are not liable for further calls or assessments. The Fund's Board (other than any directors who may be elected to represent Preferred Stockholders as described above) are classified as nearly as possible into three equal classes with a maximum three-year term so that the term of one class of directors expires annually. Such classification provides continuity of experience and stability of the Board while providing for the election of a portion of the Board each year. Such classification could have the effect of delaying, deferring or preventing changes in control of the Fund.

The Board may classify or reclassify any unissued stock of any class with or without par value (including Preferred Stock and Common Stock) into one or more classes of preference stock on a parity with, but not having preference or priority over, the Preferred Stock by fixing or altering before the issuance thereof the designations, preferences, voting powers, restrictions and qualifications of, the fixed annual dividends on, the times and prices of redemption, the terms of conversion, the number and/or par value of the shares and other provisions of such stock to the full extent permitted by the laws of Maryland and the Fund's charter. Stockholder approval of such action is not required.

Description of Warrants

The Fund has issued and outstanding warrants (the Warrants). The Fund's charter and Warrant certificates provide that each Warrant represents the right during an unlimited time to purchase one share of Common Stock at a price of \$22.50 per share, subject to increase in the number of shares purchasable and adjustment of the price payable pursuant to provisions of the charter requiring such adjustments whenever the Fund issues any shares of Common Stock at a price less than the Warrant purchase price in effect immediately prior to issue. Each Warrant presently entitles the holder to purchase 24.19 shares of Common Stock at

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\$0.93 per share. There were 8,148 Warrants outstanding at February 28, 2015. Fractional shares of Common Stock are not issued upon the exercise of Warrants. In lieu thereof, the Fund issues scrip certificates representing corresponding fractions of the right to receive a full share of Common Stock if exchanged by the end of the second calendar year following issuance or of the proceeds of the sale of a full share if surrendered during the next four years thereafter.

Computation of Net Asset Value

Net asset value of the Common Stock is determined daily, Monday through Friday, as of the close of regular trading on the New York Stock Exchange (normally, 4:00 p.m. Eastern time) each day the New York Stock Exchange is open for trading.

Net asset value per share of Common Stock is determined by dividing the current value of the assets of the Fund less its liabilities and the prior claim of the Preferred Stock by the total number of shares of Common Stock outstanding.

The Fund's securities are valued as follows as of the close of business of the New York Stock Exchange. Securities traded on a securities exchange for which a last-quoted sales price is readily available are valued at the last-quoted sales price on the exchange where such security is primarily traded. Securities traded on a securities exchange for which a last-quoted sales price is not readily available are valued at the mean of the closing bid and asked prices, looking first to the bid and asked prices on the exchange where the security is primarily traded and, if none exist, to the over-the-counter market. Securities included in the NASDAQ National Market System are valued at the last-quoted sales price in this market. Securities included in the NASDAQ National Market System for which a last-quoted sales price is not readily available, and other securities traded over-the-counter but not included in the NASDAQ National Market System are valued at the mean of the closing bid and asked prices. Futures and options traded on major exchanges are valued at the last-quoted sales price on their primary exchange. Foreign securities traded outside the United States are generally valued as of the time their trading is complete, which is usually different from the close of the Exchange. Foreign securities quoted in foreign currencies are translated into U.S. dollars utilizing spot exchange rates at the close of regular trading on the Exchange. Occasionally, events affecting the value of securities occur between the time the primary market on which the securities are traded closes and the close of the Exchange. If events materially affect the value of securities, the securities will be valued at their fair value according to procedures decided upon in good faith by the Board. This occurs most commonly with foreign securities, but may occur in other cases. The fair value of a security is likely to be different from the quoted or published price. Short-term securities maturing more than 60 days from the valuation date are valued at the readily available market price or approximate market value based on current interest rates. Typically, short-term securities maturing in 60 days or less that originally had maturities of more than 60 days at acquisition date are valued at amortized cost using the market value on the 61st day before maturity. Short-term securities maturing in 60 days or less at acquisition date are valued at amortized cost. Amortized cost is an approximation of market value determined by systematically increasing the carrying value of a security if acquired at a discount, or reducing the carrying value if acquired at a premium, so that the carrying value is equal to maturity value on the maturity date. Securities without a readily available market price and securities for which the price quotations or valuations received from other sources are deemed unreliable or not reflective of market value are valued at fair value as determined in good faith by the Board. The Board is responsible for selecting methods it believes provide fair value. When possible, bonds are valued at an evaluated bid by a pricing service independent from the Fund. If a valuation of a bond is not available from a pricing service, the bond will be valued by a dealer knowledgeable about the bond if such a dealer is available.

Dividend Policy and Taxes

Distributions: Dividends are paid quarterly on the Preferred Stock and on the Common Stock in amounts representing substantially all of the net investment income earned each year by the Fund. Payments on the Preferred Stock are in a fixed amount, but payments on the Common Stock vary in amount, depending on investment income received and expenses of operation. In addition, substantially all of any taxable net gain realized on investments is paid to Common Stockholders at least annually.

For stockholder accounts established after June 1, 2007 directly with the Fund (which are serviced by the Service Agent), unless the Service Agent is otherwise instructed by you, distributions on the Common Stock are paid in book shares of Common Stock which are entered in your Fund account as book credits. You 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 Service Agent by the record date for a distribution. If you hold your shares of Common Stock through a financial intermediary (such as a broker), you should contact the financial intermediary to discuss your reinvestment and distribution options, as they may be different than as described above for accounts held directly with the Fund. A distribution is treated in the same manner for income tax purposes whether you receive it in cash or partly or entirely in shares. Elections received after a record date for a distribution will be effective in respect of the next distribution. Shares issued to you in respect of distributions will be at a price equal to the lower of: (i) the closing sale or bid price, plus applicable commission, of the Common Stock on the New York Stock Exchange on the ex-dividend date or (ii) the greater of net asset value per share of the Common Stock and 95% of the closing price of the Common

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Stock on the New York Stock Exchange on the ex-dividend date (without adjustment for the exercise of Warrants remaining outstanding). 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. Distributions received by you will have the effect of reducing the net asset value of the shares of the Fund by the amount of such distributions. If the net asset value of shares is reduced below your cost by a distribution, the distribution will be taxable as described below even though it is in effect a return of capital.

Distributions described above are subject to applicable law and the Board's right to suspend, modify or terminate the distribution policy described below in the event the Board determines that such action would be in the best interests of the Fund. In addition, distributions will be made only when, as and if approved and declared and after paying dividends on the Preferred Stock and interest and required principal payments on borrowings, if any.

Pursuant to the Fund's earned distribution policy, the Fund, subject to appropriate approval, intends to make quarterly distributions to Common Stockholders 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 dividend of the calendar year. Dividends and other distributions to Stockholders are recorded on ex-dividend dates.

Taxes: The Fund intends to continue to qualify and elect to be treated as a regulated investment company under the Internal Revenue Code. As a regulated investment company, the Fund will generally not be subject to federal income taxes on its investment company taxable income and net capital gains realized during the year, if any, which it distributes to stockholders, provided that at least 90% of its investment company taxable income (which includes net short-term capital gains) is distributed to stockholders each year, among other requirements.

Qualification as a registered investment company does not, of course, involve governmental supervision of management or investment practices or policies. Investors should consult their own advisors for a complete understanding of the requirements the Fund must meet to qualify for such treatment. The information set forth below relates solely to certain U.S. Federal tax matters applicable to the Fund and its U.S. stockholders, and assumes that the Fund qualifies as a regulated investment company.

If for any year the Fund does not qualify as a regulated investment company, all of its taxable income (including its net capital gain) will be subject to tax at regular corporate rates without any deduction for distributions to stockholders. Such distributions will generally be taxable to the stockholders as qualified dividend income and generally will be eligible for the dividends received deduction in the case of corporate stockholders.

Dividends on Common Stock from the Fund's ordinary income and net short-term capital gains are taxable to stockholders as ordinary income, whether received in cash or invested in additional shares. Dividends on Common Stock that the Fund reports as qualified dividend income will be taxed at a reduced rate to individuals (0%, 15%, or 20%). Qualified dividend income is, in general, dividend income from taxable domestic corporations and certain foreign corporations (generally foreign corporations incorporated in a possession of the United States or eligible for the benefits of a comprehensive tax treaty with the United States that meets certain requirements, or if the stock with respect to which such dividend is paid is readily tradable on an established securities market in the United States). The amount of dividends that may be designated as "qualified dividend income" by the Fund will generally be limited to the aggregate of the eligible dividends received by the Fund. In addition, the Fund must meet certain holding period requirements with respect to the shares on which the Fund received the eligible dividends, and the non-corporate U.S. stockholder must meet certain holding period requirements with respect to the Fund's shares.

Distributions of net capital gains (i.e., the excess of net long-term capital gains over any net short-term capital losses) are taxable to stockholders as long-term capital gains, whether received in cash or invested in additional shares, regardless of how long you have held your shares. Individual stockholders will be subject to federal income tax on distributions report by the Fund as capital gains dividends at preferential rates (0%, 15%, or 20%). Net capital gain of a corporate shareholder is taxed at the same rate as ordinary income.

At December 31, 2014, the Fund had a capital loss carryforward for federal income purposes of \$285,296,096, of which \$285,296,096 expires in 2017. Provided no limitation on its utilization applies, such capital loss carryforward is available for offset against future taxable net gains.

Accordingly, no capital gain distributions are expected to be paid to stockholders until net capital gains have been realized in excess of the available capital loss carryforward. There is no assurance that the Fund will be able to utilize all of its capital loss carryforward before it expires.

Dividends declared in October, November or December of a calendar year, payable to stockholders of record on a specified date in such a month and paid in the following January will be treated as having been paid by the Fund and received by each stockholder on December 31 of such calendar year. Under this rule, therefore, stockholders may be taxed in one year on dividends actually received (or reinvested) in January of the following year.

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Distributions of Common Stock will generally be treated as if the stockholder received cash in amount equal to the cash that could have been received instead of such Common Stock. A stockholder will have a tax basis in the distributed shares of Common Stock equal to such amount and a stockholder's holding period with respect to such Common Stock will begin the day following the distribution date for the Common Stock.

Any gain or loss you realize upon a sale of Common Stock (provided you are not a dealer in securities and hold the Common Stock as a capital asset) will generally be treated as a long-term capital gain or loss if you held your shares for more than one year and as a short-term capital gain or loss if you held your shares for one year or less. Long-term capital gain of a non-corporate U.S. stockholder is generally taxed at preferential rates (0%, 15%, or 20%). Net capital gain of a corporate stockholder is taxed at the same rate as ordinary income. However, if shares on which a capital gain distribution has been received are subsequently sold and such shares have been held for six months or less (after taking into account certain transactions that may affect the holding period of the shares), any loss realized will be treated as long-term capital loss to the extent of the long-term capital gain distribution. No loss will be allowed on the sale or other disposition of shares of Common Stock if, within a period beginning 30 days before the date of such sale or disposition and ending 30 days after such date, you acquire (such as through the Automatic Dividend Investment and Cash Purchase Plan), or enter into a contract or option to acquire, additional shares of the Fund or securities that are substantially identical to the Common Stock.

