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TRI-CONTINENTAL CORP  
Form DEFA14A  
August 24, 2006

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary proxy statement.
- Definitive proxy statement.
- Definitive additional materials.
- Soliciting material under Rule 14a-12.
- Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2)).

TRI-CONTINENTAL CORPORATION  
(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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- (2) Form, Schedule or Registration Statement No.:
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Tri-Continental Corporation  
an investment you can live with

August 24, 2006

Re: Special Meeting of Stockholders to be held September 28, 2006

Dear Valued Stockholder:

As Chairman of Tri-Continental Corporation and as a fellow stockholder, I wish to call your attention to a number of misrepresentations and misleading statements by hedge fund manager Arthur Lipson in his letters of August 9 and August 22.

You may recall that Mr. Lipson failed in his attempt to elect himself and two other dissident nominees to Tri-Continental's Board this past spring. His stated objective was to open-end or liquidate Tri-Continental. Other than the votes of his Western Investment hedge fund group, Mr. Lipson's slate of dissidents attracted only 18% of outstanding shares. It is instructive to note that Mr. Lipson also failed in two prior attempts to open-end or liquidate other closed-end funds.

- o Mr. Lipson's willingness to attack me personally in his letters says a great deal more about his character than mine. But some of our stockholders may be concerned with what he wrote, so please permit me to set the record straight. The mutual fund investigation that Mr. Lipson referred to does not in any way relate to Tri-Continental, and was fully disclosed to you by letter nearly three years ago and in the 2003 Annual Report to Stockholders. Contrary to what Mr. Lipson's letters may insinuate, there are no regulatory lawsuits pending against Tri-Continental, Seligman, or me personally.
- o Mr. Lipson also implies that I have no investment experience outside of J. & W. Seligman & Co. Incorporated, where I have been Chairman for 17 years. Sadly, he knowingly ignores the additional 17 years I spent at Lehman Brothers as head of investment banking and a member of the Executive Committee that ran that diversified investment firm. Mr. Lipson himself was an associate at Lehman Brothers during my tenure there, a fact discussed at the 2006 Tri-Continental Annual Meeting.
- o Mr. Lipson represents himself and his hedge fund group as Tri-Continental stockholders since 1999. In truth, he and his hedge funds owned only a single share as late as September 2002. Prior to that time, they repeatedly bought and sold Tri-Continental solely for short-term trading purposes. Although they have been sometime stockholders, you should not consider them long-term investors.
- o Mr. Lipson contends that his "interests are aligned" with Tri-Continental stockholders. However, he fails to disclose in either his recent letters or SEC proxy filings that his hedge funds have hedged their position in the Corporation using sophisticated derivative strategies to minimize the market risk of his holdings.

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In effect, the actual investment results of the Corporation are of little consequence to him. Our knowledge of this comes from Mr. Lipson himself, who personally told officers of the Corporation about his hedging practices.

- o Mr. Lipson claims he does not seek to open-end or liquidate Tri-Continental. You should find it difficult to reconcile this assertion with the statements made in his previous proxy. Earlier this year, Mr. Lipson urged Directors to immediately "convert Tri-Continental to an open-ended mutual fund" or "adopt a plan of dissolution and liquidation..." Considering his history of waging or joining campaigns to open-end other closed-end funds, you and I as Tri-Continental stockholders have a right to be skeptical about his ultimate intentions.
- o Should Mr. Lipson and his candidates be elected to the Board, they will owe allegiance both to Tri-Continental and to the Western Investment hedge funds. Because of the short-term importance to Mr. Lipson's hedge funds of its Tri-Continental holdings, it strains credulity that they will make decisions that favor all Tri-Continental stockholders at the expense of his hedge funds. Every member of Mr. Lipson's slate is an investor in one of his hedge funds. We should not elect "independent" directors with such conflicting loyalties.
- o Not surprisingly, Mr. Lipson's letters ignore Tri-Continental's more recent investment performance; it continues to improve under the leadership of portfolio manager John B. Cunningham. Last week, Tri-Continental's net asset value (NAV) and market price reached near five-year highs. You will see in the chart below that Tri-Continental's year-to-date performance is ahead of the S&P 500 Index.

	Return Year-to-Date	Average Annual Returns 1 year	Average Annual Returns 3 years	Cumulative Return 3 years
Market Price	10.5%	12.6%	12.4%	42.2%
NAV	6.2	8.6	11.5	38.5
S&P 500	5.6	8.9	11.2	37.5

All data as of August 18, 2006.

I urge you to support Tri-Continental's slate of experienced, accomplished directors by completing, signing, and dating our enclosed WHITE Proxy Card and mailing it in the enclosed, postage-paid envelope. Please do not return or send any proxy card sent to you by Mr. Lipson's Western Investment hedge fund group (or Innisfree M&A Inc., its solicitation firm).

If you have already returned a Gold Proxy Card from the Western Investment hedge fund group and wish to vote in favor of the recommendation of Tri-Continental's Board of Directors, please return a currently dated WHITE Proxy Card with your signature.

Tri-Continental has a distinguished 77-year history. Let us keep it safe for long-term investors.

Sincerely,

/s/ William C. Morris

William C. Morris  
Chairman