BOULDER TOTAL RETURN FUND INC
Form N-CSR
February 07, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act File Number:

811-07390

Boulder Total Return Fund, Inc.

(Exact Name of Registrant as Specified in Charter)

Fund Administrative Services, LLC

2344 Spruce Street, Suite A

Boulder, CO 80302

(Address of Principal Executive Offices)(Zip Code)

Fund Administrative Services, LLC

2344 Spruce Street, Suite A

Boulder, CO 80302

(Name and Address of Agent for Service)

Registrant s Telephone Number, including Area Code:

(303) 444-5483

Date of Fiscal Year End: November 30

Date of Reporting Period: November 30, 2012

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Item 1. Reports to Stockholders.

The Report to Stockholders is attached herewith.

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Boulder Total Return Fund, Inc. Letter from the Advisers
November 30, 2012

Dear Stockholders:

After years of listening to music at less than safe volumes, I recently decided to test my hearing. One of the tests simply required listening for and responding to a sound when played. The trick being that the sound would be played against a varying amount of background noise. As the test progressed, the background noise would increase in volume making it progressively more difficult to hear the sound when played. Fast-forward to today and we are in a market environment eerily similar to this hearing test. This is an uncertain market environment and every day we are inundated with a dizzying array of new and often conflicting data points on everything from the European sovereign debt crisis to the US fiscal cliff. Amongst all of this noise and uncertainty, it is easy for an investor to lose focus and become distracted by the latest bit of information in the news. In times such as these, we believe it is of utmost importance to step back, focus on one s core investment philosophy and filter out the background noise.

Our investment philosophy is simple: buy good businesses at attractive valuations. To accomplish this, we employ a disciplined, research driven, bottom-up investment process. We do not ignore macroeconomic trends and developments, but we do our best to prevent them from distracting us from the business-specific reasons to invest in a company. In the end, we believe it is a much easier proposition to understand and value a business than predict the short-term path of the global economy.

Over the twelve-month period ending November 30, 2012, we believe our commitment to this philosophy and process enabled us to take advantage of multiple attractive investment opportunities and helped drive strong performance for the Boulder Total Return Fund, Inc. (the Fund). For the period, the Fund generated a solid absolute return of 20.5% on net assets, which compares favorably to the Fund s benchmarks. Over the same period, the S&P 500® generated a 16.1% return, the Dow Jones Industrial Average (DJIA) generated an 11.1% return and the NASDAQ Composite generated a 16.4% return. The Fund s strong absolute performance and outperformance on a net asset basis relative to the S&P 500® and its other benchmarks for the twelve month period is highlighted in the below table.

	3 Months	6 Months	One Year	Three Years*	Five Years*	Ten Years**	Since August 1999***
Boulder Total Return Fund (NAV)	5.5%	12.0%	20.5%	14.6%	1.5%	7.6%	6.6%
Boulder Total Return Fund (Market)	5.6%	13.3%	18.9%	12.6%	-1.3%	6.3%	6.1%
S&P 500® Index	1.3%	9.3%	16.1%	11.2%	1.3%	6.3%	2.4%
Dow Jones Industrial Average	0.2%	6.5%	11.1%	10.9%	2.3%	6.6%	3.8%
NASDAQ Composite	-1.4%	7.3%	16.4%	13.2%	3.6%	8.3%	1.4%

* *Annualized.*
** *Annualized. Does not include the effect of dilution on non-participating stockholders from the July 2003 rights offering.*
*** *Annualized since August 1999, when the current advisers became investment advisers to the Fund. Does not include the effect of dilution on non-participating stockholders from the July 2003 rights offering.*

The performance data quoted represents past performance. Past performance is no guarantee of future results. Fund returns include reinvested dividends and distributions, but do not reflect the reduction of taxes that a stockholder would pay on Fund distributions or the sale of Fund shares and do not reflect brokerage commissions, if any. Returns of the S&P 500® Index, the DJIA and the NASDAQ Composite include reinvested dividends and distributions. The investment return and the principal value of an investment will fluctuate and shares, if sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

Key contributors to the Fund s performance on an absolute and relative basis for the twelve-month period were the Fund s positions in Wal-Mart Stores, Inc. and Yum! Brands, Inc. For the period, Wal-Mart Stores and Yum! Brands generated strong total returns for the period of 25.3% and 21.6%, respectively. The positive contribution from both of these positions was enhanced by their large weights in the Fund. At period end, Wal-Mart accounted for approximately 7.6% of the total portfolio, while Yum! Brands accounted for approximately 17.5% of the total portfolio. While we continue to view the Fund s position in Yum! Brands favorably, we did reduce the size of the position during the period. We felt it was prudent to reduce the Fund s overall concentration in the name in light of the stock s price appreciation during the period, which narrowed its discount to our estimate of intrinsic value. As Yum! Brands still accounts for a large portion of the portfolio, we will continue to evaluate the position as necessary.

Another key contributor to performance on an absolute basis was the Fund s combined position in the Class A and Class B shares of Berkshire Hathaway, Inc., which generated total returns of 11.3% and 11.8% for the period, respectively. Despite the strong absolute performances, the total return of the aggregate Berkshire Hathaway position did trail the 16.1% return for the S&P 500® over the same period, which caused the combined position to be a drag on a relative performance basis. Similar to the Wal-Mart and the Yum! Brands positions, the absolute performance contribution from the combined Berkshire Hathaway position was enhanced by its large weight in the portfolio as it accounted for approximately 37.6% of the total portfolio at period end. We remain comfortable with the Fund s current aggregate position in Berkshire Hathaway as we believe its diverse underlying business holdings mitigate some of the risk of having such a concentrated position. Due to its large position size, however, we will continue to evaluate the position as necessary.

On the other end of the spectrum, a key detractor to the Fund s performance on an absolute and relative basis was the Fund s position in Caterpillar, Inc. Caterpillar generated a total return of negative 11.1% for the period and accounted for roughly 1.5% of the Fund s total assets at period end. While the poor performance for the period is disappointing, we remain comfortable with the Fund s position in Caterpillar as we believe it a solid company that continues to trade at an attractive discount to our estimate of its intrinsic value.

Other key detractors to performance were the Fund s positions in Alliance Resource Partners L.P. and AllianceBernstein Holding L.P., which generated returns of a negative 15.2% and a negative 8.8% for the period respectively. It is important to note that both of these positions, along with several other positions, were sold out of the Fund during the period. While there were many different reasons for selling out of these positions, the common thread was our belief that their investment profiles were less attractive relative to other opportunities available in the market. As a result, the Fund used the proceeds from these sale transactions along with available cash to fund the purchase of investments we felt had more attractive return profiles.

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Many of these purchases were executed in the last six months as we were able to opportunistically initiate or add to positions in companies such as JPMorgan Chase & Company, Wells Fargo & Company, Cisco Systems, Inc., Enterprise Product Partners, LP and Sanofi. In general, we believe all of these are high quality businesses that were purchased at attractive discounts to our estimates of their intrinsic values. While we expect each of the aforementioned positions to be strong contributors to performance over the long run, their early contribution has been positive and helped drive the Fund s strong absolute and relative performance over the last six months of the period.

In the end, we are pleased with the Fund s solid performance on both an absolute and relative basis for the twelve-month period ending November 30, 2012. Despite an uncertain market environment, we strived to filter out the background noise, maintained our investment discipline and took advantage of what we believe to be attractive long-term investment opportunities. However, we recognize there is always room for improvement. Since joining Boulder Investment Advisers, LLC in February of this year, one of my priorities has been to find ways to better provide the Fund s stockholders with greater insight into the Fund and its co-advisers. As a result, we will be implementing a couple of initiatives over the next several months aimed at accomplishing this goal. These initiatives will not be particularly ground breaking in nature as they include such things as website improvements and more insightful stockholder letters, but our hope is to provide the Fund s current and future potential stockholders with a better understanding of the Fund, our investment philosophy and process. As part of this, we also encourage stockholders to let us know if there are any topics you would like us to address in future letters.

In the meantime, I would like to wish you all the best and I look forward to writing you again soon.

Sincerely,

Brendon Fischer, CFA

Portfolio Manager

The views and opinions in the preceding commentary are as of the date of this letter and are subject to change at any time. This material represents an assessment of the market environment at a specific point in time, should not be relied upon as investment advice and is not intended to predict or depict performance of any investment.

Portfolio weightings and other figures in the foregoing commentary are provided as of period-end, unless otherwise stated.

Note to Stockholders on the Fund s Discount. As most stockholders are aware, the Fund s shares presently trade at a significant discount to net asset value. The Fund s board of directors is aware of this, monitors the discount and periodically reviews the limited options available to mitigate the discount. In addition, there are several factors affecting the Fund s discount over which the board and management have little control. In the end, the market sets the Fund s share price. For long-term stockholders of a closed-end fund, we believe the Fund s discount should only be one of many factors taken into consideration at the time of your investment decision.

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Note to Stockholders on Leverage. The Fund currently has Auction Market Preferred Shares (AMPS) outstanding, which results in the use of leverage. Leverage creates certain risks for holders of Common Stock, including the likelihood of greater volatility of the NAV and market price of the Common Stock. The Fund utilizes leverage to seek to enhance the returns for its common stockholders over the long term; however, this objective may not be achieved in all interest rate environments. As a result of the failed auctions for auction preferred shares, the Fund pays AMPS stockholders a dividend rate that is generally tied to short-term interest rates. This dividend rate has been and remains generally economical compared to the earnings of the Fund s investments. However, to the extent that in the future short-term interest rates increase and the cost of this leverage increases, and earnings from the Fund s investments do not increase, the Fund s net investment returns may decline. Moreover, the Fund is required to maintain an asset coverage ratio of 200% on any outstanding Auction Market Preferred Shares. If the Fund were unable to maintain the required asset coverage ratio, it could be required to deleverage and sell a portion of its investments at a time when it might be disadvantageous to do so. Fund management and the Fund s Board of Directors continue to explore other liquidity and leverage options, including borrowing through a credit facility; this may result in AMPS being redeemed or repurchased in the future. Notwithstanding this, the Board of Directors may ultimately decide to leave the current Auction Market Preferred Stock outstanding if, after evaluating liquidity solutions that would enable the Fund to redeem the Preferred Stock, the Board determines that such solutions would be inconsistent with the interests of the Fund s stockholders.

Note to Stockholders on Concentration of Investments. The Fund s investment advisers feel it is important that stockholders be aware that the Fund is highly concentrated in a small number of positions. Concentrating investments in a fewer number of securities may involve a degree of risk that is greater than a fund which has less concentrated investments spread out over a greater number of securities.

	Per Share of Common Stock		
	Net Asset Value	Market Price	Distributions Paid
11/30/11	$ 18.97	$ 15.23	$ 0.00
12/31/11	19.05	15.10	0.00
1/31/12	20.11	16.55	0.00
2/29/12	20.57	16.91	0.00
3/31/12	21.27	17.05	0.00
4/30/12	21.24	16.99	0.00
5/31/12	20.41	15.98	0.00
6/30/12	21.07	16.56	0.00
7/31/12	21.72	17.08	0.00
8/31/12	21.67	17.15	0.00
9/30/12	22.81	18.00	0.00
10/31/12	22.91	17.97	0.00
11/30/12	22.86	18.11	0.00

INVESTMENTS AS A % OF TOTAL NET ASSETS AVAILABLE TO COMMON AND PREFERRED STOCK

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Portfolio of Investments
November 30, 2012

Boulder Total Return Fund, Inc.