The repurchase of shares of Common Stock by the Fund generally will be a taxable transaction for federal income tax purposes, either as a sale as described above or, under certain circumstances, as a dividend. A repurchase of shares of Common Stock generally will be treated as a sale if the receipt of cash by the stockholder results in a complete redemption of the stockholder's interest in the Fund or is substantially disproportionate or not essentially equivalent to a dividend with respect to the stockholder. In determining whether any of these tests have been met, shares actually owned and shares considered to be owned by the stockholder by reason of certain constructive ownership rules generally must be taken into account.

If none of the tests for sale treatment is met, the amount received by a stockholder on a repurchase of shares of Common Stock will be taxable to the stockholder as a dividend to the extent of such stockholder's allocable share of the Fund's current and accumulated earnings and profits. The excess of such amount received over the portion that is taxable as a dividend would constitute a nontaxable return of capital (to the extent of the stockholder's adjusted tax basis in the shares of Common Stock repurchased), and any amount in excess of the stockholder's adjusted tax basis would constitute taxable gain. Any remaining tax basis in the shares of Common Stock repurchased by the Fund will be transferred to any remaining shares of Common Stock held by such stockholder.

Certain high-income individuals (as well as estates and trusts) are subject to a 3.8% tax on net investment income. For individuals, the 3.8% tax applies to the lesser of (1) the amount (if any) by which the taxpayer's modified adjusted gross income exceeds certain threshold amounts or (2) the taxpayer's net investment income. Net investment income generally includes for this purpose dividends, including any capital gain dividends, paid by the Fund, and net capital gains recognized on the sale or disposition of Common Stock.

The Fund is required by federal law to withhold tax at the rate of 28% of taxable distributions and repurchase proceeds paid to you (including amounts paid to you in additional shares of Common Stock) if: you have not provided a correct taxpayer identification number (TIN) or have not certified to the Fund that withholding does not apply; the Internal Revenue Service (IRS) has notified the Fund that the TIN provided is incorrect according to its records; or the IRS informs the Fund that you are otherwise subject to backup withholding. Any amounts withheld may be refunded or credited against your U.S. federal income tax liability, if any, provided the required information is furnished to the IRS on a timely basis.

The Fund is subject to a 4% nondeductible excise tax on amounts required to be paid but not distributed under a prescribed formula. The formula requires payment to stockholders during a calendar year of distributions representing at least 98% of the Fund's ordinary income for the calendar year, at least 98.2% of its net capital gain income realized during the one-year period ending on October 31 during such year, and all ordinary income and net capital gain income for prior years that was not previously distributed. The Fund intends to make sufficient distributions or deemed distributions of its ordinary income and net capital gain income prior to the end of each calendar year to avoid liability for the excise tax, but there is no assurance that the Fund will be able to do so.

The information provided above is only a summary of certain U.S. federal tax matters that may affect your investment in Common Stock. It is not intended as a substitute for careful tax planning. Your investment in Common Stock may have other tax implications. The information above does not apply to certain types of investors who may be subject to special rules, including foreign or tax-exempt investors or those holding Common Stock through a tax-advantaged account, such as a 401(k) plan or IRA. You should consult with your own tax advisor about the particular tax consequences to you of an investment in Common Stock, including the effect of any foreign, state and local taxes, and the effect of possible changes in applicable tax laws.

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Investment Plans and Other Services

AUTOMATIC DIVIDEND INVESTMENT AND CASH PURCHASE PLAN

The Automatic Dividend Investment and Cash Purchase Plan is available for any Common Stockholder who wishes to purchase additional shares of the Fund's Common Stock with dividends or other cash payments on shares owned, with cash dividends paid by other corporations in which stock is owned or with cash funds. The tax treatment of dividends and capital gain distributions is the same whether you take them in cash or reinvest them to buy additional shares of the Fund's Common Stock. Details of the services offered under the Plan are given in the Authorization Form for Automatic Dividend Investment and Cash Purchase Plan available at columbiathreadneedle.com/us. Under the Plan, you appoint the Fund as your purchase agent to receive or invest such dividends and cash funds forwarded by you for your accounts in additional shares of the Fund's Common Stock (after deducting a service charge), as described under Method of Purchase below. Purchase orders received in connection with the Automatic Dividend and Cash Purchase Plan are generally priced one time per week, typically each Wednesday, subject to the potential for the suspension of such purchases as described below under Method of Purchase. Funds forwarded by you under the Plan should be made payable to Tri-Continental Corporation and mailed (if regular mail) to Tri-Continental Corporation, P.O. Box 8099, Boston, MA 02266-8099, and (if express mail) to Tri-Continental Corporation, c/o Boston Financial Data Services, Inc., 30 Dan Road, Suite 8099 Canton, MA 02021-2809. Checks for investment must be in U.S. dollars drawn on a domestic bank. You will be assessed a \$15 fee for any checks rejected by your financial institution due to insufficient funds or other reasons. The Fund does not accept cash, credit card convenience checks, money orders, traveler's checks, starter checks, third or fourth party checks, or other cash equivalents. You should direct all correspondence concerning the Plan to Tri-Continental Corporation, P.O. Box 8099, Boston, MA 02266-8099. At present, stockholders participating in the Fund's Cash Purchase Plan will pay a service fee of \$2.00 for each cash purchase transaction. There is no charge for Automatic Dividend Investment Plan. As of February 28, 2015, 13,371 stockholders, owning approximately 20,209,383 shares of Common Stock, were using the Plan. You may choose one or more of the services under the Plan and you may change your choices (or terminate participation) at any time by notifying CMISC in writing. The Plan may be amended or terminated by written notice to Planholders.

AUTOMATED CLEARING HOUSE SERVICE

The Automated Clearing House Service (ACH) enables you, if you are an Automatic Dividend Investment and Cash Purchase Planholder, to establish the ACH privilege that allows you to transfer money directly from your bank account by electronic funds transfer to be invested in additional shares of Common Stock for your account. ACH is a payment transfer system that connects US financial institutions. The ACH network acts as a central clearing facility for all electronic fund transfers transactions that occur nationwide. Important: Payments sent by electronic funds transfer, a bank authorization, or check that are not guaranteed may take up to 10 days or more to clear. If you request to sell shares before the purchase funds clear, this may cause your request to sell shares to fail to process if the requested amount includes unguaranteed funds. If you purchased your shares by check or from your bank account as an ACH transaction, the Fund may hold the proceeds of the sale when you sell those shares for a period of time after the receipt date of the funds.

SHARE KEEPING SERVICE

You may send certificates for shares of the Fund's Common Stock to Tri-Continental Corporation to be placed in your account. Certificates should be sent to Tri-Continental Corporation, P.O. Box 8099, Boston, MA 02266-8099, in each case with a letter requesting that they be placed in your account. You should not sign the certificates and they should be sent by certified or registered mail. Return receipt is advisable; however, this may increase mailing time. When your certificates are received by the Service Agent, the shares will be entered in your Fund account as book credits and shown on the account statement received from the Service Agent. If you use the Share Keeping Service, you should keep in mind that you may need a stock certificate for delivery to a broker if you wish to sell shares. A certificate will be issued and sent to you on your written or telephone request to the Service Agent, usually within two business days of the receipt of your request. You should consider the time it takes for a letter to arrive at the Service Agent and for a certificate to be delivered to you by mail before you choose to use this service. During such time the market price of the Common Stock may fluctuate.

TAX-DEFERRED RETIREMENT PLANS

Shares of the Fund may be purchased for:

Individual Retirement Accounts (IRAs) (available to current stockholders only);

Savings Incentive Match Plans for Employees (SIMPLE IRAs);

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Simplified Employee Pension Plans (SEPs).

These types of plans may be established only upon receipt of a written application form. The Fund may register an IRA investment for which an account application has not been received as an ordinary taxable account.

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For more information, write Tri-Continental Corporation, P.O. Box 8099, Boston, MA 02266-8099. You may also telephone toll free by dialing (800) 345-6611 option 3 in the United States, (except holidays) between the hours of 9:00 a.m. and 6:00 p.m. Eastern time.

METHOD OF PURCHASE

Purchases will be made by the Fund from time to time on the New York Stock Exchange or elsewhere to satisfy cash purchase investments under the Automatic Dividend Investment and Cash Purchase Plan, tax-deferred retirement plans, and the investment plans noted above. Purchases will be suspended on any day when the closing price (or closing bid price if there were no sales) of the Common Stock on the New York Stock Exchange on the preceding trading day was higher than the net asset value per share (without adjustment for the exercise of Warrants remaining outstanding). If on the date shares are issuable to stockholders making Cash Purchase investments under the Plan (the Issuance Date), shares previously purchased by the Fund are insufficient to satisfy Cash Purchase investments and on the last trading day immediately preceding the Issuance Date the closing sale or bid price of the Common Stock is lower than or the same as the net asset value per share, the Fund will continue to purchase shares until a number of shares sufficient to cover all investments by stockholders has been purchased or the closing sale or bid price of the Common Stock becomes higher than the net asset value, in which case the Fund will issue the necessary additional shares. If on the last trading date immediately preceding the Issuance Date, the closing sale or bid price of the Common Stock was higher than the net asset value per share, and if shares of the Common Stock previously purchased on the New York Stock Exchange or elsewhere are insufficient to satisfy Cash Purchase investments, the Fund will issue the necessary additional shares from authorized but unissued shares of the Common Stock.

Shares will be issued on the dividend payable date or the Issuance Date at a price equal to the lower of (1) the closing sale or bid price, plus applicable commission, of the Common Stock on the New York Stock Exchange on the ex-dividend date or Issuance Date or (2) the greater of the net asset value per share of the Common Stock on such trading day (without adjustment for the exercise of Warrants remaining outstanding) and 95% of the closing sale or bid price of the Common Stock on the New York Stock Exchange on such trading day. 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. The Common Stock has historically been priced in the market at less than its net asset value per share (i.e. at a discount).

The net proceeds to the Fund from the sale of any shares of Common Stock to the Plans will be added to its general funds and will be available for investment. The Manager anticipates that investment of any proceeds, in accordance with the Fund's investment objective and policies, will take up to thirty days from their receipt by the Fund, depending on market conditions and the availability of appropriate securities, but in no event will such investment take longer than six months. Pending such investment in accordance with the Fund's objective and policies, the proceeds will be held in U.S. Government Securities (which term includes obligations of the United States Government, its agencies or instrumentalities) and other short-term money market instruments as well as affiliated money market funds.

