

NATIONAL INSTRUMENTS CORP  
Form DEF 14A  
March 30, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

**(RULE 14a-101)**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**National Instruments Corporation**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**NATIONAL INSTRUMENTS CORPORATION**

**Notice of 2017 Annual Meeting of Stockholders**

- Date and Time:** Tuesday, May 9, 2017  
9:00 A.M., local time
- Place:** NI s principal executive offices  
11500 North Mopac Expressway, Building C  
Austin, Texas 78759
- Business:**
1. To elect each of Jeffrey L. Kodosky, Michael E. McGrath, and Alexander M. Davern to the Board of Directors for a term of three years.
  2. To increase the number of shares reserved under NI s 1994 Employee Stock Purchase Plan by 3,000,000 shares.
  3. To ratify the appointment of Ernst & Young LLP as NI s independent registered public accounting firm for the fiscal year ending December 31, 2017.
  4. To consider and approve an advisory (non-binding) proposal concerning our executive compensation program.
  5. To consider and approve an advisory (non-binding) proposal concerning the frequency of stockholder votes on our executive compensation program.
  6. To transact such other business as may properly come before the meeting or any adjournment thereof.
- Record Date:** Only stockholders of record at the close of business on March 10, 2017, are entitled to receive notice of and to vote at the meeting.
- Voting By Proxy:** All stockholders are cordially invited to attend the Annual Meeting in person. However, whether or not you plan to attend the Annual Meeting, we hope that you will vote as soon as possible. You may vote on the Internet or by telephone by following the instructions provided in the Notice of Internet Availability of Proxy Materials you received in the mail. If you received a paper copy of a proxy card by mail in response to your request for a hard copy of the proxy materials for the Annual Meeting, you may also vote by Internet, telephone, or by completing, signing and dating your proxy card and mailing it in the postage-prepaid envelope enclosed for that purpose, in each case by following the instructions on the proxy card. Voting over the Internet, by telephone or by written proxy will ensure your representation at the Annual Meeting, if you do not attend in person. For specific instructions on how to vote your shares, please review the instructions on the Notice of Internet Availability of Proxy Materials you received in the mail or the proxy card if you received a paper copy of the proxy materials.

Stockholders attending the Annual Meeting may vote in person even if they have submitted a proxy. However, if you have submitted a proxy and wish to vote at the Annual Meeting, you must notify the inspector of elections of your intention to revoke the proxy you previously submitted and instead vote in person at the Annual Meeting. If your shares are held in the name of a broker, trustee, bank or other nominee, please bring a proxy from the broker, trustee, bank or other nominee with you to confirm you are entitled to vote the shares.

Sincerely,

/s/ David G. Hugley

Vice President, General Counsel, Secretary

March 30, 2017

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**NATIONAL INSTRUMENTS CORPORATION**

**PROXY STATEMENT**

**INFORMATION CONCERNING SOLICITATION AND VOTING**

**General**

The Board of Directors (the **Board**) of National Instruments Corporation, a Delaware corporation ( **NI** ), has made proxy materials available to you on the Internet or, upon your request, has delivered printed versions of proxy materials to you by mail, in connection with the Board's solicitation of proxies for use at NI's 2017 Annual Meeting of Stockholders (the **Annual Meeting**) to be held on May 9, 2017, at 9:00 a.m., local time, or at any adjournments or postponements thereof, for the purposes set forth in this Proxy Statement and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at NI's principal executive offices at 11500 North Mopac Expressway, Building C, Austin, Texas 78759. NI's telephone number is (512) 338-9119.

Under rules adopted by the U.S. Securities and Exchange Commission (the **SEC**), NI is now furnishing proxy materials to NI's stockholders on the Internet, rather than mailing printed copies of those materials to each stockholder. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials unless you request one. Instead, the Notice of Internet Availability of Proxy Materials will instruct you as to how you may access and review the proxy materials on the Internet. If you received a Notice of Internet Availability of Proxy Materials by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials. We anticipate that the Notice of Internet Availability of Proxy Materials will be mailed to stockholders on or about March 30, 2017.