Shares	Description	Value (Note 1)
LONG TERM INVESTMENTS 99.7%		
DOMESTIC COMMON STOCK 86.9%		
Banks 3.8%		
401,811	Wells Fargo & Co.	$13,263,781
Construction Machinery 1.5%		
60,000	Caterpillar, Inc.	5,114,400
Diversified 37.6%		
690	Berkshire Hathaway, Inc., Class A*	91,022,040
460,000	Berkshire Hathaway, Inc., Class B*	40,516,800
		131,538,840
Diversified Financial Services 4.5%		
5,700	Franklin Resources, Inc.	752,514
361,650	JPMorgan Chase & Co.	14,856,582
		15,609,096
Environmental Control 0.2%		
30,000	Republic Services, Inc.	854,100
Healthcare Products & Services 4.3%		
216,000	Johnson & Johnson	15,061,680
Manufacturing 0.2%		
8,000	3M Co.	727,600
Mining 1.4%		
127,000	Freeport-McMoRan Copper & Gold, Inc.	4,954,270
Oil & Gas 0.3%		
30,000	Linn Energy LLC	1,188,900
Pipelines 0.8%		
54,950	Enterprise Products Partners L.P.	2,848,058
Real Estate 0.2%		
17,300	WP Carey & Co. LLC	839,396
Registered Investment Companies (RICs) 3.9%		
736,836	Cohen & Steers Infrastructure Fund, Inc.	13,344,100
18,726	RMR Real Estate Income Fund	331,263
		13,675,363

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Boulder Total Return Fund, Inc.

Portfolio of Investments
November 30, 2012

Shares	Description	Value (Note 1)
Retail 26.5%		
72,500	The Home Depot, Inc.	$ 4,717,575
370,000	Wal-Mart Stores, Inc.	26,647,400
915,000	Yum! Brands, Inc.	61,378,200
		92,743,175
Technology, Hardware & Equipment 1.4%		
253,500	Cisco Systems, Inc.	4,793,685
Tobacco Products 0.3%		
9,700	Philip Morris International, Inc.	871,836
TOTAL DOMESTIC COMMON STOCK (Cost $146,976,479)		304,084,180
FOREIGN COMMON STOCK 12.8%		
Beverages 5.3%		
75,000	Diageo PLC, Sponsored ADR	8,967,750
60,000	Heineken Holding NV	3,248,494
95,117	Heineken NV	6,273,014
		18,489,258
Food 0.4%		
20,000	Nestle SA	1,308,946
Oil & Gas 0.1%		
8,000	Transocean, Ltd.	369,600
Pharmaceuticals 2.4%		
190,000	Sanofi, ADR	8,477,800
Real Estate 3.3%		
529,500	Cheung Kong Holdings, Ltd.	8,082,353
104,500	Henderson Land Development Co., Ltd.	744,290
6,156,000	Midland Holdings, Ltd.	2,851,545
		11,678,188

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Portfolio of Investments
November 30, 2012

Boulder Total Return Fund, Inc.

Shares	Description	Value (Note 1)
Real Estate Investment Trusts (REITs) 1.3%		
4,779,336	Kiwi Income Property Trust	$4,590,611
TOTAL FOREIGN COMMON STOCK (Cost $30,472,984)		44,914,403
TOTAL LONG TERM INVESTMENTS (Cost $177,449,463)		348,998,583
SHORT TERM INVESTMENTS 0.2%		
MONEY MARKET FUNDS 0.2%		
824,038	Dreyfus Treasury & Agency Cash Management Money Market Fund, Institutional Class, 7-Day Yield - 0.010%	824,038
TOTAL MONEY MARKET FUNDS (Cost $824,038)		824,038
TOTAL SHORT TERM INVESTMENTS (Cost $824,038)		824,038
TOTAL INVESTMENTS 99.9% (Cost $178,273,501)		349,822,621
OTHER ASSETS AND LIABILITIES 0.1%		294,732
TOTAL NET ASSETS AVAILABLE TO COMMON AND PREFERRED STOCKHOLDERS 100.0%		350,117,353
TAXABLE AUCTION MARKET PREFERRED STOCK (AMPS) REDEMPTION VALUE PLUS ACCRUED DIVIDENDS		(68,041,706)
TOTAL NET ASSETS AVAILABLE TO COMMON STOCKHOLDERS		$282,075,647

* *Non-income producing security.*
Percentages are stated as a percent of the Total Net Assets Available to Common and Preferred Stockholders.

Common Abbreviations:

ADR - American Depositary Receipt.

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Boulder Total Return Fund, Inc. | Portfolio of Investments
November 30, 2012

LLC - Limited Liability Company.
L.P. - Limited Partnership.
Ltd. - Limited.
NV - Naamloze Vennootchap is the Dutch term for a public limited liability corporation.
PLC - Public Limited Company.
SA - Generally designates corporations in various countries, mostly those employing the civil law. This translates literally in all languages mentioned as anonymous company.

Regional Breakdown as a % of Total Net Assets Available to Common and Preferred Stockholders

United States	87.1%
Hong Kong	3.3%
Netherlands	2.7%
United Kingdom	2.6%
France	2.4%
New Zealand	1.3%
Switzerland	0.5%
Other Assets and Liabilities	0.1%

See accompanying notes to financial statements.

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Statement of Assets and Liabilities — Boulder Total Return Fund, Inc.

November 30, 2012

ASSETS:		
Investments, at value (Cost $178,273,501) (Note 1)	$	349,822,621
Foreign currency, at value (Cost $317,773)		319,694
Dividends and interest receivable		427,864
Prepaid expenses and other assets		30,984
Total Assets		350,601,163
LIABILITIES:		
Investment co-advisory fees payable (Note 2)		330,375
Administration and co-administration fees payable (Note 2)		61,302
Audit fees payable		42,315
Custody fees payable		21,744
Printing fees payable		11,872
Rating agency fees payable		7,537
Legal fees payable		7,069
Directors' fees and expenses payable (Note 2)		377
Accrued expenses and other payables		1,219
Total Liabilities		483,810
TOTAL NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCKHOLDERS	$	350,117,353
TAXABLE AUCTION MARKET PREFERRED STOCK:		
$0.01 par value, 10,000,000 shares authorized, 680 shares outstanding, liquidation preference of $100,000 per share (Note 5)	$	68,000,000
Accrued dividends on Taxable Auction Market Preferred Stock		41,706
TOTAL NET ASSETS (APPLICABLE TO COMMON STOCKHOLDERS)	$	282,075,647
NET ASSETS (APPLICABLE TO COMMON STOCKHOLDERS) CONSIST OF:		
Par value of common stock (Note 4)	$	123,387
Paid-in capital in excess of par value of common stock		123,229,457
Overdistributed net investment income		(771,824)
Accumulated net realized loss on investments sold and foreign currency related transactions		(12,055,387)
Net unrealized appreciation on investments and foreign currency translation		171,550,014
TOTAL NET ASSETS (APPLICABLE TO COMMON STOCKHOLDERS)	$	282,075,647
Net Asset Value, $282,075,647/12,338,660 common stock outstanding	$	22.86

See accompanying notes to financial statements.

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Boulder Total Return Fund, Inc.

Statement of Operations
For the Year Ended November 30, 2012

INVESTMENT INCOME:	
Dividends (net of foreign withholding taxes $130,543)	$ 5,442,878
Interest and other income	1,948
Total Investment Income	5,444,826
EXPENSES:	
Investment co-advisory fees (Note 2)	4,124,525
Administration and co-administration fees (Note 2)	715,043
Directors' fees and expenses (Note 2)	138,342
Insurance expense	53,854
Audit fees	43,340
Preferred stock broker commissions and auction agent fees	42,211
Custody fees	39,324
Legal fees	38,287
Printing fees	29,504
Transfer agency fees	17,987
Other	73,292
Total Expenses	5,315,709
Less fees waived by investment advisers	(330,399)
Net Expenses	4,985,310
Net Investment Income	459,516
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:	
Net realized gain/(loss) on:	
Investment securities	7,053,447
Foreign currency related transactions	(35,461)
	7,017,986
Net change in unrealized appreciation/(depreciation) on:	
Investment securities	41,324,771
Foreign currency related translation	(39,724)
	41,285,047
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	48,303,033
PREFERRED STOCK TRANSACTIONS:	
Distributions from net investment income	(1,207,772)
Gain on redemption of Taxable Auction Market Preferred Stock (Note 5)	418,000
Total Preferred Stock Transactions	(789,772)
NET INCREASE IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM OPERATIONS	$ 47,972,777

See accompanying notes to financial statements.

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Statements of Changes in Net Assets — Boulder Total Return Fund, Inc.

	For the Year Ended November 30, 2012	For the Year Ended November 30, 2011
OPERATIONS:		
Net investment income	$ 459,516	$ 1,028,949
Net realized gain/(loss) on investment securities and foreign currency related transactions	7,017,986	(645,891)
Net change in unrealized appreciation on investment securities and foreign currency translations	41,285,047	4,514,838
	48,762,549	4,897,896
PREFERRED STOCK TRANSACTIONS (NOTE 5):		
Distributions from net investment income	(1,207,772)	(614,943)
Distributions from tax return of capital		(467,064)
Gain on redemption of Taxable Auction Market Preferred Stock	418,000	
Total Preferred Stock Transactions	(789,772)	(1,082,007)
Net Increase in Net Assets Applicable to Common Stockholders Resulting from Operations	47,972,777	3,815,889
REDEMPTION OF TAXABLE AUCTION MARKET PREFERRED STOCK (PAR VALUE)	(4,100,000)	
NET ASSETS:		
Beginning of year	306,202,870	302,386,981
End of year (including overdistributed net investment income of $(771,824) and $(151,488), respectively)	350,075,647	306,202,870
Taxable Auction Market Preferred Stock, Par Value	(68,000,000)	(72,100,000)
Net Assets Applicable to Common Stockholders	$ 282,075,647	$ 234,102,870

See accompanying notes to financial statements.

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Financial Highlights Boulder Total Return Fund, Inc.

Contained below is selected data for a share of common stock outstanding, total investment return, ratios to average net assets and other supplemental data for the period indicated. This information has been determined based upon information provided in the financial statements and market price data for the fund s shares.

OPERATING PERFORMANCE:
Net asset value - Beginning of Year
INCOME/(LOSS) FROM INVESTMENT OPERATIONS:
Net investment income[a]
Net realized and unrealized gain/(loss) on investments
Total from Investment Operations
PREFERRED STOCK TRANSACTIONS
Distributions from net investment income
Distributions from tax return of capital
Gain on redemption of AMPS*
Total Preferred Stock Transactions
Net Increase/(Decrease) from Operations Applicable to Common Stock
DISTRIBUTIONS: COMMON STOCK
Distributions from net investment income
Distributions from net realized capital gains
Distributions from tax return of capital
Total Distributions Paid to Common Stockholders
Net Increase/(Decrease) in Net Asset Value
Common Share Net Asset Value - End of Year
Common Share Market Value - End of Year
Total Return, Common Share Net Asset Value[b]
Total Return, Common Share Market Value[b]
RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCKHOLDERS:[c]
Ratio of operating expenses to average net assets including waiver
Ratio of operating expenses to average net assets excluding waiver
Ratio of net investment income/(loss) to average net assets including waiver
Ratio of net investment income/(loss)to average net assets excluding waiver
SUPPLEMENTAL DATA:
Portfolio turnover rate
Net Assets Applicable to Common Stockholders, End of Year (000 s)
Number of Common Shares Outstanding, End of Year (000 s)
Ratio of Net Operating Expenses including waiver, when applicable, to Total Average Net Assets including AMPS[c]*

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Boulder Total Return Fund, Inc. Financial Highlights

For the Year Ended November 30, 2012	For the Year Ended November 30, 2011	For the Year Ended November 30, 2010	For the Year Ended November 30, 2009	For the Year Ended November 30, 2008
$ 18.97	$ 18.66	$ 15.21	$ 12.70	$ 24.95
0.04	0.08	0.07	0.03	0.14
3.92	0.32	3.43	2.56	(9.18)
3.96	0.40	3.50	2.59	(9.04)
(0.10)	(0.05)	(0.05)		(0.06)
	(0.04)	(0.04)	(0.11)	(0.21)
0.03		0.04	0.03	
(0.07)	(0.09)	(0.05)	(0.08)	(0.27)
3.89	0.31	3.45	2.51	(9.31)
				(0.11)
				(0.04)
				(2.79)
				(2.94)
3.89	0.31	3.45	2.51	(12.25)
$ 22.86	$ 18.97	$ 18.66	$ 15.21	$ 12.70
$ 18.11	$ 15.23	$ 15.52	$ 12.69	$ 9.17
20.5%	1.7%	22.7%	19.8%	(40.3)%
18.9%	(1.9)%	22.3%	38.4%	(52.6)%
1.90%	N/A	N/A	N/A	N/A
2.03%	2.12%	2.19%	2.53%	2.22%
(0.29)%	N/A	N/A	N/A	N/A
(0.41)%	0.18%	0.13%	0.22%	(0.70)%
10%	3%	6%	12%	6%
$ 282,076	$ 234,103	$ 230,287	$ 187,653	$ 156,733
12,339	12,339	12,339	12,339	12,339
1.51%	1.62%	1.63%	1.70%	1.69%

See accompanying notes to financial statements.