If you are participating in the Automatic Dividend Investment and Cash Purchase Plan and your shares are held under the Plan in book credit form, you may terminate your participation in the Plan and receive a certificate for all or a part of your shares or have all or a part of your shares sold for you by the Fund and retain unsold shares in book credit form or receive a certificate for any shares not sold. Instructions must be signed by all registered stockholders and should be sent to Tri-Continental Corporation, P.O. Box 8099, Boston, MA 02266-8099. If you elect to have shares sold, you will receive the proceeds from the sale. Only participants whose shares are held in book credit form may elect upon termination of their participation in the Plan to have shares sold in the above manner. This will not affect the date on which your instruction to sell shares is actually processed.

HOW TO SELL SHARES

Accounts Held at a Broker-Dealer. If you hold shares through a broker-dealer and you wish to sell these shares, you must do so through such broker-dealer. If you have outstanding stock certificates, you must send your stock certificates to your broker-dealer in order to sell these shares. Please contact your broker-dealer directly for details on how to sell your shares.

Accounts Held Directly with the Fund. If your account is held directly with the Fund (direct accounts), you may sell your shares through the Service Agent. Orders to sell direct account shares may be placed with the Service Agent via mail or telephone, each as described below. Note that direct account sell orders received in good form (as described below) by and processed through the Service Agent are generally priced one time per week, typically each Wednesday. As such, for example, a sell order received in good form on a Thursday will not be processed (and your shares not sold) until the following Wednesday, provided that the New York Stock Exchange is open for business on such day. If you have outstanding stock certificates, you must send your stock certificates to the Service Agent (this is one of the requirements for your sell order to be considered received in good form). We recommend using registered mail when returning outstanding certificates for 2% of the current market value of the shares. The recommended insurance amount is based on the premium for a lost certificate bond in the event the certificate is lost in transit.

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A sell order is in good form if the Service Agent has all of the information and documentation it deems necessary to effect your order. Certain sell orders processed through the Service Agent must be submitted in writing via letter of instructions signed by all

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registered stockholders with Medallion Signature Guarantee and any other required documents completed and attached. Please refer to Medallion Signature Guarantees for those circumstances when the request must be in writing. For the documents required for sell orders by corporations, agents, fiduciaries, surviving joint owners and other legal entities, call 800.345.6611. Written instructions to sell your direct account shares and any stock certificates should be sent to Tri-Continental Corporation, P. O. Box 8099, Boston, MA 02266-8099 or, for overnight delivery, to Tri-Continental Corporation, c/o Boston Financial Data Services, Inc. 30 Dan Road, Suite 8099, Canton, MA 02021-2809.

For direct account sell orders not required to be submitted in writing, you may call the Service Agent at (800) 345-6611, option 3 and speak to a stockholder service representative about selling your shares. Telephone orders may not be as secure as written orders. The Fund and its Service Agent will take reasonable steps to confirm that telephone instructions are genuine. For example, the Service Agent requires proof of your identification before acting on instructions received by telephone and may record telephone conversations. However, the Fund and its agents will not be responsible for any losses, costs or expenses resulting from an unauthorized telephone instruction when reasonable steps have been taken to confirm that telephone instructions are genuine. Telephone orders may be difficult to complete during periods of significant economic or market change or business interruption.

Proceeds from the sale of shares from your account in the Fund's Common Stock may be sent to you by electronic funds transfer or by check to the address of record subject to certain limitations. See Limitations on Purchases and Sales under the Plans section above. Proceeds may be sent to your bank account by Federal Fund Wire (Fedwire) or via Automated Clearing House (ACH). If you wish to have your proceeds sent via Fedwire or ACH you must set up this feature prior to your request unless you are submitting your request in writing with a Medallion Signature Guarantee. The minimum amount that may be sent by Fedwire is \$500. The Service Agent charges a fee for proceeds sent by Fedwire and may waive the fee for certain accounts. The receiving bank may charge an additional fee.

MEDALLION SIGNATURE GUARANTEE

The signatures of all stockholders must be guaranteed by an eligible guarantor institution including, but not limited to, the following: banks, credit unions, savings associations, brokers or dealers, provided that the institution participates in the Securities Transfer Association Medallion Program (STAMP), the Stock Exchange Medallion Program (SEMP) or the New York Stock Exchange Medallion Signature Program (MSP). A Medallion Signature Guarantee helps assure that a signature is genuine and not a forgery. The institution providing the Medallion Signature Guarantee is financially liable for the transaction if the signature is a forgery. Notarization by a notary public is not an acceptable signature guarantee. The Fund reserves the right to reject a signature guarantee in accordance with its standards and procedures.

A Medallion Signature Guarantee is required if:

1. Amount is over \$100,000.
2. You want your check made payable to someone other than yourself.
3. Your address has changed within the last 30 days.
4. You want the check mailed to an address other than the address of record.
5. You want proceeds to be sent according to existing bank instructions not coded for outgoing ACH or wire, or to a bank account not on file.
6. You are the beneficiary of the account and the stockholder is deceased.*
7. You are changing legal ownership of your account (i.e., you are changing who is/are the legal owner(s) of your account).

* Other documentation may also be required. Please contact a representative.

CMISC reserves the right to require a Medallion Signature Guarantee and additional documentation in circumstances not listed above.

SYSTEMATIC WITHDRAWAL PLAN

This Plan is available if you wish to receive fixed payments from your investment in the Fund's Common Stock in any amount at specified regular intervals. You may start a Systematic Withdrawal Plan if your shares of the Fund's Common Stock have a market value of \$5,000 or

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more. Shares must be held in your account as book credits. The Service Agent will act for you, make payments to you in specified amounts on either the 1st or 15th day of each month, as designated by you, and maintain your account.

Payments under the Systematic Withdrawal Plan will be made by selling exactly enough full and fractional shares of Common Stock to cover the amount of the designated withdrawal. Sales may be made on the New York Stock Exchange, to the agent or a trustee for one of the other Plans, or elsewhere. Payments from sales of shares will reduce the amount of capital at work and dividend earning ability, and ultimately may liquidate the investment. You can cancel the plan by giving the Fund 30 days notice in writing or by calling the Service Agent at (800) 345-6611, option 3. Sales of shares under this plan may result in gain or loss to you for income tax purposes. Withdrawals under this Plan or any similar withdrawal plan of any other investment company, concurrent with purchases of shares of the Common Stock or of shares of any other investment company, will ordinarily be disadvantageous to the Planholder because of the payment of duplicative commissions.

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LIMITATIONS ON PURCHASES AND SALES UNDER PLANS

Purchases and sales of shares of the Fund's Common Stock through the foregoing plans (other than retirement plans) are limited to a total of 12,500 shares transacted per calendar quarter, subject to a maximum 40,000 shares per calendar year, per account (including any related accounts, e.g., those under the same social security number or tax identification number or otherwise under common control).

Additionally, the Fund's stock repurchase program allows the Fund to repurchase up to 5% of the Fund's outstanding Common Stock during the year directly from Stockholders and in the open market, provided that, with respect to shares purchased in the open market, the discount is greater than 10%. See Prospectus Summary for more information.

STOCKHOLDER INFORMATION

The Service Agent maintains books and records for all of the Plans, and confirms transactions to stockholders. To insure prompt delivery of checks, account statements and other information, you should notify the Service Agent immediately, in writing or over the phone, of any address changes. If you close your account, it is important that you notify the Service Agent of any subsequent address changes to ensure that you receive a year-end statement and tax information for that year. You will be sent reports quarterly regarding the Fund.

For information about your account held directly with the Fund you can write to Tri-Continental Corporation, P. O. Box 8099, Boston, MA 02266-8099 or the Service Agent may be telephoned Monday through Friday at (800) 345-6611, option 3 (within the United States) (except holidays) between the hours of 9:00 a.m. and 6:00 p.m. Eastern time. Your call will be answered by a service representative.

24-hour automated telephone access is available by dialing (800) 345-6611 (within the United States) on a touchtone telephone, which provides instant access to price, account balance, most recent transaction and other information. In addition, you may request Account Statements and Form 1099-DIV.

Issuance of Shares in Connection with Acquisitions

The Fund may issue shares of its Common Stock in exchange for the assets of another investment company in transactions in which the number of shares of Common Stock of the Fund to be delivered will be generally determined by dividing the current value of the seller's assets by the current per share net asset value or market price on the New York Stock Exchange of the Common Stock of the Fund, or by an intermediate amount. In such acquisitions, the number of shares of the Fund's Common Stock to be issued will not be determined on the basis of the market price of such Common Stock if such price is lower than its net asset value per share, except pursuant to an appropriate order of the Securities and Exchange Commission or approval by stockholders of the Fund, as required by law.

Some or all of the stock so issued may be sold from time to time by the recipients or their stockholders through brokers in ordinary transactions on stock exchanges at current market prices. The Fund has been advised that such sellers may be deemed to be underwriters as that term is defined in the 1933 Act.

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Additional information about the Fund and its investments is available in the Fund's SAI, and annual and semiannual reports to stockholders. In the Fund's annual report, you will find a discussion of the market conditions and investment strategies that significantly affected the Fund's performance during its last fiscal year. The SAI is incorporated by reference in this prospectus. For a free copy of the SAI, the annual report or the semiannual report, contact the Fund directly or your financial intermediary. To make a stockholder inquiry, contact the financial intermediary through whom you purchased the Fund's securities.

Tri-Continental Corporation

P.O. Box 8099

Boston, MA 02266-8099

Information is also available at columbiathreadneedle.com/us

Information about the Fund, including the SAI, can be viewed at the Securities and Exchange Commission's (Commission) Public Reference Room in Washington, D.C. (for information about the public reference room call 1-202-551-8090). Reports and other information about the Fund are available on the EDGAR Database on the Commission's Internet site at www.sec.gov. Copies of this information may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: publicinfo@sec.gov, or by writing to the Commission's Public Reference Section, Washington, D.C. 20549-1520.

Investment Company Act File #811-00266

TICKER SYMBOL: TY

PRO240_12_E01_(05/15)

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STATEMENT OF ADDITIONAL INFORMATION

May 1, 2015

Tri-Continental Corporation

(the "Fund")

225 Franklin Street

Boston, MA 02110

Toll-Free Telephone: (800) 345-6611, option 3

Unless the context indicates otherwise, references herein to "each Fund", "the Funds", "a Fund" or "Funds" refers to the Fund listed above.

This Statement of Additional Information (SAI) is not a prospectus, is not a substitute for reading any prospectus and is intended to be read in conjunction with the Fund's current prospectus dated the same date as this SAI. The most recent annual report for the Fund, which includes the Fund's audited financial statements for the period ended December 31, 2014, is incorporated by reference into this SAI.