**Householding of Annual Meeting Materials**

Some brokers and other nominee record holders may be participating in the practice of **householding** notices of Internet availability of proxy materials, proxy statements and annual reports. This means that only one (1) copy of the Notice of Internet Availability of Proxy Materials may have been sent to multiple stockholders living in the same household. We will promptly deliver a separate copy of the Notice of Internet Availability of Proxy Materials and, as applicable, any additional proxy materials to any stockholder who contacts our investor relations department at 11500 North Mopac Expressway, Austin, Texas 78759-3504, (512) 683-5090, requesting such copies. If stockholders living in the same household are receiving multiple copies of the Notice of Internet Availability of Proxy Materials or the printed versions of such other proxy materials and would like to receive a single copy of these documents in the future, the stockholders should contact their broker, other nominee record holder, or our investor relations department to request mailing of a single copy of any of these documents.

**Record Date; Outstanding Shares**

Stockholders of record at the close of business on March 10, 2017 (the **Record Date**) are entitled to receive notice of and vote at the Annual Meeting. On the Record Date, 129,593,771 shares of NI's common stock, \$0.01 par value, were issued and outstanding.

**Voting and Solicitation**

Every stockholder of record on the Record Date is entitled, for each share held, to one vote on each proposal that comes before the Annual Meeting. In the election of directors in Proposal One, each stockholder will be entitled to



vote for three nominees and the three nominees with the greatest number of votes will be elected. However, any nominee for director in an uncontested election who receives a greater number of votes withheld from his or her election than votes for such election shall promptly

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tender his or her resignation following certification of the stockholder vote. See Proposal One: Election of Directors Vote Required; Recommendation of Board of Directors for additional information on these guidelines.

The affirmative vote of the holders of a majority of the votes cast on the proposal at the Annual Meeting will be required to approve Proposals Two, Three, Four, and Five.

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may vote on the Internet, by telephone or, if you received a paper copy of the proxy materials, by completing, signing and mailing the proxy card enclosed therewith in the postage-prepaid envelope provided for that purpose. Voting over the Internet, by telephone or by written proxy will ensure your representation at the Annual Meeting, if you do not attend in person. For specific instructions on how to vote your shares, please review the instructions on the Notice of Internet Availability of Proxy Materials you received in the mail or the proxy card if you received a paper copy of the proxy materials.

The cost of this solicitation will be borne by NI. NI may reimburse expenses incurred by brokerage firms and other persons representing beneficial owners of shares in forwarding solicitation materials to beneficial owners. Proxies may be solicited by certain of NI's directors, officers and other employees, without additional compensation, personally, by telephone or by email.

## **Treatment of Abstentions and Broker Non-Votes**

Abstentions will be counted for purposes of determining (i) either the presence or absence of a quorum for the transaction of business and (ii) the total number of votes cast with respect to a proposal (other than the election of directors). Accordingly, abstentions will have no effect on the election of directors in Proposal One, and abstentions will have the same effect as a vote against Proposals Two, Three, Four or Five.

While broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business, broker non-votes will not be counted for purposes of determining the number of votes cast with respect to the particular proposal on which the broker has expressly not voted. Thus, broker non-votes will not affect the outcome of the voting on Proposals One, Two, Three, Four or Five.

A broker will vote your shares only if the proposal is a matter on which your broker has discretion to vote (such as the ratification of our independent registered public accounting firm in Proposal Three), or if you provide instructions on how to vote by following the instructions provided to you by your broker.

## **Revocability of Proxies**

Proxies given pursuant to this solicitation may be revoked at any time before they have been used. You may change or revoke your proxy by entering a new vote by Internet or by telephone or by delivering a written notice of revocation to the Secretary of NI or by completing a new proxy card bearing a later date (which automatically revokes the earlier proxy instructions). Attendance at the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically so request by notifying the inspector of elections of your intention to revoke your proxy and vote in person at the Annual Meeting.

## **DEADLINE FOR RECEIPT OF STOCKHOLDER PROPOSALS**

Stockholders of NI may submit proper proposals for inclusion in NI's Proxy Statement and for consideration at the annual meeting of stockholders to be held in 2018 by submitting their proposals in writing to the Secretary of NI in a

timely manner. In order to be considered for inclusion in NI's proxy

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materials for the annual meeting of stockholders to be held in 2018, stockholder proposals must be received by the Secretary of NI no later than November 30, 2017, and must otherwise comply with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the Exchange Act ).

In addition, NI s bylaws establish an advance notice procedure with regard to business to be brought before an annual meeting, including stockholder proposals not included in NI s Proxy Statement. For director nominations or other business to be properly brought before NI s 2018 annual meeting by a stockholder, such stockholder must deliver written notice to the Secretary of NI at NI s principal executive office no later than January 29, 2018 and no earlier than December 30, 2017. If the date of NI s 2018 annual meeting is advanced or delayed by more than 30 calendar days from the first anniversary date of the 2017 Annual Meeting, your notice of a proposal will be timely if it is received by NI by the close of business on the later of (i) the 90th day prior to the 2018 annual meeting and (ii) the 10th day following the day NI first publicly announces the date of the 2018 annual meeting.