* *Taxable Auction Market Preferred Shares (AMPS).*
[a] *Calculated based on the average number of common shares outstanding during each fiscal period.*
[b] *Total return based on per share net asset value reflects the effects of changes in net asset value on the performance of the Fund during each fiscal period. Total return based on common share market value assumes the purchase of common shares at the market price on the first day and sale of common shares at the market price on the last day of the period indicated. Dividends and distributions, if any, are assumed to be reinvested at prices obtained under the Fund s distribution reinvestment plan.*
[c] *Expense ratios do not include the effect of transactions with preferred stockholders. The income ratio includes income earned on assets attributable to AMPS outstanding.*

The table below sets out information with respect to Taxable Auction Market Preferred Stock currently outstanding.[1]

	Par Value (000)	Total Shares Outstanding (000)	Asset Coverage Per Share[2]	Involuntary Liquidating Preference Per Share[3]
11/30/12	$ 68,000	0.68	$ 514,878	$ 100,000
11/30/11	72,100	0.72	424,725	100,000
11/30/10	72,100	0.72	419,429	100,000
11/30/09	74,900	0.75	350,563	100,000
11/30/08	77,500	0.78	302,273	100,000

[1] *See Note 5 in Notes to Financial Statements.*
[2] *Calculated by subtracting the Fund s total liabilities from the Fund s total assets and dividing by the number of AMPS outstanding.*
[3] *Excludes accumulated undeclared dividends.*

See accompanying notes to financial statements.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Boulder Total Return Fund, Inc. (the Fund), is a diversified, closed-end management company organized as a Maryland corporation and is registered with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940, as amended (the 1940 Act).

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements. The preparation of financial statements is in accordance with generally accepted accounting principles in the United States of America (GAAP) which requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Portfolio Valuation: Equity securities for which market quotations are readily available (including securities listed on national securities exchanges and those traded over-the-counter) are valued based on the closing price from the applicable exchange. If such equity securities were not traded on the valuation date, but market quotations are readily available, they are valued at the mean between the closing bid and asked prices provided by an independent pricing service or by principal market makers. Equity securities traded on NASDAQ are valued at the NASDAQ Official Closing Price. Debt securities are valued at the mean between the closing bid and asked prices, or based on a matrix system which utilizes information (such as credit ratings, yields and maturities) from an independent pricing service, principal market maker, or other independent sources. The Fund s board of directors (the Board) has delegated to the Pricing Committee the responsibility of determining the fair value of any security or financial instrument owned by the Fund for which market quotations are not readily available or where the pricing agent or market maker does not provide a valuation or methodology, or provides a valuation or methodology that, in the judgment of the Advisers, does not represent fair value (Fair Value Securities). The Pricing Committee, which consists of at least one non-interested director and one senior officer of the Fund, in consultation with the Advisers Valuation Committee, as appropriate, uses valuation techniques that utilize both observable and unobservable inputs. In such circumstances, the Valuation Committee of the Advisers are responsible for (i) identifying Fair Value Securities, (ii) analyzing the Fair Value Security and developing, applying and documenting a methodology for valuing Fair Value Securities, (iii) recommending to the Pricing Committee and memorializing valuations for Fair Value Securities, and (iv) periodically reviewing the appropriateness and accuracy of the methods used in valuing Fair Value Securities. The Pricing Committee reviews and makes a determination regarding each initial methodology recommendation and any subsequent methodology changes. All methodology recommendations and any changes are reviewed by the entire Board on a quarterly basis. Short-term debt securities with less than 60 days until maturity may be valued at cost which, when combined with interest earned, approximates market value.

For valuation purposes, the last quoted prices of non-U.S. equity securities may be adjusted under the circumstances described below. If the Fund determines that developments between the close of a foreign market and the close of the New York Stock Exchange (NYSE) will, in its judgment, materially affect the value of some or all of its portfolio securities, the Fund will adjust the previous closing prices to reflect what it believes to be the fair value of the securities as of the close of the NYSE. In deciding whether it is necessary to adjust closing prices to reflect fair value, the Fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. The Fund may also fair value securities in other situations, such as when a particular foreign market is closed but the U.S. market is open. The Fund uses outside pricing services to provide it with closing prices. The Pricing Committee may consider whether it is appropriate, in light of relevant circumstances, to adjust such valuation in accordance with the Fund s valuation procedures. The Fund cannot predict how often it will use closing prices and how often it will determine it necessary to adjust those prices to reflect fair value. If the Fund uses adjusted prices, the Fund will periodically compare closing prices, the next day s opening prices in the same markets, and those adjusted prices as a means of evaluating its security valuation process.

Various inputs are used to determine the value of the Fund's investments. Observable inputs are inputs that reflect the assumptions market participants would use based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity s own assumptions based on the best information available in the circumstances.

These inputs are summarized in the three broad levels listed below.

Level 1 - Unadjusted quoted prices in active markets for identical investments
Level 2 - Significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
Level 3 - Significant unobservable inputs (including the Fund s own assumptions in determining the fair value of investments)

The following is a summary of the inputs used as of November 30, 2012 in valuing the Fund s investments carried at value:

Investments in Securities at Value*	**Level 1 - Quoted Prices**	**Level 2 - Significant Observable Inputs**	**Level 3 - Significant Unobservable Inputs**	**Total**
Domestic Common Stock	$304,084,180	$	$	$304,084,180
Foreign Common Stock	44,914,403			44,914,403
Short Term Investments	824,038			824,038
TOTAL	$349,822,621	$	$	$349,822,621

**For detailed descriptions see the accompanying Portfolio of Investments.*

The Fund evaluates transfers into or out of Level 1, Level 2 and Level 3 as of the end of the reporting period. During the year ended November 30, 2012, there were no transfers between Level 1 and 2 securities.

All securities of the Fund were valued using Level 1 inputs during the year ended November 30, 2012.

Recent Accounting Pronouncements: In April 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-03 Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements. The ASU 2011-03 is intended improve financial reporting of repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem the financial assets before their maturity. The ASU is effective for the first interim or annual period beginning on or after December 15, 2011. Management is currently evaluating the impact this ASU may have on the Fund s financial statements.

In May 2011, the FASB issued ASU No. 2011-04 Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS). ASU 2011-04 includes common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU 2011-04 will require reporting entities to disclose quantitative information about the unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy. In addition, ASU 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. Management is currently evaluating the impact this ASU may have on the Fund s financial statements.

In December 2011, the FASB issued ASU No. 2011-11 Related Disclosures about Offsetting Assets and Liabilities. The amendments in this ASU require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The ASU is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The guidance requires retrospective application for all comparative periods presented. Management is currently evaluating the impact ASU 2011-11 may have on the financial statement disclosures.

Securities Transactions and Investment Income: Securities transactions are recorded as of the trade date. Realized gains and losses from securities sold are recorded on the identified cost basis. Dividend income is recorded as of the ex-dividend date or for certain foreign securities when the information becomes available to the Fund. Non-cash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Interest income, including amortization of premium and accretion of discount on debt securities, as required, is recorded on the accrual basis using the interest method.

Dividend income from investments in real estate investment trusts (REITs) is recorded at management s estimate of income included in distributions received. Distributions received in excess of this amount are recorded as a reduction of the cost of investments. The actual amount of income and return of capital are determined by each REIT only after its fiscal year-end, and may differ from the estimated amounts. Such differences, if any, are recorded in the Fund s following year.

Foreign Currency Translations: The Fund may invest a portion of its assets in foreign securities. In the event that the Fund executes a foreign security transaction, the Fund will generally enter into a forward foreign currency contract to settle the foreign security transaction. Foreign securities may carry more risk than U.S. securities, such as political, market and currency risks. See Foreign Issuer Risk under Note 6.

The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate prevailing at the end of the period, and purchases and sales of investment securities, income and expenses transacted in foreign currencies are translated at the exchange rate on the dates of such transactions. Foreign currency gains and losses result from fluctuations in exchange rates between trade date and settlement date on securities transactions, foreign currency transactions, and the difference between the amounts of foreign interest and dividends recorded on the books of the Fund and the amounts actually received.

The portion of realized and unrealized gains or losses on investments due to fluctuations in foreign currency exchange rates is not separately disclosed and is included in realized and unrealized gains or losses on investments, when applicable.

Dividends and Distributions to Stockholders: It is the Fund s policy to distribute substantially all net investment income and net realized gains to stockholders and to otherwise qualify as a regulated investment company under provisions of the Internal Revenue Code. The stockholders of Taxable Auction Market Preferred Stock (AMPS) are entitled to receive cumulative cash dividends as declared by the Fund s Board. Distributions to stockholders are recorded on the ex-dividend date. Any net realized short-term capital gains will be distributed to stockholders at least annually. Any net realized long-term capital gains may be distributed to stockholders at least annually or may be retained by the Fund as determined by the Fund s Board. Capital gains retained by the Fund are subject to tax at the corporate tax rate. Subject to the Fund qualifying as a registered investment company, any taxes paid by the Fund on such net realized long-term gains may be used by the Fund s stockholders as a credit against their own tax liabilities.

Indemnifications: Like many other companies, the Fund s organizational documents provide that its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, both in some of its principal service contracts and in the normal course of its business, the Fund enters into contracts that provide indemnifications to other parties for certain types of losses or liabilities. The Fund s maximum exposure under these arrangements is unknown as this could involve future claims against the Fund.

Federal Income Tax: For Federal income tax purposes, the Fund currently qualifies, and intends to remain qualified as a regulated investment company under the provisions of Subchapter M of the Internal Revenue Code of 1986, as amended, by distributing substantially all of its earnings to its stockholders. Accordingly, no provision for federal income or excise taxes has been made.

Income and capital gain distributions are determined and characterized in accordance with income tax regulations, which may differ from U.S. GAAP. These differences are primarily due to differing treatments of income and gains on various investment securities held by the Fund, timing differences and differing characterization of distributions made by the Fund as a whole.

Management has concluded there are no uncertain tax positions that require recognition of a tax liability. The Fund files income tax returns in the U.S. federal jurisdiction and Colorado. The statute of limitations on the Fund s federal and state tax filings remains open for the fiscal years ended November 30, 2009, through November 30, 2012. Foreign taxes are provided for based on the Fund s understanding of the tax rules and rates that exist in the foreign markets in which it invests.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the Modernization Act) was signed into law. The provisions of the Modernization Act are generally effective for tax years beginning after the date it was signed into law therefore the enacted provisions have been applied to the Fund for the fiscal year ended November 30, 2012. The

Modernization Act is the first major piece of legislation affecting regulated investment companies (RICs) since 1986 and it modernizes several of the federal income and excise tax provisions related to RICs.