Copies of the Fund's current prospectus and annual and semiannual reports may be obtained without charge by writing or calling the Fund at the Fund's stockholder servicing agent, Columbia Management Investment Services Corp. ("CMISC" or the "Service Agent") at P.O. Box 8099, Boston, Massachusetts 02266-8099 or at the telephone number above. The SAI, as well as the Fund's most recent Annual and Semiannual Reports are also available at www.columbiathreadneedle.com/us.

A registration statement relating to these securities has been filed with the Securities and Exchange Commission ("SEC").

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SAI PRIMER

The SAI is a part of the Fund's registration statement that is filed with the SEC. The registration statement includes the Fund's prospectus, the SAI and certain exhibits. The SAI, and any supplements to it, can be found online at www.columbiathreadneedle.com/us or by accessing the SEC's website at www.sec.gov.

For purposes of any electronic version of this SAI, all references to websites, or universal resource locators (URLs), are intended to be inactive and are not meant to incorporate the contents of any such website or URL into this SAI. The SAI generally provides additional information about the Fund that is not required to be in the Fund's prospectus. The SAI expands discussions of certain matters described in the Fund's prospectus and provides certain additional information about the Fund that may be of interest to some investors. Among other things, the SAI provides information about:

the Fund's investments;

the Fund's investment adviser, investment subadviser(s) (if any) and other service providers, including roles and relationships of Ameriprise Financial and its affiliates, and conflicts of interest;

the governance of the Fund;

the Fund's brokerage practices; and

the application of U.S. federal income tax laws.

Investors may find this information important and helpful. If you have any questions about the Fund, please call Columbia Funds at 800.345.6611, option 3 or contact your financial advisor.

Before reading the SAI, you should consult the Glossary below, which defines certain of the terms used in the SAI.

Glossary

1933 Act	Securities Act of 1933, as amended
1934 Act	Securities Exchange Act of 1934, as amended
1940 Act	Investment Company Act of 1940, as amended
Administrative Services Agreement	The Administrative Services Agreement, as amended, if applicable, on behalf of the Fund, and the Administrator
Administrator	Columbia Management Investment Advisers, LLC
Ameriprise Financial	Ameriprise Financial, Inc.
Board	The Board of Directors
Board Services	Board Services Corporation
Business Day	Any day on which the NYSE is open for business
CEA	Commodity Exchange Act
CFTC	The United States Commodities Futures Trading Commission
CMOs	Collateralized mortgage obligations
Code	Internal Revenue Code of 1986, as amended
Codes of Ethics	The codes of ethics adopted by the Fund, the Investment Manager, the Distributor and/or any sub-adviser, as applicable, pursuant to Rule 17j-1 under the 1940 Act
Columbia Funds Complex	The fund complex that is comprised of the registered investment companies advised by the Investment Manager or its affiliates
Columbia Funds or Columbia Fund Family	The open-end and closed-end investment management companies, including the Fund, advised by the Investment Manager or its affiliates or principally underwritten by Columbia Management Investment Distributors, Inc. (the Distributor)
Columbia Management Custodian	Columbia Management Investment Advisers, LLC
Director(s)	JPMorgan Chase Bank, N.A.
FDIC	One or more of the Board's Directors
FHLMC	Federal Deposit Insurance Corporation
Statement of Additional Information – May 1, 2015 2	The Federal Home Loan Mortgage Corporation

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Fitch	Fitch, Inc.
FNMA	Federal National Mortgage Association
GNMA	Government National Mortgage Association
Independent Directors	The Directors of the Board who are not “interested persons” (as defined in the 1940 Act) of the Fund
Interested Directors	The Directors of the Board who are currently treated as “interested persons” (as defined in the 1940 Act) of the Fund
Investment Management Services Agreement	The Investment Management Services Agreement, as amended, on behalf of the Fund, and the Investment Manager
Investment Manager	Columbia Management Investment Advisers, LLC
IRS	United States Internal Revenue Service
JPMorgan	JPMorgan Chase Bank, N.A., the Fund's custodian
LIBOR	London Interbank Offered Rate
Moody’s	Moody’s Investors Service, Inc.
NRSRO	Nationally recognized statistical ratings organization (such as, for example, Moody’s, Fitch or S&P)
NYSE	New York Stock Exchange
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
S&P	Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“Standard & Poor’s” and “S&P” are trademarks of The McGraw-Hill Companies, Inc. and have been licensed for use by the Investment Manager. The Columbia Funds are not sponsored, endorsed, sold or promoted by Standard & Poor’s and Standard & Poor’s makes no representation regarding the advisability of investing in the Columbia Funds)
SAI	This Statement of Additional Information, as amended and supplemented from time-to-time
SEC	United States Securities and Exchange Commission
Service Agent	Columbia Management Investment Services Corp.
Shares	Shares of the Fund
Stockholder Service Agent Agreement	The Stockholder Service Agent Agreement, as amended, on behalf of the Fund, and the Service Agent

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ABOUT THE FUND

The Fund is a closed-end management investment company registered under the 1940 Act and located at 225 Franklin Street, Boston, Massachusetts 02110.

The Fund was organized as a Maryland corporation in 1929 by the consolidation of two predecessor corporations. The Fund’s Common Stock is listed primarily on the New York Stock Exchange under the symbol “TY.”

Fund Fiscal Year End Prospectus Date Diversified*

Tri-Continental Corporation	December 31	5/1/2015	Yes
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A “diversified” Fund may not, with respect to 75% of its total assets, invest more than 5% of its total assets in securities of any one issuer or purchase more than 10% of the outstanding voting securities of any one issuer, except obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and except securities of other investment companies. A “non-diversified” Fund may invest a greater percentage of its total assets in the securities of fewer issuers than a “diversified” fund, which increases the risk that a change in the value of any one investment held by the Fund could affect the overall value of the Fund more than it would affect that of a “diversified” fund holding a greater number of investments. Accordingly, a “non-diversified” Fund’s value will likely be more volatile than the value of a more diversified fund. The Fund does not consider futures or swaps central counterparties where the Fund has exposure to such central counterparties in the course of making investments in futures and securities, to be issuers.

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ADDITIONAL INVESTMENT POLICIES

The investment objectives and policies of the Fund are set forth in the Prospectus. Certain additional investment information is set forth below. Defined terms used herein and not otherwise defined shall have the meanings ascribed to them in the Prospectus.

Unless otherwise noted in a Fund's prospectus or this SAI, whenever an investment policy or limitation states a maximum percentage of a Fund's assets that may be invested in any security or other asset, or sets forth a policy regarding an investment standard, compliance with such percentage limitation or standard will be determined solely at the time of the Fund's acquisition of such security or asset (Time of Purchase Standard). Thus, a Fund may continue to hold a security even though it causes the Fund to exceed a percentage limitation because of fluctuation in the value of the Fund's assets.

Notwithstanding any of a Fund's other investment policies, the Fund, subject to certain limitations, may invest its assets in another investment company. These underlying funds have adopted their own investment policies that may be more or less restrictive than those of the Fund.

Fundamental Policies

The Fund's stated fundamental policies, which may not be changed without a vote of stockholders, are listed below. Within the limits of these fundamental policies, the Manager has reserved freedom of action. The Fund:

- (1) may issue senior securities such as bonds, notes or other evidences of indebtedness if immediately after issuance the net assets of the Fund provide 300% coverage of the aggregate principal amount of all bonds, notes or other evidences of indebtedness and that amount does not exceed 150% of the capital and surplus of the Fund;
- (2) may issue senior equity securities on a parity with, but not having preference or priority over, the Preferred Stock if immediately after issuance its net assets are equal to at least 200% of the aggregate amount (exclusive of any dividends accrued or in arrears) to which all shares of the Preferred Stock, then outstanding, shall be entitled as a preference over the Common Stock in the event of voluntary or involuntary liquidation, dissolution or winding up of the Fund;
- (3) may borrow money for substantially the same purposes as it may issue senior debt securities, subject to the same restrictions and to any applicable limitations prescribed by law;
- (4) may engage in the business of underwriting securities either directly or through majority-owned subsidiaries subject to any applicable restrictions and limitations prescribed by law;
- (5) does not intend to concentrate its assets in any one industry although it may from time to time invest up to 25% of the value of its assets, taken at market value, in a single industry;
- (6) may not, with limited exceptions, purchase and sell real estate directly but may do so through majority-owned subsidiaries, so long as its real estate investments do not exceed 10% of the value of the Fund's total assets;
- (7) may not purchase or sell commodities or commodity contracts; and
- (8) may make money loans (subject to restrictions imposed by law and by charter) (a) only to its subsidiaries, (b) as incidents to its business transactions or (c) for other purposes. The Fund will not lend securities if the total of all such loans would exceed 33 1/3% of the Fund's total assets, except this fundamental investment policy shall not prohibit the Fund from purchasing money market securities, loans, loan participation or other debt securities, or from entering into repurchase agreements, and it may make loans represented by repurchase agreements, so long as such loans do not exceed 10% of the value of total assets.

During its last three fiscal years, the Fund did not: (a) issue senior securities; (b) borrow any money; (c) underwrite securities; (d) concentrate investments in particular industries or groups of industries; (e) purchase or sell real estate, commodities, or commodity contracts; or (f) make money loans.

Non-fundamental Policies

The following non-fundamental policies may be changed by the Board at any time and may be in addition to those described in the prospectus.

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Investment in Illiquid Securities

No more than 15% of the net assets of any Fund will be held in securities and other instruments that are illiquid. “Illiquid Securities” are defined in accordance with the SEC staff’s current guidance and interpretations which provide that an illiquid security is a security which may not be sold or disposed of in the ordinary course of business within seven days at approximately the value at which the Fund has valued the security. Compliance with this limitation is not measured under the Time of Purchase Standard.

Investment in Other Investment Companies

The Funds may not purchase securities of other investment companies except to the extent permitted by the 1940 Act, the rules and regulations thereunder and any applicable exemptive relief.

Summary of 1940 Act Restrictions on Certain Activities

Certain of the Fund’s fundamental and non-fundamental policies set forth above prohibit transactions “except to the extent permitted by the 1940 Act, the rules and regulations thereunder and any applicable exemptive relief”. The following discussion summarizes the flexibility that the Fund currently gains from these exceptions. To the extent the 1940 Act or the rules and regulations thereunder may, in the future, be amended to provide greater flexibility, or to the extent the SEC may in the future grant exemptive relief providing greater flexibility, the Fund will be able to use that flexibility without seeking shareholder approval of its fundamental policies.