The proxy grants the proxy holders discretionary authority to vote on any matter raised at the Annual Meeting. If a stockholder fails to comply with the foregoing notice provisions, proxy holders will be allowed to use their discretionary voting authority on such matter should the stockholder proposal come before the 2018 annual meeting.

A copy of the full text of the bylaw provisions governing the notice requirements set forth above may be obtained by writing to the Secretary of NI. All notices of proposals and director nominations by stockholders should be sent to National Instruments Corporation, 11500 North Mopac Expressway, Building C, Austin, Texas 78759, Attention: Corporate Secretary.

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**PROPOSAL ONE: ELECTION OF DIRECTORS**

**General**

NI's Board of Directors is divided into three classes, with the term of the office of one class expiring each year. On January 25, 2017, the Board of Directors approved an increase in the size of the Board by one director, from eight to nine directors and appointed Alexander M. Davern to fill the resulting vacancy as a Class I director. The authorized number of directors which constitutes the entire Board of Directors is currently nine, with three directors in Class I, three directors in Class II, and three directors in Class III.

The terms of office of Class II directors Mr. Jeffrey L. Kodosky, Dr. Donald M. Carlton, and Mr. Michael E. McGrath will expire at the Annual Meeting. On January 20, 2017, Dr. Carlton informed the Board that he will not stand for re-election as a director at the Annual Meeting. There was no disagreement or dispute between Dr. Carlton and NI that led to his decision not to stand for re-election. Upon the completion of Dr. Carlton's current term as a director, the Board intends to reduce the size of the Board to eight members. NI's Board of Directors has nominated Jeffrey L. Kodosky, Michael E. McGrath, and Alexander M. Davern for election at the Annual Meeting as Class II directors to serve for a term of three years. In connection with the Annual Meeting, Mr. Davern will resign as a Class I director immediately prior to the Annual Meeting and, if elected at the Annual Meeting, Mr. Davern will serve as a Class II director. The terms of office of Class III directors Ms. Duy-Loan T. Le, Mr. Charles J. Roesslein and Dr. Gerhard Fettweis will expire at the 2018 annual meeting. The terms of office of Class I directors Dr. James J. Truchard and Mr. John M. Berra will expire at the 2019 annual meeting.

Under the listing requirements of the Nasdaq Stock Market (Nasdaq), a majority of the Board of Directors must be comprised of independent directors. The Board of Directors has determined that each of Mr. Berra, Ms. Le, Mr. McGrath, Mr. Roesslein and Dr. Fettweis is independent under applicable Nasdaq listing standards and Rule 10A-3 of the Securities Exchange Act of 1934.

**Vote Required; Recommendation of Board of Directors**

The nominees receiving the highest number of affirmative votes of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote in the election of directors shall be elected to the Board of Directors. Votes withheld from any director are counted for purposes of determining the presence or absence of a quorum, but have no legal effect under Delaware law. Cumulative voting is not permitted by NI's Certificate of Incorporation.

Under NI's Corporate Governance Guidelines, any nominee for director in an uncontested election (i.e., an election where the only nominees are those recommended by the Board) who receives a greater number of votes withheld from his or her election than votes for such election shall promptly tender his or her resignation following certification of the stockholder vote.

In such event, the Nomination and Governance Committee will promptly consider the tendered resignation and will recommend to the Board whether to accept the tendered resignation or to take some other action, such as rejecting the tendered resignation and addressing the apparent underlying causes of the withheld votes. In making this recommendation, the Nomination and Governance Committee will consider all factors deemed relevant by its members including, without limitation, the underlying reasons why stockholders withheld votes for election from such director (if ascertainable), the length of service and qualifications of the director whose resignation has been tendered, the director's contributions to NI, whether by accepting such resignation NI will no longer be in compliance with any applicable law, rule, regulation or governing document, and whether or not accepting the resignation is in the best interests of NI and its stockholders.



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The Board will promptly act on the Nomination and Governance Committee's recommendation no later than 90 days following its receipt of such recommendation. In considering the Nomination and Governance Committee's recommendation, the Board will consider the factors considered by the Nomination and Governance Committee and such additional information and factors the Board believes to be relevant.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for NI's nominees named below. If any nominee of NI is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who is designated by the present Board of Directors to fill the vacancy. It is not expected that any nominee will be unable or will decline to serve as a director.