NOTE 2. ADVISORY FEES, ADMINISTRATION FEES AND OTHER AGREEMENTS

Boulder Investment Advisers, L.L.C. (BIA) and Stewart Investment Advisers (SIA) serve as co-investment advisers to the Fund (the Advisers). The Fund pays the Advisers a monthly fee (the Advisory Fee) at an annual rate of 1.25% of the value of the Fund s average monthly total net assets plus the principal amount of leverage, if any (Net Assets). Effective December 1, 2011, BIA and SIA agreed to waive 0.10% of the Advisory Fee such that the Advisory Fee will be calculated at the annual rate of 1.15% of Net Assets. The fee waiver agreement has a one-year term and is renewable annually.

The equity owners of BIA are Evergreen Atlantic, LLC, a Colorado limited liability company (EALLC), and the Lola Brown Trust No. 1B (the Lola Trust), each of which is considered to be an affiliated person of the Fund as that term is defined in the 1940 Act. Stewart West Indies Trading Company, Ltd. is a Barbados international business company doing business as Stewart Investment Advisers. The equity owner of SIA is the Stewart West Indies Trust. SIA and BIA are considered affiliated persons , as that term is defined in the 1940 Act, of the Fund and Fund Administrative Services, LLC (FAS). SIA receives a monthly fee equal to 75% of the fees earned by the Advisers, and BIA receives 25% of the fees earned by the Advisers.

FAS serves as the Fund s co-administrator. Under the Administration Agreement, FAS provides certain administrative and executive management services to the Fund. The Fund pays FAS a monthly fee, calculated at an annual rate of 0.20% of the value of the Fund s Net Assets up to $100 million, and 0.15% of the Fund s Net Assets over $100 million. The equity owners of FAS are EALLC and the Lola Trust.

As BIA, SIA and FAS are considered affiliates of the Fund, as the term is defined in the 1940 Act, agreements between the Fund and those entities are considered affiliated transactions.

ALPS Fund Services, Inc. (ALPS) serves as the Fund s co-administrator. As compensation for its services, ALPS receives certain out-of-pocket expenses and asset-based fees, which are accrued daily and paid monthly. Fees paid to ALPS are calculated based on combined Net Assets of the Fund and the following affiliates of the Fund: Boulder Growth & Income Fund, Inc., The Denali Fund Inc., and First Opportunity Fund, Inc. (the Fund Group). ALPS receives the greater of the following, based on combined Net Assets of the Fund Group: an annual minimum fee of $460,000, or an annualized fee of 0.045% on Net Assets up to $1 billion, an annualized fee of 0.03% on Net Assets between $1 and $3 billion, and an annualized fee of 0.02% on Net Assets above $3 billion.

The Fund pays each member of the Board (a Director) who is not a director, officer, employee, or affiliate of the Advisers or FAS a fee of $8,000 per annum, plus $4,000 for each in-person meeting of the Board and $500 for each telephone meeting. In addition, the Chairman of the Board and the Chairman of the Audit Committee each receive $1,000 per meeting and each member of the Audit Committee receives $500 per meeting. Each member of the Nominating Committee receives $500 per meeting. The Fund will also reimburse all non-interested Directors for travel and out-of-pocket expenses incurred in connection with such meetings.

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Bank of New York Mellon (BNY Mellon) serves as the Fund s custodian. As of November 30, 2012, Computershare Shareowner Services (Computershare) serves as the Fund s Common Stock servicing agent, dividend-paying agent and registrar. Prior to January 2, 2012, BNY Mellon served as the Fund s common stock servicing agent, dividend-paying agent and registrar. On January 2, 2012, BNY Mellon s Shareholder Services business was acquired by Computershare. As compensation for BNY Mellon s and Computershare s services, the Fund pays each a monthly fee plus certain out-of-pocket expenses.

Deutsche Bank Trust Company Americas (Auction Agent), a wholly owned subsidiary of Deutsche Bank AG, serves as the Fund s Preferred Stock transfer agent, registrar, dividend disbursing agent and redemption agent.

NOTE 3. SECURITIES TRANSACTIONS

Purchases and sales of securities, excluding short term securities, during the year ended November 30, 2012 were $42,814,858 and $30,919,723, respectively.

On November 30, 2012, based on cost of $178,810,609 for federal income tax purposes, aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was $172,508,584, aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was $1,496,572, and net appreciation of foreign currency and derivatives was $894, resulting in net unrealized appreciation of $171,012,906.

NOTE 4. CAPITAL

At November 30, 2012, 240,000,000 of $0.01 par value common stock (the Common Stock) were authorized, of which 12,338,660 were outstanding.

Transactions in Common Stock were as follows:

	For the Year Ended November 30, 2012	For the Year Ended November 30, 2011
Common Stock outstanding - beginning of period	12,338,660	12,338,660
Common Stock outstanding - end of period	12,338,660	12,338,660

NOTE 5. TAXABLE AUCTION MARKET PREFERRED STOCK

The Fund s Articles of Incorporation authorize the issuance of up to 10,000,000 shares of $0.01 par value preferred stock. On August 15, 2000, the Fund s 775 shares of Money Market Cumulative Preferred Stock were retired and 775 shares of AMPS were issued. AMPS are senior to the Common Stock and result in the financial leveraging of the Common Stock. Such leveraging tends to magnify both the risks and opportunities to common stockholders. Dividends on shares of AMPS are cumulative. The Fund s AMPS have a liquidation preference of $100,000 per share, plus any accumulated unpaid distributions, whether or not earned or declared by the Fund but excluding interest thereon (Liquidation Value) and have no set retirement date.

The Fund retired 26 shares of AMPS during the fiscal year ended November 30, 2009, with a total par value of $2,600,000. Those shares were purchased at a discount, an average price of $84,923 per share, resulting in a realized gain of $392,000. During the fiscal year ended November 30, 2010, the Fund retired 28 shares of AMPS, with a total par value of $2,800,000. These shares were purchased at a discount, an average price of $81,857 per share, resulting in a realized gain of $508,000. During the year ended November 30, 2012, the Fund retired 41 shares of AMPS, with a total par value of $4,100,000. These shares were purchased at a discount, an average price of $90,000, resulting in a realized gain of $418,000.

An auction of the AMPS is generally held every 28 days. Existing stockholders may submit an order to hold, bid or sell shares on each auction date. AMPS stockholders may also trade shares in the secondary market. In February 2008, the auction preferred shares market for closed-end funds became illiquid resulting in failed auctions for the AMPS. As a result of the failed auctions, the Fund pays dividends at the maximum rate (set forth in the Fund s Articles Supplementary, the governing document for the AMPS), which prior to July 12, 2012, was set at the greater of 1.25% of 30-day LIBOR or 30-day LIBOR plus 125 basis points. On July 12, 2012, Moody's Investors Service (Moody's), one of two nationally recognized statistical rating organizations currently rating the Fund s AMPS announced that it had downgraded the AMPS from Aaa to A2. This action occurred following a review by Moody's of its ratings of the securities of all closed-end registered investment companies, which was undertaken in conjunction with the adoption of changes to the methodology Moody's uses to rate securities issued by closed-end funds. The Fund's AMPS continue to have a credit rating in the highest rating category from Standard & Poor s ratings. As a result of the downgrade by Moody s of the Fund s AMPS, the maximum rate is now set at the greater of 2.00% of 30-day LIBOR, or 30-day LIBOR plus 200 basis points.

The Fund is subject to certain limitations and restrictions while AMPS are outstanding. Failure to comply with these limitations and restrictions could preclude the Fund from declaring any dividends or distributions to common stockholders or repurchasing common shares and/or could trigger the mandatory redemption of AMPS at their liquidation value. Specifically, the Fund is required under the Fund s Articles Supplementary and the 1940 Act to maintain certain asset coverage with respect to the outstanding AMPS. The holders of AMPS are entitled to one vote per share and will vote with holders of Common Stock as a single class, except that the AMPS will vote separately as a class on certain matters, as required by law or the Fund s charter. The holders of the AMPS, voting as a separate class, are entitled at all times to elect two Directors of the Fund, and to elect a majority of the Directors of the Fund if the Fund fails to pay distributions on AMPS for two consecutive years.

For the year ended November 30, 2012, distribution rates ranged from 1.49% to 2.25%. The Fund declared distributions to preferred stockholders for the period from December 1, 2011 to November 30, 2012 of $1,207,772.

In connection with the settlement of each AMPS auction, the Fund pays, through the Auction Agent, a service fee to each participating broker-dealer based upon the aggregate liquidation preference of the AMPS held by the broker-dealer s customers. Prior to February 19, 2009 the Fund paid at an annual rate of 0.25% and upon this date the annual rate was reduced to 0.05% until further notice from the Fund. These fees are paid for failed auctions as well.

On November 30, 2012, 680 shares of AMPS were outstanding at the annual rate of 2.21%. The dividend rate is generally expected to vary with short-term interest rates. These rates may vary in a manner unrelated to the income received on the Fund s assets, which could have either a beneficial or detrimental impact on net investment income and gains available to common stockholders. While the Fund expects to earn a higher return on its assets than the cost associated with the AMPS, including expenses, there can be no assurance that such results will be attained.

NOTE 6. PORTFOLIO INVESTMENTS AND CONCENTRATION

Under normal market conditions, the Fund intends to invest in a portfolio of common stocks. The portion of the Fund s assets invested in each stock can vary depending on market conditions. The term common stocks includes both stocks acquired primarily for their appreciation potential and stocks acquired for their income potential, such as dividend-playing RICs and REITs.

Concentration Risk: The Fund operates as a diversified management investment company, as defined in the 1940 Act. Under this definition, at least 75% of the value of the Fund s total assets must at the time of investment consist of cash and cash items (including receivables), U.S. Government securities, securities of other investment companies, and other securities limited in respect of any one issuer to an amount not greater in value than 5% of the value of the Fund s total assets (at the time of purchase) and to not more than 10% of the voting securities of a single issuer. This limit does not apply, however, to 25% of the Fund s assets, which may be invested in securities representing more than 5% of the Fund s total assets or even in a single issuer.

As of November 30, 2012, the Fund held more than 25% of its assets in Berkshire Hathaway, Inc., as a direct result of the market appreciation of the issuer since the time of purchase. In addition, the Fund contains highly concentrated positions in other stocks as well. Thus, the volatility of the Fund s net asset value and its performance in general, depends disproportionately more on the performance of this single issuer and its other larger positions than that of a more diversified fund. As a result, the Fund may be subject to a greater risk of loss than a fund that diversifies its investments more broadly.

Effective July 30, 2010, the Fund implemented a Board initiated and approved fundamental investment policy which prohibits the Fund from investing more than 4% of its total assets (including leverage) in any single issuer at the time of purchase. The Fund s holdings as of July 30, 2010 were grandfathered into the policy and so any positions already greater than 4% of total assets are exempt from this limitation.

Foreign Issuer Risk: Investment in non-U.S. issuers may involve unique risks compared to investing in securities of U.S. issuers. These risks may include, but are not limited to: (i) less information about non-U.S. issuers or markets may be available due to less rigorous disclosure, accounting standards or regulatory practices; (ii) many non-U.S. markets are smaller, less liquid and more volatile thus, in a changing market, the advisers may not be able to sell the Fund s portfolio securities at times, in amounts and at prices they consider reasonable; (iii) currency exchange rates or controls may adversely affect the value of the Fund s investments; (iv) the economies of non-U.S. countries may grow at slower rates than expected or may experience downturns or recessions; and, (v) withholdings and other non-U.S. taxes may decrease the Fund s return.

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Changes in Investment Policies: On May 2, 2011, stockholders approved elimination of the Fund s fundamental investment policy prohibiting the Fund from purchasing securities on margin.