Investing in other investment companies – The 1940 Act, in summary, provides that a fund generally may not: (i) purchase more than 3% of the outstanding voting stock of another investment company; (ii) purchase securities issued by another registered investment company representing more than 5% of the investing fund’s total assets; and (iii) purchase securities issued by investment companies that in the aggregate represent more than 10% of the acquiring fund’s total assets (the “3, 5 and 10 Rule”). Affiliated funds-of-funds (i.e., those funds that invest in other funds within the same fund family), with respect to investments in such affiliated underlying funds, are not subject to the 3, 5 and 10 Rule and, therefore, may invest in affiliated underlying funds without restriction. A fund-of-funds may also invest its assets in unaffiliated funds, but the fund-of-funds generally may not purchase more than 3% of the outstanding voting stock of any one unaffiliated fund. Additionally, certain exceptions to these limitations apply to investments in money market mutual funds. If shares of the Fund are purchased by an affiliated fund beyond the 3, 5 and 10 Rule in reliance on Section 12(d)(1)(G) of the 1940 Act, for so long as shares of the Fund are held by such other affiliated fund, the Fund will not purchase securities of a registered open-end investment company or registered unit investment trust in reliance on Section 12(d)(1)(F) or Section 12(d)(1)(G) of the 1940 Act.

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ABOUT FUND INVESTMENTS

The Fund’s investment objective, principal investment strategies and related principal risks are discussed in the Fund’s prospectus. The Fund’s prospectus identifies the types of securities in which the Fund invests principally and summarizes the principal risks to the Fund’s portfolio as a whole associated with such investments. Unless otherwise indicated in the prospectus or this SAI, the investment objective and policies of a Fund may be changed without shareholder approval.

To the extent that a type of security identified in the table below for a Fund is not described in the Fund’s prospectus (or as a sub-category of such security type in this SAI), the Fund generally invests in such security type, if at all, as part of its non-principal investment strategies.

Information about individual types of securities (including certain of their associated risks) in which some or all of the Funds may invest is set forth below. The Fund may invest in these types of securities, subject to its investment objective and fundamental and non-fundamental investment policies. A Fund is not required to invest in any or all of the types of securities listed below.

Certain Investment Activity Limits. The overall investment and other activities of the Investment Manager and its affiliates may limit the investment opportunities for the Fund in certain markets, industries or transactions or in individual issuers where limitations are imposed upon the aggregate amount of investment by the Fund and other accounts managed by the Investment Manager and accounts of its affiliates (collectively, affiliated investors). From time to time, the Fund’s activities also may be restricted because of regulatory restrictions applicable to the Investment Manager and its affiliates and/or because of their internal policies. See Investment Management and Other Services – Other Roles and Relationships of Ameriprise Financial and its Affiliates – Certain Conflicts of Interest.

Temporary Defensive Positions. Each Fund may from time to time take temporary defensive investment positions that may be inconsistent with the Fund’s principal investment strategies in attempting to respond to adverse market, economic, political, social or other conditions, including, without limitation investing some or all of its assets in money market instruments or shares of affiliated or unaffiliated money market funds or holding some or all of its assets in cash or cash equivalents. The Fund may take such defensive investment positions for as long a period as deemed necessary.

Other Strategic and Investment Measures. Unless prohibited by its investment policies, a Fund may also from time to time take temporary portfolio positions that may or may not be consistent with the Fund’s principal investment strategies in attempting to respond to adverse market, economic, political, social or other conditions, including, without limitation, investing in derivatives, such as futures (e.g., index futures) or options on futures, for various purposes, including among others, investing in particular derivatives to achieve indirect investment exposure to a sector, country or region where the Investment Manager (or Fund subadviser, if applicable) believes such defensive positioning is appropriate. Each Fund may do so without limit and for as long a period as deemed necessary, when the Investment Manager or the Fund’s subadviser, if applicable: (i) believes that market conditions are not favorable for profitable investing or to avoid losses, including under adverse market, economic, political or other conditions; (ii) is unable to locate favorable investment opportunities; or (iii) determines that a temporary defensive position is advisable or necessary in order to meet anticipated redemption requests, or for other reasons. While the Fund is so positioned, derivatives could comprise a substantial portion of the Fund’s investments and the Fund may not achieve its investment objective. Investing in this manner may adversely affect Fund performance. During these times, the portfolio managers may make frequent portfolio holding changes, which could result in increased trading expenses and taxes and decreased Fund performance.

Types of Investments

Investment Strategy	Tri-Continental Corporation
Asset-Backed Securities	Yes
Bank Obligations (Domestic and Foreign)	Yes
Collateralized Bond Obligations	Yes
Commercial Paper	Yes
Common Stock	Yes
Convertible Securities	Yes
Corporate Debt Securities	Yes

Custody Receipts and Trust Certificates Yes

Debt Obligations Yes

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Investment Strategy	Tri-Continental Corporation
Depository Receipts	Yes
Derivatives	Yes
Dollar Rolls	Yes
Foreign Currency Transactions	Yes
Foreign Securities	Yes
Guaranteed Investment Contracts (Funding Agreements)	Yes
High-Yield Securities	Yes
Illiquid Securities	Yes
Inflation Protected Securities	Yes
Initial Public Offerings	Yes
Inverse Floaters	Yes
Investment in Other Investment Companies (Including ETFs)	Yes
Listed Private Equity Funds	Yes
Money Market Instruments	Yes
Mortgage-Backed Securities	Yes
Municipal Securities	Yes
Participation Interests	Yes
Partnership Securities	Yes
Preferred Stock	Yes
Private Placement and Other Restricted Securities	Yes
Real Estate Investment Trusts	Yes
Repurchase Agreements	Yes
Reverse Repurchase Agreements	Yes
Short Sales	Yes
Sovereign Debt	Yes
Standby Commitments	Yes
U.S. Government and Related Obligations	Yes
Variable and Floating Rate Obligations	Yes

Asset-Backed Securities

Asset-backed securities represent interests in, or debt instruments that are backed by, pools of various types of assets that generate cash payments generally over fixed periods of time, such as, among others, motor vehicle installment sales, contracts, installment loan contracts, leases of various types of real and personal property, and receivables from revolving (credit card) agreements. Such securities entitle the security holders to receive distributions (i.e., principal and interest) that are tied to the payments made by the borrower on the underlying assets (less fees paid to the originator, servicer, or other parties, and fees paid for credit enhancement), so that the payments made on the underlying assets effectively pass through to such security holders. Asset-backed securities typically are created by an originator of loans or owner of accounts receivable that sells such underlying assets to a special purpose entity in a process called a securitization. The special purpose entity issues securities that are backed by the payments on the underlying assets, and have a minimum denomination and specific term. Asset-backed securities may be structured as fixed-, variable- or floating-rate obligations or as zero-coupon, pay-in-kind and step-coupon securities and may be privately placed or publicly offered. Collateralized loan obligations (CLOs) are but one example of an asset-backed security. See Types of Investments – Variable- and Floating-Rate Obligations, Types of Investments – Zero-Coupon, Pay-in-Kind and Step-Coupon Securities and Types of Investments – Private Placement and Other Restricted Securities for more information.

Although one or more of the other risks described in this SAI may also apply, the risks typically associated with asset-backed securities include: Credit Risk, Interest Rate Risk, Liquidity Risk and Prepayment and Extension Risk. Statement of Additional Information – May 1, 2015 8

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Bank Obligations (Domestic and Foreign)

Bank obligations include certificates of deposit, bankers' acceptances, time deposits and promissory notes that earn a specified rate of return and may be issued by (i) a domestic branch of a domestic bank, (ii) a foreign branch of a domestic bank, (iii) a domestic branch of a foreign bank or (iv) a foreign branch of a foreign bank. Bank obligations may be structured as fixed-, variable- or floating-rate obligations. See Types of Investments – Variable- and Floating-Rate Obligations for more information.

Certificates of deposit, or so-called CDs, typically are interest-bearing debt instruments issued by banks and have maturities ranging from a few weeks to several years. Yankee dollar certificates of deposit are negotiable CDs issued in the United States by branches and agencies of foreign banks. Eurodollar certificates of deposit are CDs issued by foreign banks with interest and principal paid in U.S. dollars. Eurodollar and Yankee Dollar CDs typically have maturities of less than two years and have interest rates that typically are pegged to the London Interbank Offered Rate or LIBOR. See Types of Investments – Eurodollar and Yankee Dollar and Related Derivative Instruments.

Bankers' acceptances are time drafts drawn on and accepted by banks, are a customary means of effecting payment for merchandise sold in import-export transactions and are a general source of financing. A time deposit can be either a savings account or CD that is an obligation of a financial institution for a fixed term. Typically, there are penalties for early withdrawals of time deposits. Promissory notes are written commitments of the maker to pay the payee a specified sum of money either on demand or at a fixed or determinable future date, with or without interest.

Bank investment contracts are issued by banks. Pursuant to such contracts, a Fund may make cash contributions to a deposit fund of a bank. The bank then credits to the Fund payments at floating or fixed interest rates. A Fund also may hold funds on deposit with its custodian for temporary purposes.

Certain bank obligations, such as some CDs, are insured by the FDIC up to certain specified limits. Many other bank obligations, however, are neither guaranteed nor insured by the FDIC or the U.S. Government. These bank obligations are "backed" only by the creditworthiness of the issuing bank or parent financial institution. Domestic and foreign banks are subject to different governmental regulation. Accordingly, certain obligations of foreign banks, including Eurodollar and Yankee dollar obligations, involve different and/or heightened investment risks than those affecting obligations of domestic banks, including, among others, the possibilities that: (i) their liquidity could be impaired because of political or economic developments; (ii) the obligations may be less marketable than comparable obligations of domestic banks; (iii) a foreign jurisdiction might impose withholding and other taxes at high levels on interest income; (iv) foreign deposits may be seized or nationalized; (v) foreign governmental restrictions such as exchange controls may be imposed, which could adversely affect the payment of principal and/or interest on those obligations; (vi) there may be less publicly available information concerning foreign banks issuing the obligations; and (vii) the reserve requirements and accounting, auditing and financial reporting standards, practices and requirements applicable to foreign banks may differ (including, less stringent) from those applicable to domestic banks. Foreign banks generally are not subject to examination by any U.S. Government agency or instrumentality. See Types of Investments – Foreign Securities.

Although one or more of the other risks described in this SAI may also apply, the risks typically associated with bank obligations include: Counterparty Risk, Credit Risk, Interest Rate Risk, Issuer Risk, Liquidity Risk, and Prepayment and Extension Risk.

Collateralized Bond Obligations

Collateralized bond obligations (CBOs) are investment grade bonds backed by a pool of bonds, which may include junk bonds (which are considered speculative investments). CBOs are similar in concept to collateralized mortgage obligations (CMOs), but differ in that CBOs represent different degrees of credit quality rather than different maturities. (See Types of Investments – Mortgage-Backed Securities and – Asset-Backed Securities.) CBOs are often privately offered and sold, and thus not registered under the federal securities laws.