NOTE 7. SIGNIFICANT STOCKHOLDERS

On November 30, 2012, trusts and other entities affiliated with Stewart R. Horejsi and the Horejsi family owned 5,200,661 shares of Common Stock of the Fund, representing approximately 42.15% of the total Common Stock outstanding. Stewart R. Horejsi is the Chief Investment Officer of BIA and SIA and is a portfolio manager of the Fund. Entities affiliated with Mr. Horejsi and the Horejsi family also own the Advisers and FAS.

NOTE 8. SHARE REPURCHASE PROGRAM

In accordance with Section 23(c) of the 1940 Act, the Fund may from time to time effect redemptions and/or repurchases of its AMPS and/or its Common Stock, in the open market or through private transactions; at the option of the Board of Directors and upon such terms as the Board shall determine.

For the year ended November 30, 2012, the Fund purchased 41 shares of AMPS at a discount and retired them at par value. For the year ended November 30, 2011, the Fund did not repurchase any of its own AMPS or Common Stock.

NOTE 9. TAX BASIS DISTRIBUTIONS

As determined on November 30, 2012, permanent differences resulting primarily from different book and tax accounting for gains and losses on foreign currency and certain other investments were reclassified at fiscal year-end. These reclassifications had no effect on net increase in net assets resulting from operations, net assets applicable to common stockholders or net asset value per common share outstanding. Permanent book and tax basis differences of $127,920, $(255,880), and $127,960 were reclassified at November 30, 2012 among undistributed net investment income, accumulated net realized losses on investments and paid-in-capital, respectively, for the Fund.

Ordinary income and long-term capital gains are allocated to common stockholders after payment of the available amounts on any outstanding AMPS. To the extent that the amount distributed to common stockholders exceeds the amount of available ordinary income and long-term capital gains after allocation to any outstanding AMPS, these distributions are treated as a tax return of capital. Additionally, to the extent that the amount distributed on any outstanding AMPS exceeds the amount of available ordinary income and long-term capital gains, these distributions are treated as a tax return of capital.

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Notes to Financial Statements Boulder Total Return Fund, Inc.
November 30, 2012

The tax character of distributions paid during the years ending November 30, 2012 and November 30, 2011 were as follows:

	Year Ended November 30, 2012	Year Ended November 30, 2011
Distributions paid from:		
Ordinary Income	$ 1,207,772	$ 614,943
Tax Return of Capital		467,064
	$ 1,207,772	$ 1,082,007

As of November 30, 2012, the Fund had available for tax purposes unused capital loss carryovers totaling $12,381,094, of which $1,738,291 expires November 30, 2016, $9,855,326 expires November 30, 2017, $32,789 expires November 30, 2018, and $754,688 expires November 30, 2019.

Capital loss carryovers used during the period ended November 30, 2012 were $(7,707,680).

As of November 30, 2012, the components of distributable earnings on a tax basis were as follows:

Undistributed Ordinary Income	$ 199,828
Accumulated Capital Losses	(12,381,094)
Unrealized Appreciation	171,012,906
Cumulative Effect of Other Timing Differences	(108,837)
Total	$ 158,722,803

The difference between book and tax basis distributable earnings is attributable primarily to temporary differences related to mark to market of passive foreign investment companies and partnership book and tax differences.

NOTE 10. OTHER INFORMATION

Rights Offerinman; FONT-SIZE: 10pt">Certificate of deposit 500 500 500 500

Assets for which fair value is disclosed but not required to be recognized in the balance sheet on a recurring basis are summarized below as of March 31, 2013 and December 31, 2012 (in thousands):

		Fair value measurement at reporting date		
Description	As of March 31, 2013	Level 1	Level 2	Level 3
Assets:				
Trade receivables, net	$ 2,162	$ -	$ -	$ 2,162
Certificate of deposit	500	-	-	500

Financing receivables, net	175	-	-	175

Description	As of December 31, 2012	Level 1	Level 2	Level 3
Assets:				
Trade receivables, net	$ 3,383	$ -	$ -	$ 3,383
Certificate of deposit	500	-	-	500
Financing receivables, net	124	-	-	124

The fair value measurement for the contingent consideration is based on significant inputs not observed in the market and thus represents a Level 3 measurement. Level 3 instruments are valued based on unobservable inputs that are supported by little or no market activity and reflect the Company's own assumptions in measuring fair value.

The carrying amount of certificate of deposits approximates fair value, as determined by certificates of deposits with similar terms and conditions. The trade receivables consist primarily of extended payment term agreements and the fair value is computed using a discounted cash flow model using estimated market rates.

Our disclosure of the estimated fair value of our financial instruments is made in accordance with generally accepted accounting guidance. The estimated fair value amounts have been determined using available market information and valuation methodologies we consider to be appropriate. However, considerable judgment is required to interpret market data in order to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts we could realize in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value amounts. The fair value estimates presented herein are based on pertinent information available to management as of March 31, 2013 and December 31, 2012.

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(8) Commitments and Contingencies

Legal Proceedings

From time to time we receive inquiries from federal, state, city and local government officials in the various jurisdictions in which we operate. These inquiries and investigations generally concern compliance with various city, county, state and/or federal regulations involving sales, representations made, customer service, refund policies, and marketing practices. We respond to these inquiries and have generally been successful in addressing the concerns of these persons and entities, without a formal complaint or charge being made, although there is often no formal closing of the inquiry or investigation. There can be no assurance that the ultimate resolution of these or other inquiries and investigations will not have a material adverse effect on our business or operations, or that a formal complaint will not be initiated. We also receive complaints and inquiries in the ordinary course of business from both customers and governmental and non-governmental bodies on behalf of customers, and in some cases these customer complaints have risen to the level of litigation. There can be no assurance that the ultimate resolution of these matters will not have a material adverse effect on our business or results of operations.

On February 8, 2013 the Company received a summons entitled TCU- Canyon Park, a Utah Limited Company, Plaintiff (TCU) v. Crexendo, Inc. a Delaware Corporation F/K/A iMergent, Inc., Defendant. The Suit was filed in the Fourth Judicial District Court of Utah County, Provo Department. The Suit seeks unspecified damages against the company for vacating a lease premises. The suit claims that the Company owes basic monthly rent of $112,454 from November 2012 through October 2013 together with other charges (including C.A.M., late fees, property damages, and interest and attorney fees). The Plaintiff alleges that the Company “quit” the premises in November 2012 and the lease terminates on October 2013.

The Company vacated the premises in November 2012, and alleges it did so due to violations of TCU. The Company had notified TCU that the premises were not habitable and that TCU had violated the Companies rights regarding possession and was therefore vacating the premises.

On February 26, 2013 the Company filed an answer, counterclaim and third party complaint. The action alleged in part that TCU breached its contract with the Company by TCU’s failure to provide continuing quiet use and peaceable enjoyment of the premises and common areas as required by the lease and the conditions of the lease. The Company further alleges in part that TCU failed to state a proper claim for relief, failed to mitigate its damages, failed to perform obligations under the law and the lease. The Company further alleges that the lease term ends four months earlier than is claimed by TCU.

The Company has filed a counter claim/ third party action seeking in part declaratory judgment to determine the end date of the lease. In addition, the Company is seeking Declaratory Relief on Use and Occupancy Restrictions included in the lease as well as TCU’s obligation to mitigate damages.

As of December 31, 2012, the Company has recorded a lease abandonment accrual in the amount of $1,393,042, based on unpaid and remaining contractual payments under the operating lease agreement. On March 29, 2013, the Company entered into a settlement with TCU in the amount of $787,000. As a result, the Company released $606,000 of the lease abandonment accrual during the three months ended March 31, 2013. The release of the lease accrual has been recorded in general and administrative expense.

We have recorded liabilities of approximately $202,000 as of March 31, 2013 and December 31, 2012, respectively, for estimated losses resulting from various legal proceedings in which we are engaged. Attorney’s fees associated with the various legal proceedings are expensed as incurred. We are also subject to various claims and legal proceedings covering matters that arise in the ordinary course of business. We believe that the resolution of these other cases will not have a material adverse effect on our business, financial position, or results of operations.

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(9) Segment Information

Management has chosen to organize the Company around differences based on its products and services. Crexendo Web Services segment generates revenue from managing e-commerce or lead generation offerings, websites, search engine optimization/management and online promotional needs for small, medium, and large businesses. Crexendo Network Services segment generates revenue from selling hosted telecommunication and broadband data services. We believe StoresOnline segment will continue to generate revenue by offering businesses a continuum of services and technology providing tools and training to establish a successful website on the Internet for entrepreneurs and small office/home office (SOHO) customers.

The Company has three operating segments, which consist of StoresOnline, Crexendo Web Services, and Crexendo Network Services. Effective October 1, 2012, the Company changed its reporting segments to reflect the allocation of previously unallocated corporate expenses to each of the three operating segments. The Company revised its segment reporting to reflect changes in how the Chief Operating Decision Maker (CODM) internally measures performance and allocates resources. Segment operating results for the prior year have been revised to conform to current year segment operating results presentation.

Segment revenue and income (loss) before income tax provision was as follows (in thousands):

	Three Months Ended March 31, 2013	2012
Revenue:		
StoresOnline	$ 2,104	$ 4,410
Crexendo Web Services	533	770
Crexendo Network Services	385	75
Consolidated revenue	3,022	5,255
Income (loss) from Operations:		
StoresOnline	1,016	1,662
Crexendo Web Services	(629)	(1,440)
Crexendo Network Services	(1,234)	(948)
Total operating loss	(847)	(726)
Other Income, net:		
StoresOnline	206	762
Crexendo Web Services	3	4
Crexendo Network Services	3	4
Total other income	212	770
Income (loss) before income tax provision		
StoresOnline	1,222	2,424
Crexendo Web Services	(626)	(1,436)
Crexendo Network Services	(1,231)	(944)
Income (loss) before income tax provision	$ (635)	$ 44

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section and other parts of this Form 10-Q contain forward-looking statements that involve risks and uncertainties. Forward-looking statements can be identified by words such as "anticipates," "expects," "believes," "plans," "predicts," and similar terms. Forward-looking statements are not guarantees of future performance and our Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part II, Item 1A, "Risk Factors," which are incorporated herein by reference. The following discussion should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2012 (the "2012 Form 10-K") filed with the SEC and the Condensed Consolidated Financial Statements and notes thereto included in the 2012 Form 10-K and elsewhere in this Form 10-Q. We assume no obligation to revise or update any forward-looking statements for any reason, except as required by law.

OVERVIEW

We are a hosted services company that provides web hosting, hosted telecommunications services, search engine optimization management, link building, e-commerce software, website development, and broadband internet services for businesses and entrepreneurs. Our services are designed to make enterprise-class hosting services available to small and medium-sized businesses at affordable monthly rates. The Company has three operating segments, which consist of StoresOnline, Crexendo Web Services, and Crexendo Network Services.

StoresOnline segment – Our StoresOnline segment serves the small office/ home office (SOHO) business owner and entrepreneur seeking the tools and training to establish a successful website on the Internet. Specifically, StoresOnline services a market segment looking for a "do-it-yourself" option as an alternative to the high cost of contracting an e-commerce or lead generation web developer and, most importantly, an ad agency for website promotion. Both are difficult barriers to many entrepreneurs looking to establish a presence on the Internet.

We have historically sold our StoresOnline products and services through a direct mail seminar format utilizing direct response marketing campaigns. In July 2011, we suspended the sale of our products and services through the direct mail seminar format. Following the suspension the direct mail seminar format, our primary marketing channel for our StoresOnline segment has been through in-house telemarketing, online marketing channels, and direct prospecting.

We generate revenue from the cash collections from our extended payment term agreements (EPTAs), web hosting, and Avail 24/7 services.

Crexendo Web Services segment –We generate professional services revenue primarily from search engine optimization services, link building, paid search management services, conversion rate optimization services, and website design and development. These services are typically billed on a fixed price basis or on a monthly recurring basis with an initial term of six to twelve months.

Crexendo Network Services segment - Our hosted telecommunications services transmit calls using VoIP technology, which converts voice signals into digital data packets for transmission over the Internet. Each of our calling plans provides a number of basic features typically offered by traditional telephone service providers, plus a wide range of enhanced features that we believe offer an attractive value proposition to our customers. This platform enables a user, via a single "identity" or telephone number, to access and utilize services and features regardless of how the user is connected to the Internet, whether it's from a desktop device or a mobile device.

We generate subscription fees from our hosted telecommunications and broadband Internet services. Our hosted telecommunications contracts typically have a 36-60 month term. We generate product revenue and equipment financing revenue from the sale and lease of our hosted telecommunications equipment. Revenues from the sale of equipment, including those from sales-type leases, are recognized at the time of sale or at the inception of the lease, as appropriate.

OUR SERVICES AND PRODUCTS

Our goal is to provide a broad range of cloud-based products and services that nearly eliminate the cost of a businesses' technology infrastructure and enable businesses of any size to more efficiently run their business. By providing a variety of comprehensive and scalable solutions, we are able to provide these solutions on a monthly basis to businesses and entrepreneurs without the need for expensive capital investments, regardless of where their business is in its lifecycle. Our products and services can be categorized in the following offerings:

Web Hosting - Our web hosting services allows businesses and entrepreneurs to host their web-sites in our data center for a monthly fee.

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Hosted Telecommunications Services - Our hosted telecommunications service offering includes hardware and software and unified communication solutions for businesses using VoIP technology over any high-speed internet connection. These services are rendered through a variety of devices and user interfaces such as a Crexendo branded desktop phones, mobile and desktop applications. Some examples of mobile devices are Android cell phones, iPhones, iPads or Android tablets. These services enable our customers to seamlessly communicate with others through phone calls that originate/terminate on our network or PSTN networks. Our hosted telecommunications services are powered by our proprietary implementation of standard Internet, Web and VoIP technologies. Our services also use our complex infrastructure that we build and manage based on industry standard best practices to achieve greater efficiencies and customer satisfaction. Our infrastructure comprises of computing, storage, network technologies, 3rd party products and vendor relationships. We also develop end user portals for account management, license management, billing and customer support and adopt other cloud technologies through our partnerships

Crexendo's hosted telecommunication service offers a wide variety of essential and advanced features for small and medium-size businesses. Many of these features included in the service offering are:

Business Productivity Features such as dial-by extension and name, transfer, conference, call recording, Unlimited calling to anywhere in the US and Canada, International calling, Toll free (Inbound and Outbound)
Individual Productivity Features such as Caller ID, Call Waiting, Last Call Return, Call Recording, Music-On-Hold, Voicemail and Unified Messaging
Group Productivity Features such as Call Park, Call Pickup, Interactive Voice Response (IVR), Individual and Universal Paging, Corporate Directory, Multi-Party Conferencing
Call Center Features such as Automated Call Distribution (ACD), Call Monitor, Whisper and Barge, Automatic Call Recording
Advanced Unified Communication Features such as Find-Me-Follow-Me, Sequential Ring and Simultaneous Ring
Mobile Features such extension dialing, transfer and conference and seamless hand-off from Wifi to/from 3G and 4G, as well as other data services. These features are also available on CrexMo, an intelligent mobile application for iPhones and Android smartphones, as well as iPads and Android tablets.

Many of these services are available and included in our basic offering to our customers for a monthly recurring fee and do not require a capital expense. Some of the advanced features such as Automatic Call Recording and Call Center Features require additional monthly fees. Crexendo continues to invest and develop its technology and SaaS offerings to make them more competitive and profitable.

Search Engine Optimization (SEO) - There are two general aspects to Search Engine Optimization ("SEO"). First, the tactical level, that includes conditioning a website and/or its pages to be relevant and search-engine friendly. Second, we help businesses strategically select keywords and keyword phrases. The popularity of a site plays a role in what keyword phrases a business can compete on versus what keyword phrases might be "out of their league". We focus on the strategic selection of keywords and prioritize keywords that have healthy search volumes and high 'win' capability. Our experience coupled with our software allow us to strategically select the best choices for keyword phrases to target which provide the highest probability of getting high search engine positions and draws maximum traffic to the website. Our SEO packages include a keyword interview, strategic keyword research, baseline ranking report, search engine optimization plan, and comparison ranking report.

Link Building - Link building is a critical component of off-page SEO. To be effective, a link building campaign must be done manually. Search engines can detect links obtained via automated submission. Also, links need to come from many different types of sites, not just one or two. Link building is closely related to search engine optimization, as such; we carefully synchronize all our link building efforts and anchor text with our search engine optimization efforts.

An effective link building effort is labor intensive, with no real shortcuts. We use a broad based approach for link building that follows search engine webmaster guidelines. We use strategies that include, but aren't limited to: Web 2.0 sites, social media and social bookmarking sites, vertical portals, local directories, live directories, and others.

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Paid Search Management - We offer paid search management services, such as management of Google® AdWords™, Yahoo and Microsoft Advertising adCenter™ accounts for our customers.

Modern paid search networks are incredibly sophisticated and require a tremendous amount of experience and expertise to avoid the many potential pitfalls of paid search. We assist customers by taking a conservative approach to paid search management. By using a combination of proprietary automation tools, split test dedicated landing pages, as well as the practiced eye of an expert monitoring our customer accounts on a daily basis, we are able to consistently raise conversion rates and lower the cost of pay-per-click (PPC) acquisition.

Website Design and Development - Using our proprietary software and processes we design and develop websites with "conversion" in mind. The term conversion means different things to different websites. To a lead-generation website, it means getting prospects to submit their contact information so the sales team can contact them. For an e-commerce website, conversion means getting an online customer to complete an order.

Our website design packages range from a semi-custom template based design package to a completely custom design package. We incorporate analytics into every website we build. Proper analytics allow identification of weak spots in the conversion process. Once weak spots are identified, the site can be adjusted to smooth out the process and help turn more prospects into customers.

Once the site is complete, we provide tutorials and tools to allow customers to make changes to their sites as often as necessary without having to pay additional programming fees. Alternatively, customers can elect to have us manage the changes to their websites for an additional fee.

ECONOMIC FACTORS

The tight credit markets in place over the past several years have adversely affected our StoresOnline business as consumers and businesses continued to be limited in their ability to obtain alternate sources of financing. The tight credit markets contributed to our decision to suspend the sale of our products and services through the seminar sales channel. The high unemployment rate has also had a negative impact on our StoresOnline customer base and has historically resulted in high default rates on our accounts receivable. While we have seen our collection rates stabilize and improve over the past several quarters, our default rate on StoresOnline receivables remin high. Since we recognize revenue when the cash is collected on our StoresOnline segment, an improvement in our StoresOnline accounts receivables collection rates will result in additional future revenue, while deterioration in our StoresOnline accounts receivables collection rate will decrease future revenue.

TECHNOLOGY

We believe our proprietary implementation of standard Web, VoIP, Mobile and Internet technologies represent a key component of our business model. We believe these technologies and how we deliver them to our customers distinguish our services and products from the services and products offered by our competitors. Our technology infrastructure and virtual network operation center, all of which is built and managed on industry standard computing, storage, data and platforms offers us greater efficiencies. The synergies between Web and Telecommunication protocols such as TCP/IP, HTTP, XML, SIP and innovations in computing, load balancing, redundancy and high availability of Web and Telecommunications technologies offers us a unique advantage in delivering these services to our customers seamlessly from our data center.

Our web software platform is continuously being enhanced and is an innovative website-building environment. Features and functions of our software include:

during website development, our customers can experience the look and feel of their websites as if they were their own customers. They can shop, navigate, order products, track orders, and more. If they want to change or add more elements, they can edit, rearrange, add, and delete the elements all within a dynamic, point-and-click environment;

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designs that are customized based on the customers' choices and arrangements. Customers can modify the look and feel of the design to complement their services or products. In addition, design modification and arrangement are executed within a streamlined, point-and-click environment;

blogs, online journals, message boards, and forums that are easily integrated into the content of the website. As administrators, the customers have full control in terms of filtering content, allowing images, and other blog, message board, and forum permissions;

customizable forms that address customer-specific needs. By using customized forms, our customers can set up secure, encrypted forms with improved ease to collect sensitive information from their customers. This is especially useful for service-based businesses, as these forms can be used for job, loan, applications, questionnaires, bids, quotes, lead generation, etc.;

advanced out of the box eCommerce features include: shopping cart, ordering rules setup for shipping, sales tax, discount codes, UPS integration, inventory control system, gift certificate and gift card purchasing and redemption, integration with Amazon® Checkout and/or Google® Checkout, Google® Base integration, eBay® auctions integration, shopping cart supporting multiple currencies and price sets, automatic sitemap generation used by search engines, and advanced website product search using filters to quickly narrow down the product offering based on product attributes.

We continue to invest and develop on our Web platform to make it more easy-to-use, enable larger mobile and 3rd party integration features thus enabling our web customers to drive more traffic to their web-sites.

Our Hosted Telecommunications technology is continuously being enhanced with additional features and software functionality. Our current functionality includes:

High-end desktop telephony devices such as Gigabit, PoE, 6 Line Color Phone with 10 programmable buttons and lower end Monochrome 2 Line wall mountable device;

Basic Business Telephony Features such as those offered in a traditional private branch exchange ("PBX") systems like extension dialing, Direct Inward Dialing (DID), Hold/Resume, Music-On-Hold, Call Transfer (Attended and Unattended), Conferencing, Local, Long Distance, Toll-Free and International Dialing, Voicemail, Auto-Attendant and traditional faxing;

Advanced telephony features such as Call Park, Call Pickup, Paging(through the phones), Overhead paging, Call Recording;

Call Center Functionality such as Agent Log In/Log Out, Whisper, Barge and Call center reporting;

Unified Communications features like Simultaneous Ring, Sequential Ring, Status based Routing (Find-Me-Follow-Me), 10-party instant conference, and Mobile application (CrexMo);

Crexendo Mobile Application (CrexMo), which allows users to place and receive extension calls using Crexendo's network, transfer and conference other users right from their mobile phone as if they were in the office. It also provided users instant access to visual voicemail and call logs;

End User Portal and Unified Messaging with Voicemail, Call Recording and eFax inbox.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our financial statements, we make estimates, assumptions and judgments that can have a significant impact on our revenue, operating income or loss and net income or loss, as well as on the value of certain assets and liabilities on our balance sheet. We believe that the estimates, assumptions and judgments involved in our accounting policies described in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2012 have the greatest potential impact on our financial statements, so we consider them to be our critical accounting policies and estimates. On April 1, 2012, the Company began entering into rental transactions for hosted telecommunication equipment that it accounted for under its critical accounting policies as Lease Sales and began recording Equipment Financing Receivables. Our senior management has reviewed the development and selection of our critical accounting policies and estimates and their disclosure in this Form 10-Q with the Audit Committee of our Board of Directors.

RESULTS OF OPERATIONS

The following discussion of financial condition and results of operations should be read in conjunction with our consolidated financial statements and notes thereto and other financial information included elsewhere in this Form 10-Q.

Results of Consolidated Operations (in thousands):

	Three Months Ended March 31, 2013	2012
Revenue	$ 3,022	$ 5,255
Income (loss) before income taxes	(635)	44
Income tax benefit (provision)	237	153
Net income (loss)	(398)	197
Basic net income (loss) per share	$ (0.04)	$ 0.02
Diluted net income (loss) per share	$ (0.04)	$ 0.02

Three months ended March 31, 2013 compared to three months ended March 31, 2012

Revenue

Total revenue decreased 42% or $2,233,000, to $3,022,000 for the three months ended March 31, 2013 as compared to $5,255,000 for the three months ended March 31, 2012. StoresOnline segment revenue decreased 52% or $2,306,000, to $2,104,000 for the three months ended March 31, 2013, as compared to $4,410,000 for the three months ended March 31, 2012. Crexendo Web Services segment revenue decreased 31% or $237,000, to $533,000 for the three months ended March 31, 2013 as compared to $770,000 for the three months ended March 31, 2012. The decrease was offset by an increase in revenue from Network Services. Crexendo Network Services segment revenue increased 413% or $310,000, to $385,000 for the three months ended March 31, 2013 as compared to $75,000 for the three months ended March 31, 2012.