Underwriters of CBOs package a large and diversified pool of high-risk, high-yield junk bonds, which is then structured into "tranches." Typically, the first tranche represents a senior claim on collateral and pays the lowest interest rate; the second tranche is junior to the first tranche and therefore subject to greater risk and pays a higher rate; the third tranche is junior to both the first and second tranche, represents the lowest credit quality and instead of receiving a fixed interest rate receives the residual interest payments — money that is left over after the higher tranches have been paid. CBOs, like CMOs, are substantially overcollateralized and this, plus the diversification of the pool backing

them, may earn certain of the tranches investment-grade bond ratings. Holders of third-tranche CBOs stand to earn higher or lower yields depending on the rate of defaults in the collateral pool. See Types of Investments – High-Yield Securities.

Although one or more of the other risks described in this SAI may also apply, the risks typically associated with CBOs include: Credit Risk, Illiquid Securities Risk, Interest Rate Risk, Liquidity Risk, High-Yield Securities Risk and Prepayment and Extension Risk.

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Commercial Paper

Commercial paper is a short-term debt obligation, usually sold on a discount basis, with a maturity ranging from 2 to 270 days issued by banks, corporations and other borrowers. It is sold to investors with temporary idle cash as a way to increase returns on a short-term basis. These instruments are generally unsecured, which increases the credit risk associated with this type of investment. See Types of Investments — Debt Obligations and Types of Investments — Illiquid Securities. See Appendix A for a discussion of securities ratings.

Although one or more of the other risks described in this SAI may also apply, the risks typically associated with commercial paper include: Credit Risk and Liquidity Risk.

Common Stock

Common stock represents a unit of equity ownership of a corporation. Owners typically are entitled to vote on the selection of directors and other important corporate governance matters, and to receive dividend payments, if any, on their holdings. However, ownership of common stock does not entitle owners to participate in the day-to-day operations of the corporation. Common stocks of domestic and foreign public corporations can be listed, and their shares traded, on domestic stock exchanges, such as the NYSE or the NASDAQ Stock Market. Domestic and foreign corporations also may have their shares traded on foreign exchanges, such as the London Stock Exchange or Tokyo Stock Exchange. See Types of Investments – Foreign Securities. Common stock may be privately placed or publicly offered. The price of common stock is generally determined by corporate earnings, type of products or services offered, projected growth rates, experience of management, liquidity, and market conditions generally. In the event that a corporation declares bankruptcy or is liquidated, the claims of secured and unsecured creditors and owners of bonds and preferred stock take precedence over the claims of those who own common stock. See Types of Investments – Private Placement and Other Restricted Securities – Preferred Stock and – Convertible Securities for more information.

Although one or more of the other risks described in this SAI may also apply, the risks typically associated with common stock include: Issuer Risk and Market Risk.

Convertible Securities

Convertible securities include bonds, debentures, notes, preferred stocks or other securities that may be converted or exchanged (by the holder or by the issuer) into shares of the underlying common stock (or cash or securities of equivalent value) at a stated exchange ratio or predetermined price (the conversion price). As such, convertible securities combine the investment characteristics of debt securities and equity securities. A holder of convertible securities is entitled to receive the income of a bond, debenture or note or the dividend of a preferred stock until the conversion privilege is exercised. The market value of convertible securities generally is a function of, among other factors, interest rates, the rates of return of similar nonconvertible securities and the financial strength of the issuer. The market value of convertible securities tends to decline as interest rates rise and, conversely, to rise as interest rates decline. However, a convertible security's market value tends to reflect the market price of the common stock of the issuing company when that stock price approaches or is greater than its conversion price. As the market price of the underlying common stock declines, the price of the convertible security tends to be influenced more by the rate of return of the convertible security. Because both interest rate and common stock's market movements can influence their value, convertible securities generally are not as sensitive to changes in interest rates as similar non-convertible debt securities nor generally as sensitive to changes in share price as the underlying common stock. Convertible securities may be structured as fixed-, variable- or floating-rate obligations or as zero-coupon, pay-in-kind and step-coupon securities and may be privately placed or publicly offered. See Types of Investments – Variable- and Floating-Rate Obligations, Types of Investments – Zero-Coupon, Pay-in-Kind and Step-Coupon Securities, Types of Investments – Common Stock, Types of Investments – Corporate Debt Securities and Types of Investments – Private Placement and Other Restricted Securities for more information.

Certain convertible securities may have a mandatory conversion feature, pursuant to which the securities convert automatically into common stock or other equity securities (of the same or a different issuer) at a specified date and at a specified exchange ratio. Certain convertible securities may be convertible at the option of the issuer, which may require a holder to convert the security into the underlying common stock, even at times when the value of the underlying common stock or other equity security has declined substantially. In addition, some convertible securities may be rated below investment grade or may not be rated and, therefore, may be considered speculative investments.

Companies that issue convertible securities frequently are small- and mid-capitalization companies and, accordingly, carry the risks associated with such companies. In addition, the credit rating of a company's convertible securities generally is lower than that of its conventional debt securities. Convertible securities are senior to equity securities and have a claim to the assets of an issuer prior to the holders of the issuer's common stock in the event of liquidation but generally are subordinate to similar non-convertible debt securities of the same issuer. Some convertible securities are particularly sensitive to changes in interest rates when their predetermined conversion price is much higher than the price for the issuing company's common stock.

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Although one or more of the other risks described in this SAI may also apply, the risks typically associated with convertible securities include: Convertible Securities Risk, Interest Rate Risk, Issuer Risk, Market Risk, Prepayment and Extension Risk, and Reinvestment Risk.

Corporate Debt Securities

Corporate debt securities are long and short term fixed income securities typically issued by businesses to finance their operations. Corporate debt securities are issued by public or private companies, as distinct from debt securities issued by a government or its agencies. The issuer of a corporate debt security often has a contractual obligation to pay interest at a stated rate on specific dates and to repay principal periodically or on a specified maturity date. Corporate debt securities typically have four distinguishing features: (1) they are taxable; (2) they have a par value of \$1,000; (3) they have a term maturity, which means they come due at a specified time period; and (4) many are traded on major securities exchanges. Notes, bonds, debentures and commercial paper are the most common types of corporate debt securities, with the primary difference being their interest rates, maturity dates and secured or unsecured status. Commercial paper has the shortest term and usually is unsecured, as are debentures. The broad category of corporate debt securities includes debt issued by domestic or foreign companies of all kinds, including those with small-, mid- and large-capitalizations. The category also includes bank loans, as well as assignments, participations and other interests in bank loans. Corporate debt securities may be rated investment grade or below investment grade and may be structured as fixed-, variable or floating-rate obligations or as zero-coupon, pay-in-kind and step-coupon securities and may be privately placed or publicly offered. They may also be senior or subordinated obligations. See Appendix A for a discussion of securities ratings. See Types of Investments – Variable- and Floating-Rate Obligations, Types of Investments – Zero-Coupon, Pay-in-Kind and Step-Coupon Securities, Types of Investments – Private Placement and Other Restricted Securities, Types of Investments – Debt Obligations, Types of Investments – Commercial Paper and Types of Investments – High-Yield Securities for more information.

Extendible commercial notes (ECNs) are very similar to commercial paper except that, with ECNs, the issuer has the option to extend the notes' maturity. ECNs are issued at a discount rate, with an initial redemption of not more than 90 days from the date of issue. If ECNs are not redeemed by the issuer on the initial redemption date, the issuer will pay a premium (step-up) rate based on the ECN's credit rating at the time.

Because of the wide range of types and maturities of corporate debt securities, as well as the range of creditworthiness of issuers, corporate debt securities can have widely varying risk/return profiles. For example, commercial paper issued by a large established domestic corporation that is rated by an NRSRO as investment grade may have a relatively modest return on principal but present relatively limited risk. On the other hand, a long-term corporate note issued, for example, by a small foreign corporation from an emerging market country that has not been rated by an NRSRO may have the potential for relatively large returns on principal but carries a relatively high degree of risk. Although one or more of the other risks described in this SAI may also apply, the risks typically associated with corporate debt securities include: Credit Risk, Interest Rate Risk, Issuer Risk, High Yield Securities Risk, Prepayment and Extension Risk and Reinvestment Risk.

Custody Receipts and Trust Certificates

Custody receipts and trust certificates are derivative products that evidence direct ownership in a pool of securities. Typically, a sponsor will deposit a pool of securities with a custodian in exchange for custody receipts evidencing interests in those securities. The sponsor generally then will sell the custody receipts or trust certificates in negotiated transactions at varying prices. Each custody receipt or trust certificate evidences the individual securities in the pool and the holder of a custody receipt or trust certificate generally will have all the rights and privileges of owners of those securities.

Although one or more of the other risks described in this SAI may also apply, the risks typically associated with custody receipts and trust certificates include: Liquidity Risk and Counterparty Risk. In addition, custody receipts and trust certificates generally are subject to the same risks as the securities evidenced by the receipts or certificates.

Debt Obligations

Many different types of debt obligations exist (for example, bills, bonds, and notes). Issuers of debt obligations have a contractual obligation to pay interest at a fixed, variable or floating rate on specified dates and to repay principal by a specified maturity date. Certain debt obligations (usually intermediate and long-term bonds) have provisions that allow the issuer to redeem or "call" a bond before its maturity. Issuers are most likely to call these securities during

periods of falling interest rates. When this happens, an investor may have to replace these securities with lower yielding securities, which could result in a lower return.

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The market value of debt obligations is affected primarily by changes in prevailing interest rates and the issuer's perceived ability to repay the debt. The market value of a debt obligation generally reacts inversely to interest rate changes. When prevailing interest rates decline, the market value of the bond usually rises, and when prevailing interest rates rise, the market value of the bond usually declines.

In general, the longer the maturity of a debt obligation, the higher its yield and the greater the sensitivity to changes in interest rates. Conversely, the shorter the maturity, the lower the yield and the lower the sensitivity to changes in interest rates.

As noted, the values of debt obligations also may be affected by changes in the credit rating or financial condition of their issuers. Generally, the lower the quality rating of a security, the higher the degree of risk as to the payment of interest and return of principal. To compensate investors for taking on such increased risk, those issuers deemed to be less creditworthy generally must offer their investors higher interest rates than do issuers with better credit ratings. See Types of Investments – Corporate Debt Securities, Types of Investments – High-Yield Securities. See Types of Investments – Trust-Preferred Securities for information with respect to the trust-preferred or trust-issued securities. Determining Investment Grade for Purposes of Investment Policies. Unless otherwise stated in the Fund's prospectus, when determining, under a Fund's investment policies, whether a debt instrument is investment grade or below investment grade for purposes of purchase by the Fund, the Fund will apply a particular credit quality rating methodology, as described within the Fund's shareholder reports, when available. These methodologies typically make use of credit quality ratings assigned by a third-party rating agency or agencies, when available. Credit quality ratings assigned by a rating agency are subjective opinions, not statements of fact, and are subject to change, including daily. Credit quality ratings apply to the Fund's debt instrument investments and not the Fund itself.

Ratings limitations under a Fund's investment policies are applied at the time of purchase by a Fund. Subsequent to purchase, a debt instrument may cease to be rated by a rating agency or its rating may be reduced by a rating agency(ies) below the minimum required for purchase by a Fund. Neither event will require the sale of such debt instrument, but it may be a factor in considering whether to continue to hold the instrument. Unless otherwise stated in a Fund's prospectus or in this SAI, a Fund may invest in debt instruments that are not rated by a rating agency. When a debt instrument is not rated by a rating agency, the Investment Manager or, as applicable, a Fund subadviser determines, at the time of purchase, whether such debt instrument is of investment grade or below investment grade (e.g., junk bond) quality. A Fund's debt instrument holdings that are not rated by a rating agency are typically referred to as "Not Rated" within the Fund's shareholder reports.

See Appendix A for a discussion of securities ratings.

Although one or more of the other risks described in this SAI may also apply, the risks typically associated with debt obligations include: Confidential Information Access Risk, Credit Risk, Highly Leveraged Transactions Risk, Impairment of Collateral Risk, Interest Rate Risk, Issuer Risk, Liquidity Risk, Prepayment and Extension Risk and Reinvestment Risk.

Determining Average Maturity. When determining the average maturity of a Fund's portfolio, the Fund may use the effective maturity of a portfolio security by, among other things, adjusting for interest rate reset dates, call dates or "put" dates.

Depository Receipts

See Types of Investments – Foreign Securities below.

Derivatives

General

Derivatives are financial instruments whose values are based on (or "derived" from) traditional securities (such as a stock or a bond), assets (such as a commodity, like gold), reference rates (such as LIBOR), market indices (such as the S& P 500® Index) or customized baskets of securities or instruments. Some forms of derivatives, such as exchange-traded futures and options on securities, commodities, or indices, are traded on regulated exchanges. These types of derivatives are standardized contracts that can easily be bought and sold, and whose market values are determined and published daily. Non-standardized derivatives, on the other hand, tend to be more specialized or complex, and may be harder to value. Many derivative instruments often require little or no initial payment and therefore often create inherent economic leverage. Derivatives, when used properly, can enhance returns and be useful in hedging portfolios and managing risk. Some common types of derivatives include futures; options; options on

futures; forward foreign currency exchange contracts; forward contracts on securities and securities indices; linked securities and structured products; CMOs; stripped securities; warrants and rights; swap agreements and swaptions.
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A Fund may use derivatives for a variety of reasons, including, for example: (i) to enhance its return; (ii) to attempt to protect against possible unfavorable changes in the market value of securities held in or to be purchased for its portfolio resulting from securities markets or currency exchange rate fluctuations (i.e., to hedge); (iii) to protect its unrealized gains reflected in the value of its portfolio securities; (iv) to facilitate the sale of such securities for investment purposes; (v) to reduce transaction costs; (vi) to manage the effective maturity or duration of its portfolio; and/or (vii) to maintain cash reserves while remaining fully invested.

A Fund may use any or all of the above investment techniques and may purchase different types of derivative instruments at any time and in any combination. The use of derivatives is a function of numerous variables, including market conditions. See also Types of Investments – Warrants and Rights and When Issued, Delayed Delivery and Forward Commitment Transactions.

Although one or more of the other risks described in this SAI may also apply, the risks typically associated with transactions in derivatives (including the derivatives instruments discussed below) include: Counterparty Risk, Credit Risk, Interest Rate Risk, Leverage Risk, Liquidity Risk, Market Risk, Derivatives Risk, Derivatives Risk/Credit Default Swaps Risk, Derivatives Risk/Forward Foreign Currency Contracts Risk, Derivatives Risk/Commodity-Linked Futures Contracts Risk, Derivatives Risk/Commodity-Linked Structured Notes Risk, Derivatives Risk/Commodity-Linked Swaps, Derivatives Risk/Forward Interest Rate Agreements Risk, Derivatives Risk/Futures Contracts Risk, Derivatives Risk/Interest Rate Swaps Risk, Derivatives Risk/Inverse Floaters Risk, Derivatives Risk/Options Risk, Derivatives Risk/Portfolio Swaps and Total Return Swaps Risk, Derivatives Risk/Total Return Swaps Risk, and Derivatives Risk/Warrants Risk.

Indexed or Linked Securities (Structured Products)

General. Indexed or linked securities, also often referred to as “structured products,” are instruments that may have varying combinations of equity and debt characteristics. These instruments are structured to recast the investment characteristics of the underlying security or reference asset. If the issuer is a unit investment trust or other special purpose vehicle, the structuring will typically involve the deposit with or purchase by such issuer of specified instruments (such as commercial bank loans or securities) and/or the execution of various derivative transactions, and the issuance by that entity of one or more classes of securities (structured securities) backed by, or representing interests in, the underlying instruments. The cash flow on the underlying instruments may be apportioned among the newly issued structured securities to create securities with different investment characteristics, such as varying maturities, payment priorities and interest rate provisions, and the extent of such payments made with respect to structured securities is dependent on the extent of the cash flow on the underlying instruments.

Indexed and Inverse Floating Rate Securities. A Fund may invest in securities that provide a potential return based on a particular index or interest rates. For example, a Fund may invest in debt securities that pay interest based on an index of interest rates. The principal amount payable upon maturity of certain securities also may be based on the value of the index. To the extent a Fund invests in these types of securities, a Fund’s return on such securities will rise and fall with the value of the particular index: that is, if the value of the index falls, the value of the indexed securities owned by a Fund will fall. Interest and principal payable on certain securities may also be based on relative changes among particular indices.

A Fund may also invest in so-called “inverse floaters” or “residual interest bonds” on which the interest rates vary inversely with a floating rate (which may be reset periodically by a dutch auction, a remarketing agent, or by reference to a short-term tax-exempt interest rate index). A Fund may purchase synthetically-created inverse floating rate bonds evidenced by custodial or trust receipts. A trust funds the purchase of a bond by issuing two classes of certificates: short-term floating rate notes (typically sold to third parties) and the inverse floaters (also known as residual certificates). No additional income beyond that provided by the trust’s underlying bond is created; rather, that income is merely divided-up between the two classes of certificates. Generally, income on inverse floating rate bonds will decrease when interest rates increase, and will increase when interest rates decrease. Such securities can have the effect of providing a degree of investment leverage, since they may increase or decrease in value in response to changes in market interest rates at a rate that is a multiple of the actual rate at which fixed-rate securities increase or decrease in response to such changes. As a result, the market values of such securities will generally be more volatile than the market values of fixed-rate securities. To seek to limit the volatility of these securities, a Fund may purchase inverse floating obligations that have shorter-term maturities or that contain limitations on the extent to which the

interest rate may vary. Certain investments in such obligations may be illiquid. Furthermore, where such a security includes a contingent liability, in the event of an adverse movement in the underlying index or interest rate, a Fund may be required to pay substantial additional margin to maintain the position.

Credit-Linked Securities. Among the income-producing securities in which a Fund may invest are credit linked securities. The issuers of these securities frequently are limited purpose trusts or other special purpose vehicles that, in turn, invest in a derivative instrument or basket of derivative instruments, such as credit default swaps, interest rate swaps and other securities, in order to provide exposure to certain fixed income markets. For instance, a Fund may invest in credit-linked securities as a cash management tool in order to gain exposure to a certain market and/or to remain fully invested when more traditional income-producing securities are not available. Like an investment in a bond, investments in these credit linked securities represent the right to receive periodic income payments (in the form of distributions) and payment of principal at the end of the term of the

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security. However, these payments are conditioned on or linked to the issuer's receipt of payments from, and the issuer's potential obligations to, the counterparties to the derivative instruments and other securities in which the issuer invests. For instance, the issuer may sell one or more credit default swaps, under which the issuer would receive a stream of payments over the term of the swap agreements provided that no event of default has occurred with respect to the referenced debt obligation upon which the swap is based. If a default occurs, the stream of payments may stop and the issuer would be obligated to pay the counterparty the par (or other agreed upon value) of the referenced debt obligation. This, in turn, would reduce the amount of income and/or principal that a Fund would receive. A Fund's investments in these securities are indirectly subject to the risks associated with derivative instruments. These securities generally are exempt from registration under the 1933 Act. Accordingly, there may be no established trading market for the securities and they may constitute illiquid investments.

Index-, Commodity- and Currency-Linked Securities. "Index-linked" or "commodity-linked" notes are debt securities of companies that call for interest payments and/or payment at maturity in different terms than the typical note where the borrower agrees to make fixed interest payments and to pay a fixed sum at maturity. Principal and/or interest payments on an index-linked or commodity-linked note depend on the performance of one or more market indices, such as the S&P 500[®] Index, a weighted index of commodity futures such as crude oil, gasoline and natural gas or the market prices of a particular commodity or basket of commodities or securities. Currency-linked debt securities are short-term or intermediate-term instruments having a value at maturity, and/or an interest rate, determined by reference to one or more foreign currencies. Payment of principal or periodic interest may be calculated as a multiple of the movement of one currency against another currency, or against an index.

Index-, commodity- and currency-linked securities may entail substantial risks. Such instruments may be subject to significant price volatility. The company issuing the instrument may fail to pay the amount due on maturity. The underlying investment may not perform as expected by a Fund's portfolio manager. Markets and underlying investments and indexes may move in a direction that was not anticipated by a Fund's portfolio manager. Performance of the derivatives may be influenced by interest rate and other market changes in the United States and abroad, and certain derivative instruments may be illiquid.

Linked securities are often issued by unit investment trusts. Examples of this include such index-linked securities as S&P Depositary Receipts (SPDRs), which is an interest in a unit investment trust holding a portfolio of securities linked to the S&P 500[®] Index, and a type of exchange-traded fund (ETF). Because a unit investment trust is an investment company under the 1940 Act, a Fund's investments in SPDRs are subject to the limitations set forth in Section 12(d)(1)(A) of the 1940 Act, although the SEC has issued exemptive relief permitting investment companies such as the Funds to invest beyond the limits of Section 12(d)(1)(A) subject to certain conditions. SPDRs generally closely track the underlying portfolio of securities, trade like a share of common stock and pay periodic dividends proportionate to those paid by the portfolio of stocks that comprise the S&P 500[®] Index. As a holder of interests in a unit investment trust, a Fund would indirectly bear its ratable share of that unit investment trust's expenses. At the same time, a Fund would continue to pay its own management and advisory fees and other expenses, as a result of which a Fund and its shareholders in effect would be absorbing levels of fees with respect to investments in such unit investment trusts.

Because linked securities typically involve no credit enhancement, their credit risk generally will be equivalent to that of the underlying instruments. Investments in structured products may be structured as a class that is either subordinated or unsubordinated to the right of payment of another class. Subordinated linked securities typically have higher rates of return and present greater risks than unsubordinated structured products. Structured products sometimes are sold in private placement transactions and often have a limited trading market.