Loss Before Income Taxes

Loss before income tax increased $679,000, to $635,000 for the three months ended March 31, 2013 as compared to income of $44,000 for the three months ended March 31, 2012. Revenue decreased 42% or $2,233,000, to $3,022,000 for the three months ended March 31, 2013 as compared to $5,255,000 for the three months ending March 31, 2012.2. Total operating expenses decreased 35% or $2,112,000, to $3,869,000 for the three months ended March 31, 2013 as compared to $5,981,000 for the three months ended March 31, 2012.

Income Tax Provision

Our effective tax rate for the three months ended March 31, 2013 and 2012 was 37.4% and 348%, respectively, which resulted in a benefit for income taxes of $237,000 and $153,000, respectively.

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Segment Operating Results

The Company has three operating segments, which consist of StoresOnline, Crexendo Web Services, and Crexendo Network Services. Effective October 1, 2012, the Company changed its reporting segments to reflect the allocation of previously unallocated corporate expenses to each of the three operating segments. The Company revised its segment reporting to reflect changes in how the Chief Operating Decision Maker (CODM) internally measures performance and allocates resources. Segment operating results for the quarter ended March 31, 2012 have been modified to conform to current quarter segment operating results presentations. The information below is organized in accordance with our three reportable segments. Segment operating income (loss) is equal to segment net revenue less segment cost of revenue, sales and marketing, and general and administrative expenses.

Operating Results of StoresOnline (in thousands):

	Three Months Ended March 31, 2013	2012
StoresOnline		
Revenue	$ 2,104	$ 4,410
Operating expenses:		
Cost of revenue	205	653
Research and Development	190	144
Selling and marketing	12	101
General and administrative	681	1,850
Operating income	1,016	1,662
Other income	206	762
Income before taxes	$ 1,222	$ 2,424

Three months ended March 31, 2013 compared to three months ended March 31, 2012

Revenue

StoresOnline segment revenue decreased 52% or $2,306,000, to $2,104,000 for the three months ended March 31, 2013 as compared to $4,410,000 for the three months ended March 31, 2012.

Following our decision to suspend our direct mail seminar sales in July 2011, revenue from our StoresOnline segment has been generated primarily through principal amounts collected on historical sales of StoresOnline products and services sold through EPTAs. Fees for our StoresOnline products and services sold under EPTAs are recognized as revenue as cash payments are received from the customer and not at the time of sale.

Revenue related to cash collected under EPTA agreements decreased 55% or $1,725,000, to $1,395,000 for the three months ended March 31, 2013 as compared to $3,120,000 for the three months ended March 31, 2012. Our typical EPTA agreement has a term of two to three years. As such, while we no longer plan to offer EPTAs to our customers as a result of the suspension of our direct mail seminar sales, we will continue to recognize revenue from those EPTA contracts executed prior to July 2011 as cash is collected from those contracts. EPTAs were originally recognized in our balance sheet, net of an allowance for doubtful accounts, through our deferred revenue balance. The remaining deferred revenue balance is expected to be recognized as revenue, however, at a decreasing rate over the next year to eighteen months. The following table summarizes the activity within deferred revenue for the three months ended March 31, 2013 and 2012 (in thousands):

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StoresOnline deferred revenue as of January 1, 2013	$3,173
Cash collected on principal of EPTA contracts	(1,395)
Adjustments of EPTA deferred revenue	2
StoresOnline deferred revenue as of March 31, 2013	$1,780
StoresOnline deferred revenue as of January 1, 2012	$15,196
Cash collected on principal of EPTA contracts	(3,120)
Less writeoffs	(38)
StoresOnline deferred revenue as of March 31, 2012	$12,038

Due to the suspension of our direct mail seminar sales channel in July 2011, we had no cash sales of StoresOnline Software licenses ("SOS licenses") or other products at events during the three months ended March 31, 2013 and March 31, 2012. Hosting revenue decreased 26% or $221,000, to $639,000 for the three months ended March 31, 2013 as compared to $860,000 for the three months ended March 31, 2012. The decrease in hosting revenue was primarily due to attrition in the StoresOnline customer base since July 2011, primarily as a result of the suspension of the direct mail seminar sales channel.

Commissions from third parties and other revenue decreased 78% or $252,000, to $70,000 for the three months ended March 31, 2013 as compared to $322,000 for the three months ended March 31, 2012. The decrease in commissions was primarily due to the suspension our direct mail seminar sales channel. As a result of this decision, we no longer send leads to third parties, and as such, we do not expect this revenue source to be significant in the future.

Cost of Revenue

Cost of revenue consists primarily of the cost to conduct internet training workshops, credit card fees, the cost of products sold, as well as customer support costs. Cost of revenue decreased 69% or $448,000, to $205,000 for the three months ended March 31, 2013 as compared to $653,000 for the three months ended March 31, 2012. The decrease in cost of revenue was primarily due to suspension of our direct mail seminar sales channel in July 2011, as such, we are no longer generating revenue from products sold to new internet training workshop customers. The cost of revenue for the three months ended March 31, 2013 primarily related to customer services costs and credit card fees.

Research and Development

Research and development expenses consist primarily of salaries and benefits which are attributable to the development of our StoresOnline products. Research and development expenses increased 32% or $46,000, to $190,000 for the three months ended March 31, 2013 as compared to $144,000 for the three months ended March 31, 2012. The increase was primarily due to salaries and expenses related to the continued development of our Web Builder.

Selling and Marketing

Selling and marketing expenses consist of salaries and related expenses for sales and marketing activities associated with our inside sales group. Selling and marketing expenses decreased 88% or $89,000, to $12,000 for the three months ended March 31, 2013 as compared to $101,000 for the three months ended March 31, 2012. The decrease was primarily related to the suspension of our direct mail sales seminars in July 2011, as such, we no longer incur the selling expenses associated with StoresOnline products.

General and Administrative

General and administrative expenses consist of salaries and related expenses for executives, administrative personnel, legal, rent, accounting and other professionals, finance company service fees, and other general corporate expenses. General and administrative expenses decreased 63% or $1,169,000, to $681,000 for the three months ended March 31, 2013 as compared to $1,850,000 for the three months ended March 31, 2012. The decrease was primarily due to a reduction in salaries and related expenses of $164,000, accounting fees of $134,000, servicing fees for our EPTA contracts of $133,000, and allocated corporate expenses of $683,000.

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Other Income

Other income primarily relates to interest earned on EPTAs, which generally carry an 18% simple interest rate. Other income decreased 73% or $556,000, to $206,000 for the three months ended March 31, 2013 as compared to $762,000 for the three months ended March 31, 2012. The decrease primarily relates to the decrease in the outstanding EPTA balance to $1,780,000 as of March 31, 2013 compared to $12,038,000 at March 31, 2012.

Operating Results of Crexendo Web Services segment (in thousands):

	Three Months Ended March 31, 2013	2012
Crexendo Web Services		
Revenue	$ 533	$ 770
Operating Expenses:		
Cost of revenue	389	517
Research and Development	-	146
Selling and marketing	374	541
General and administrative	399	1,006
Operating loss	(629)	(1,440)
Other income	3	4
Loss before taxes	$ (626)	$ (1,436)

Three months ended March 31, 2013 compared to three months ended March 31, 2012

Revenue

Crexendo Web Services segment revenue decreased 31% or $237,000, to $533,000 for the three months ended March 31, 2013 as compared to $770,000 for the three months ended March 31, 2012. The decrease in revenue is primarily related to a reduction in sales effort during the second and third quarters of 2012 as the direct sales representatives were actively training on and selling the new Network Services offerings which the Company began selling in January 2012. During 2012, our backlog dropped to its lowest level to $904,000 as of September 30, 2012. As of March 31, 2013, the Company has increased the backlog to 1,329,000 from new contracts. Revenue from Crexendo Web Services segment is generated primarily through on-page and off-page Search Engine Optimization (“SEO”) services, search engine management services, conversion rate optimization services, and website design and development services. A substantial portion of Crexendo Web Services segment’s revenue is generated through three to twelve-month service contracts.

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Below is a table which displays the Crexendo Web Services segment revenue backlog as of January 1, 2012 and 2013, and March 31, 2012 and 2013, which is expected to be recognized as revenue within the next twelve months (in thousands):

Crexendo Web Services backlog as of January 1, 2013	$1,135
Crexendo Web Services backlog as of March 31, 2013	$1,329
Crexendo Web Services backlog as of January 1, 2012	$1,142
Crexendo Web Services backlog as of March 31, 2012	$1,212

Cost of Revenue

Cost of revenue consists primarily of salaries and related expenses related to fulfillment of our web services. Cost of revenue decreased 25% or $128,000, to $389,000 for the three months ended March 31, 2013 as compared to $517,000 for the three months ended March 31, 2012. The decrease is primarily related to the reduction in employee salaries and benefits associated with the fulfillment of service for the Crexendo Web Services segment.

Research and Development

Research and development expenses decreased 100% or $146,000, to $0 for the three months ended March 31, 2013 as compared to $146,000 for the three months ended March 31, 2012. The decrease was due to no product development during the quarter. We do not anticipate incurring additional research and development expenses for our Web Services segment going forward.

Selling and Marketing

Selling and marketing expenses consist primarily of salaries and benefits, as well as advertising expenses. Selling and marketing expense decreased 31% or $167,000, to $374,000 for the three months ended March 31, 2013 as compared to $541,000 for the three months ended March 31, 2012. This decrease was primarily attributable to the decrease in our direct sales representatives, from 21 representatives at March 31, 2012 to 18 representatives as of March 31, 2013, and a decrease in our marketing expenses.

General and Administrative

General and administrative expenses consist of salaries and related expenses for executives, administrative personnel, legal, rent, accounting and other professional services, and other general corporate expenses. General and administrative expenses decreased 60% or $607,000, to $399,000 for the three months ended March 31, 2013 as compared to $1,006,000 for the three months ended March 31, 2012. The decrease in general and administrative expenses is primarily due to a decrease in the office space rent due to the abandonment of an operating lease in Orem, UT during the fourth quarter of 2012, and the release of an lease abandonment accrual (Note 8). In addition, less of an allocation of corporate general and administrative expenses due to the 31% reduction in revenue for the three months ended March 31, 2013 compared to the three months ended March 31, 2012.

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Operating Results of our Crexendo Network Services segment Division (in thousands):

	Three Months Ended March 31, 2013	2012
Crexendo Network Services		
Revenue	$ 385	$ 75
Operating expenses:		
Cost of revenue	448	251
Research and development	291	304
Selling and marketing	522	291
General and administrative	358	177
Operating loss	(1,234)	(948)
Other Income	3	4
Loss before taxes	$ (1,231)	$ (944)

Three months ended March 31, 2013 compared to Three months ended March 31, 2012

Revenue

Crexendo Network Services segment revenue increased 413% or $310,000, to $385,000 for the three months ended March 31, 2013 as compared to $75,000 for the three months ended March 31, 2012. We began selling our network services products through a limited launch during the first half of 2011 with no dedicated sales representatives. A substantial portion of Crexendo Network Services segment revenue is generated through twenty-four to sixty month service contracts. As such, we believe growth in Crexendo Network Services segment will initially be seen through increases in our backlog. Backlog represents contracts signed with no service or payment provided at March 31, 2013 and 2012.