Investments in linked securities have the potential to lead to significant losses because of unexpected movements in the underlying financial asset, index, currency or other investment. The ability of a Fund to utilize linked securities successfully will depend on its ability correctly to predict pertinent market movements, which cannot be assured. Because currency-linked securities usually relate to foreign currencies, some of which may be currencies from emerging market countries, there are certain additional risks associated with such investments.

Futures Contracts and Options on Futures Contracts

Futures Contracts. A futures contract sale creates an obligation by the seller to deliver the type of security or other asset called for in the contract at a specified delivery time for a stated price. A futures contract purchase creates an

obligation by the purchaser to take delivery of the type of security or other asset called for in the contract at a specified delivery time for a stated price. The specific security or other asset delivered or taken at the settlement date is not determined until on or near that date. The determination is made in accordance with the rules of the exchange on which the futures contract was made. A Fund may enter into futures contracts which are traded on national or foreign futures exchanges and are standardized as to maturity date and underlying security or other asset. Futures exchanges and trading in the United States are regulated under the CEA by the CFTC, a U.S. Government agency. See Types of Investments – Derivatives – CFTC Regulation below for information on CFTC regulation.

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Traders in futures contracts may be broadly classified as either “hedgers” or “speculators.” Hedgers use the futures markets primarily to offset unfavorable changes (anticipated or potential) in the value of securities or other assets currently owned or expected to be acquired by them. Speculators less often own the securities or other assets underlying the futures contracts which they trade, and generally use futures contracts with the expectation of realizing profits from fluctuations in the value of the underlying securities or other assets.

Upon entering into futures contracts, in compliance with regulatory requirements, cash or liquid securities, at least equal in value to the amount of a Fund’s obligation under the contract (less any applicable margin deposits and any assets that constitute “cover” for such obligation), will be designated on a Fund’s books and records.

Unlike when a Fund purchases or sells a security, no price is paid or received by a Fund upon the purchase or sale of a futures contract, although a Fund is required to deposit with its custodian in a segregated account in the name of the futures broker an amount of cash and/or U.S. Government securities in order to initiate and maintain open positions in futures contracts. This amount is known as “initial margin.” The nature of initial margin in futures transactions is different from that of margin in security transactions, in that futures contract margin does not involve the borrowing of funds by a Fund to finance the transactions. Rather, initial margin is in the nature of a performance bond or good faith deposit intended to assure completion of the contract (delivery or acceptance of the underlying security or other asset) that is returned to a Fund upon termination of the futures contract, assuming all contractual obligations have been satisfied. Minimum initial margin requirements are established by the relevant futures exchange and may be changed.

Brokers may establish deposit requirements which are higher than the exchange minimums. Futures contracts are customarily purchased and sold on margin which may range upward from less than 5% of the value of the contract being traded. Subsequent payments, called “variation margin,” to and from the broker (or the custodian) are made on a daily basis as the price of the underlying security or other asset fluctuates, a process known as “marking to market.” If the futures contract price changes to the extent that the margin on deposit does not satisfy margin requirements, payment of additional variation margin will be required. Conversely, a change in the contract value may reduce the required margin, resulting in a repayment of excess margin to the contract holder. Variation margin payments are made for as long as the contract remains open. A Fund expects to earn interest income on its margin deposits.

Although futures contracts by their terms call for actual delivery or acceptance of securities or other assets (stock index futures contracts or futures contracts that reference other intangible assets do not permit delivery of the referenced assets), the contracts usually are closed out before the settlement date without the making or taking of delivery. A Fund may elect to close some or all of its futures positions at any time prior to their expiration. The purpose of taking such action would be to reduce or eliminate the position then currently held by a Fund. Closing out an open futures position is done by taking an opposite position (“buying” a contract which has previously been “sold,” “selling” a contract previously “purchased”) in an identical contract (i.e., the same aggregate amount of the specific type of security or other asset with the same delivery date) to terminate the position. Final determinations are made as to whether the price of the initial sale of the futures contract exceeds or is below the price of the offsetting purchase, or whether the purchase price exceeds or is below the offsetting sale price. Final determinations of variation margin are then made, additional cash is required to be paid by or released to a Fund, and a Fund realizes a loss or a gain.

Brokerage commissions are incurred when a futures contract is bought or sold.

Successful use of futures contracts by a Fund is subject to its portfolio manager’s ability to predict correctly movements in the direction of interest rates and other factors affecting securities and commodities markets. This requires different skills and techniques than those required to predict changes in the prices of individual securities. A Fund, therefore, bears the risk that future market trends will be incorrectly predicted.

The risk of loss in trading futures contracts in some strategies can be substantial, due both to the relatively low margin deposits required and the potential for an extremely high degree of leverage involved in futures contracts. As a result, a relatively small price movement in a futures contract may result in an immediate and substantial loss to the investor. For example, if at the time of purchase, 10% of the value of the futures contract is deposited as margin, a subsequent 10% decrease in the value of the futures contract would result in a total loss of the margin deposit, before any deduction for the transaction costs, if the account were then closed out. A 15% decrease would result in a loss equal to 150% of the original margin deposit if the contract were closed out. Thus, a purchase or sale of a futures contract may result in losses in excess of the amount posted as initial margin for the contract.

In the event of adverse price movements, a Fund would continue to be required to make daily cash payments in order to maintain its required margin. In such a situation, if a Fund has insufficient cash, it may have to sell portfolio securities in order to meet daily margin requirements at a time when it may be disadvantageous to do so. The inability to close the futures position also could have an adverse impact on the ability to hedge effectively.

To reduce or eliminate a hedge position held by a Fund, a Fund may seek to close out a position. The ability to establish and close out positions will be subject to the development and maintenance of a liquid secondary market. It is not certain that this market will develop or continue to exist for a particular futures contract, which may limit a Fund's ability to realize its profits or limit its losses. Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be

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insufficient trading interest in certain contracts; (ii) restrictions may be imposed by an exchange on opening transactions, closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of contracts, or underlying securities; (iv) unusual or unforeseen circumstances, such as volume in excess of trading or clearing capability, may interrupt normal operations on an exchange; (v) the facilities of an exchange or a clearing corporation may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of contracts (or a particular class or series of contracts), in which event the secondary market on that exchange (or in the class or series of contracts) would cease to exist, although outstanding contracts on the exchange that had been issued by a clearing corporation as a result of trades on that exchange would continue to be exercisable in accordance with their terms.

Interest Rate Futures Contracts. Bond prices are established in both the cash market and the futures market. In the cash market, bonds are purchased and sold with payment for the full purchase price of the bond being made in cash, generally within five business days after the trade. In the futures market, a contract is made to purchase or sell a bond in the future for a set price on a certain date. Historically, the prices for bonds established in the futures markets have tended to move generally in the aggregate in concert with the cash market prices and have maintained fairly predictable relationships. Accordingly, a Fund may use interest rate futures contracts as a defense, or hedge, against anticipated interest rate changes. A Fund presently could accomplish a similar result to that which it hopes to achieve through the use of interest rate futures contracts by selling bonds with long maturities and investing in bonds with short maturities when interest rates are expected to increase, or conversely, selling bonds with short maturities and investing in bonds with long maturities when interest rates are expected to decline. However, because of the liquidity that is often available in the futures market, the protection is more likely to be achieved, perhaps at a lower cost and without changing the rate of interest being earned by a Fund, through using futures contracts.

Interest rate futures contracts are traded in an auction environment on the floors of several exchanges — principally, the Chicago Board of Trade, the Chicago Mercantile Exchange and the New York Futures Exchange. Each exchange guarantees performance under contract provisions through a clearing corporation, a nonprofit organization managed by the exchange membership. A public market exists in futures contracts covering various financial instruments including long-term U.S. Treasury Bonds and Notes; GNMA modified pass-through mortgage backed securities; three-month U.S. Treasury Bills; and ninety-day commercial paper. A Fund may also invest in exchange-traded Eurodollar contracts, which are interest rate futures on the forward level of LIBOR. These contracts are generally considered liquid securities and trade on the Chicago Mercantile Exchange. Such Eurodollar contracts are generally used to “lock-in” or hedge the future level of short-term rates. A Fund may trade in any interest rate futures contracts for which there exists a public market, including, without limitation, the foregoing instruments.

Index Futures Contracts. An index futures contract is a contract to buy or sell units of an index at a specified future date at a price agreed upon when the contract is made. Entering into a contract to buy units of an index is commonly referred to as buying or purchasing a contract or holding a long position in the index. Entering into a contract to sell units of an index is commonly referred to as selling a contract or holding a short position in the index. A unit is the current value of the index. A Fund may enter into stock index futures contracts, debt index futures contracts, or other index futures contracts appropriate to its objective(s).

Municipal Bond Index Futures Contracts. Municipal bond index futures contracts may act as a hedge against changes in market conditions. A municipal bond index assigns values daily to the municipal bonds included in the index based on the independent assessment of dealer-to-dealer municipal bond brokers. A municipal bond index futures contract represents a firm commitment by which two parties agree to take or make delivery of an amount equal to a specified dollar amount multiplied by the difference between the municipal bond index value on the last trading date of the contract and the price at which the futures contract is originally struck. No physical delivery of the underlying securities in the index is made.

Commodity-Linked Futures Contracts. Commodity-linked futures contracts are traded on futures exchanges. These futures exchanges offer a central marketplace in which to transact in futures contracts, a clearing corporation to process trades, and standardization of expiration dates and contract sizes. Futures markets also specify the terms and conditions of delivery as well as the maximum permissible price movement during a trading session. Additionally, the commodity futures exchanges may have position limit rules that limit the amount of futures contracts that any one

party may hold in a particular commodity at any point in time. These position limit rules are designed to prevent any one participant from controlling a significant portion of the market.

Commodity-linked futures contracts are generally based upon commodities within six main commodity groups: (1) energy, which includes, among others, crude oil, brent crude oil, gas oil, natural gas, gasoline and heating oil; (2) livestock, which includes, among others, feeder cattle, live cattle and hogs; (3) agriculture, which includes, among others, wheat (Kansas wheat and Chicago wheat), corn and soybeans; (4) industrial metals, which includes, among others, aluminum, copper, lead, nickel and zinc; and (5) precious metals, which includes, among others, gold and silver; and (6) softs, which includes cotton, coffee, sugar

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and cocoa. A Fund may purchase commodity futures contracts, swaps on commodity futures contracts, options on futures contracts and options and futures on commodity indices with respect to these six main commodity groups and the individual commodities within each group, as well as other types of commodities.

The price of a commodity futures contract will reflect the storage costs of purchasing the physical commodity. These storage costs include the time value of money invested in the physical commodity plus the actual costs of storing the commodity less any benefits from ownership of the physical commodity that are not obtained by the holder of a futures contract (this is sometimes referred to as the “convenience yield”). To the extent that these storage costs change for an underlying commodity while a Fund is long futures contracts on that commodity, the value of the futures contract may change proportionately.