Below is a table which displays the Crexendo Network Services segment revenue backlog as of January 1, 2012 and 2013, and March 31, 2012 and 2013, which we expect to recognize as revenue within the next twenty-four to thirty-six months (in thousands):

Crexendo Network Services backlog as of January 1, 2013	$2,374
Crexendo Network Services backlog as of March 31, 2013	$3,451
Crexendo Network Services backlog as of January 1, 2012	$155
Crexendo Network Services backlog as of March 31, 2012	$965

Cost of Revenue

Cost of revenue consists primarily of product cost and customer support department salaries of our hosted telecommunication services. Cost of revenue increased 78% or $197,000, to $448,000 for the three months ended March 31, 2013 as compared to $251,000 for the three months ended March 31, 2012. The increase in cost of revenue was primarily due to an increase in product cost of $77,000 and customer support costs of $56,000, as we continue to increase personnel to fulfill our increasing hosted telecommunications services orders, and an increase in bandwidth costs of $42,000 and other cost of revenue of $22,000.

Research and Development

Research and development expenses consist primarily of salaries and benefits which are attributable to the development of our new hosted telecommunications products. Research and development expenses decreased 4% or $13,000, to $291,000 for the three months ended March 31, 2013 as compared to $304,000 for the three months ended March 31, 2012.

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Selling and Marketing

Selling and marketing expenses consist primarily of salaries and benefits, as well as advertising expenses. Selling and marketing expenses increased 79% or $231,000, to $522,000 for the three months ended March 31, 2013 as compared to $291,000 for the three months ended March 31, 2012. The increase in selling and marketing expenses was primarily due to the increase in the allocation of direct sales representative salaries and benefits expense as a result of increased revenue, and commissions related to Network services segment sales.

General and Administrative

General and administrative expenses consist primarily of payroll and related expenses for executives, administrative personnel, legal, rent, accounting and other professional services, and other general corporate expenses. General and administrative expenses increased 102% or $181,000, to $358,000 for the three months ended March 31, 2013 as compared to $177,000 for the three months ended March 31, 2012. The increase in general and administrative expenses for the three months ended March 31, 2013 primarily consisted of additional salaries and benefits, of $113,000, additional allocation of stock option expense of $33,000, corporate accounting service of $20,000, and other previously unallocated corporate expenses of $35,000, offset by a decrease of $24,000 in other professional services.

Liquidity and Capital Resources

In July 2011, we announced the suspension of our direct mail seminar sales channel in our StoresOnline segment. Accordingly, we have shifted our focus toward growing our Crexendo Web Services and Network Services segments. As a result, the Company has transformed into a start-up company with the inherent risks and uncertainties of funding operations until profitability is achieved. Due to changes in our business model and the rapidly evolving nature of our business and the markets we serve, we believe period-to-period comparisons of our operating results, including operating expenses as a percentage of revenue and cash flows, are not necessarily meaningful and should not be relied upon as an indication of future performance. We currently plan to fund our growth during the next twelve months using our cash and cash equivalents of $5,565,000, the collection of remaining accounts receivable from our former StoresOnline business, and restricted cash expected to be released from restriction. In addition, in March 2013, the Company received a letter from the CEO, and majority shareholder, that if there is a shortfall in cash, that the CEO would provide additional financial support if necessary up to $2.0 million. The Company believes that it has sufficient funds to sustain its operations during the next 12 months. Beyond the next twelve months, the Company's forecast indicates that given current trends and growth projections, the Company may need to raise additional capital. There can be no assurances that such additional capital, if needed, would be available on acceptable terms or at all, which would adversely affect our Company's ability to achieve our business objectives. In addition, if our future operating performance during the next twelve months is below our expectations, our liquidity and ability to operate our business could be adversely affected unless the Company were able to raise additional capital during that period to offset the shortfall in performance.

Working Capital

Working capital increased 1% or $50,000, to $6,360,000 for the three months ended March 31, 2013 as compared to $6,310,000 for the year ended December 31, 2012. Working capital, excluding deferred revenue, decreased 12% or $1,081,000, to $8,281,000 as of March 31, 2013 as compared to $9,362,000 as of December 31, 2012. Deferred revenue balances represent historical contract sales for which we cannot immediately recognize revenue. We currently anticipate that the costs and expenses we will incur as these deferred revenue amounts are recognized as revenue will be insignificant. Consequently, we do not consider deferred revenue to be a factor that impacts our future cash requirements. The decrease in working capital excluding deferred revenue is primarily attributable to the decrease in our StoreOnline segment EPTA accounts receivable as those accounts are collected.

Cash and Cash Equivalents

Cash and cash equivalents decreased 25% or $1,875,000, to $5,565,000 at March 31, 2013 as compared to $7,440,000 as of December 31, 2012. During the three months ended March 31, 2013, we used $1,818,000 in cash for operating activities, we used $54,000 for investing activities, and used $3,000 for financing activities.

Trade Receivables

Current and long-term trade receivables, net of allowance for doubtful accounts, decreased 36% or $1,242,000, to $2,196,000 at March 31, 2013 as compared to $3,438,000 at December 31, 2012. Long-term trade receivables, net of allowance for doubtful accounts, decreased 34% or $136,000, to $259,000 at March 31, 2013 as compared to $395,000 at December 31, 2012. We offer our customers a contract with payment terms between 24 and 36 months, as one of several payment options. The payments that become due more than 12 months after the end of the fiscal period are classified as long-term trade receivables. The decrease in our accounts receivable balance at March 31, 2013 is primarily related to cash collections of EPTA agreements of $1,395,000 for the three month period ended March 31, 2013.

Accounts Payable

Accounts payable decreased 28% or $116,000, to $302,000 at March 31, 2013 as compared to $418,000 at December 31, 2012. Our accounts payable as of March 31, 2013 were generally within our vendors' terms of payment.

Capital

Total stockholders' equity decreased 2% or $165,000, to $10,127,000 at March 31, 2013 as compared to $10,292,000 at December 31, 2012. The significant changes in stockholders' equity during the first three months of fiscal year 2013 included an increase of additional paid-in capital of $230,000 for options granted and $3,000 in proceeds from stock option exercises. In addition, we had a net loss of $398,000 for the three month period ending March 31, 2013. On October 24, 2012, we announced the suspension of the quarterly dividend program.

Off Balance Sheet Arrangements

As of March 31, 2013, we are not involved in any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Impact of Recent Accounting Pronouncements

Not Applicable

Forward-Looking Statements and Factors That May Affect Future Results and Financial Condition

With the exception of historical facts, the statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which reflect our current expectations and beliefs regarding our future results of operations, performance and achievements. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may or may not materialize. These forward-looking statements include, but are not limited to, statements concerning:

our belief that our target market will increasingly look to Internet solutions providers who leverage industry and customer practices, increase predictability of success of their Internet initiatives and decrease implementation risks by providing low-cost, scalable solutions with minimal lead time;

our belief that we can compete successfully by relying on our infrastructure and marketing strategies as well as techniques, systems and procedures, and by adding additional products and services in the future;

our belief that we can continue our success by periodic review and revision of our methods of doing business and by continuing our expansion into domestic and international markets;

our belief that a key component of our success comes from a number of new, recently developed proprietary technologies and that these technologies and advances distinguish our services and products from our competitors and further help to substantially reduce our operating costs and expenses;

our contention that we do not offer our customers a “business opportunity” or a “franchise” as those terms are defined in applicable statutes of the states in which we operate;

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our belief that there is a large, fragmented and under-served population of small businesses and entrepreneurs searching for professional services firms that offer business-to-consumer e-commerce solutions coupled with support and continuing education;

our expectation that our offering of products and services will evolve as some products are replaced by new and enhanced products intended to help our customers achieve success with their Internet-related businesses; and

our expectation that the costs and expenses we incur will be insignificant as deferred revenue amounts are recognized as product and other revenues when cash is collected.

We caution readers that our operating results are subject to various risks and uncertainties that could cause our actual results and outcomes to differ materially from those discussed or anticipated, including changes in economic conditions and internet technologies, interest rate fluctuations, and the factors set forth in the section entitled, "Risk Factors," under Part I, Item 1A of the 2012 Form 10-K. We also advise readers not to place any undue reliance on the forward-looking statements contained in this Form 10-Q, which reflect our beliefs and expectations only as of the date of this Report. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances or any changes in our beliefs or expectations, other than as required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Report, have concluded that, based on the evaluation of these controls and procedures, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEMLEGAL PROCEEDINGS
1.

On February 8, 2013 the Company received a summons entitled TCU- Canyon Park, a Utah Limited Company, Plaintiff (TCU)v Crexendo, Inc. a Delaware Corporation F/K/A Imergent, Inc., Defendant. The Suit was filed in the Fourth Judicial District Court of Utah County, Provo Department. The Suit was seeking damages against the company in excess of $1,400,000 for vacating the lease premises. The suit claimed that the Company owed basic monthly rent of $112,454.41 from November 2012 through October 2013 together with other charges (including C.A.M., late fees, property damages, and interest and attorney fees). The Plaintiff alleged that the Company "quit" the premises in November 2012 and the lease terminates in October 2013.

The Company vacated the premises in November 2012, and alleges it did so due to violations of TCU. The Company had notified TCU that the premises were not habitable and that TCU had violated the Companies rights regarding possession and was therefore vacating the premises.

On February 26, 2013 the Company filed an answer, counterclaim and third party complaint. The action alleged in part that TCU breached its contract with the Company by TCU's failure to provide continuing quiet use and peaceable enjoyment of the premises and common areas as required by the lease and the conditions of the lease. The Company further alleges in part that TCU failed to state a proper claim for relief, failed to mitigate its damages, failed to perform obligations under the law and the lease. The Company further alleges that the lease term ends four months earlier than is claimed by TCU.

The Company had filed a counter claim/ third party action seeking in part declaratory judgment to determine the end date of the lease. In addition the Company was seeking Declaratory Relief on Use and Occupancy Restrictions included in the lease as well as TCU's obligation to mitigate damages.

After the filing of the Counter Claim the Company made a formal offer of Judgment for an amount it believed to be a reasonable settlement taking into accounts the off-sets the Company believed it was owed, together with the costs and complexities of the action. The Plaintiff originally indicated they would not accept the offer however the Company refused to raise the offer amount. On March 18, 2013 the Plaintiff agreed to accept be $787,092.87, which has been paid. The case has been dismissed with Prejudice, and the Company has received a complete release.

ITEMRISK FACTORS
1A.

There are many risk factors that may affect our business and the results of our operations, many of which are beyond our control. Information on certain risks that we believe are material to our business is set forth in "Part I – Item 1A. Risk Factors" of the 2012 Form 10-K.

ITEMUNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
2.

We have a share purchase program that authorizes us to purchase outstanding shares of our common stock. The aggregate dollar amount originally authorized in September 2006 for purchase was $20,000,000 through September 2009. In September 2007, our Board of Directors authorized the purchase of an additional $50,000,000 of our common stock through September 2012. We had no share purchases during the three months ended March 31, 2013 and the share purchase program was not renewed.

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ITEM 6. EXHIBITS

Exhibits

31.1	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities and Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities and Exchange Act of 1934, as amended
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

101.INS*	XBRL INSTANCE DOCUMENT
101.SCH*	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
101.CAL*	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE DOCUMENT
101.DEF*	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE DOCUMENT
101.LAB*	XBRL TAXONOMY EXTENSION LABEL LINKBASE DOCUMENT
101.PRE*	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT

* In accordance with Rule 406T of Regulation S-T, these XBRL (eXtensible Business Reporting Language) documents are furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Crexendo, Inc.

May 15, 2013	By:	/s/ Steven G. Mihaylo Steven G. Mihaylo Chief Executive Officer
May 15, 2013	By:	/s/ Ronald Vincent Ronald Vincent Chief Financial Officer