***The Board Of Directors unanimously recommends a vote FOR the nominees listed below.***

***Nominees for Election at the Annual Meeting***

The Nomination and Governance Committee, consisting solely of independent directors as determined under applicable Nasdaq listing standards, recommended the three individuals set forth in the table below for nomination by our full Board of Directors. Based on such recommendation, our Board of Directors nominated such directors for election at the Annual Meeting. The following sets forth information concerning the nominees for election as directors at the Annual Meeting, including information as to each nominee's age as of the Record Date, current principal occupation and business experience.

**Jeffrey L. Kodosky, 67 - Director since 1976; Fellow of NI.**

***Business Experience:*** Mr. Kodosky co-founded NI in 1976. He was appointed Vice President of NI in 1978 and served as Vice President, Research and Development from 1980 to 2000. Since 2000, he has held the position of Business and Technology Fellow. Prior to 1976, he was employed at Applied Research Laboratories ( ARL ), at the University of Texas at Austin ( UT Austin ). Mr. Kodosky received his bachelor's degree in Physics from Rensselaer Polytechnic Institute.

The Board concluded that Mr. Kodosky should serve as a director since he is a founder of NI, a highly respected mentor in the NI global R&D organization and he continues to chart new directions for NI's flagship product, LabVIEW. Mr. Kodosky has developed more than 30 patented LabVIEW technologies and his ongoing work has helped NI grow this software into an award-winning industry programming environment that addresses a variety of industries and application areas.

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**Michael E. McGrath, 67 - Director since May 2014; Former Chief Executive Officer of i2 Technologies and Pittiglio Rabin Todd & McGrath, Business Strategy Consultant.**

***Business Experience:*** Mr. McGrath is a highly experienced executive, entrepreneur and bestselling author dealing with decision making techniques and processes. He is a frequent featured guest on business television segments and his advice has appeared in many publications. He served as a director of i2 Technologies, a supply chain management and software services company, from September 2004 to May 2008, and as its CEO and President from February 2005 to July 2007. He served on the board of directors of Entrust, Inc., from February 2007, and as Chairman of the Board starting in November 2008, until the company was sold in July 2009. He served as executive chairman of the board of The Thomas Group from February 2008 to March 2012, and as acting CEO for a period of time. The Thomas Group filed for bankruptcy protection in March 2012. He also served on the board of Sensable Technologies from 2000 until 2009 and served on the board of Revolution Analytics from 2014 until 2015. He was a founder and the Chief Executive Officer of Pittiglio Rabin Todd & McGrath, a management consulting firm, for 28 years, retiring from the firm in July 2004. Mr. McGrath is the author of *Product Strategy for High-Technology Companies*, *Next Generation Product Development*, *Business Decisions*, and other books. Mr. McGrath received his bachelor's degree in Computer Science from Boston College, and his master's degree in Business Administration from Harvard Business School.

The Board concluded that Mr. McGrath should serve as a director because he has an extensive background in product development strategy, strategic product marketing, and software services. Having served as CEO of i2 Technologies, a vendor of supply chain management software, he has knowledge of software systems, experience selling into corporate opportunities, and experience developing large accounts. In particular, he has experience with management functions including software marketing and sales force management activities, and software development. He is an experienced consultant and author with knowledge of cloud computing and smartmobile applications, which are relevant for NI's business. He serves as a member of the Audit Committee, a member of the Compensation Committee and a member of the Nomination and Governance Committee.



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**Alexander M. Davern, 50 - Director since January 2017; Chief Executive Officer and President of NI.**

***Business Experience:*** Mr. Davern joined NI in February 1994 and has served as President and Chief Executive Officer since January 2017. He previously served as Chief Operating Officer, Executive Vice President, Chief Financial Officer and Treasurer from October 2010 to December 2016. Mr. Davern served as NI's Chief Financial Officer, Senior Vice President, IT and Manufacturing Operations and Treasurer from December 2002 to October 2010; as Chief Financial Officer and Treasurer from December 1997 to December 2002; as Acting Chief Financial Officer and Treasurer from July 1997 to December 1997; and as Corporate Controller and International Controller. Prior to joining NI, Mr. Davern worked both in Europe and in the United States for the international accounting firm of Price Waterhouse, LLP. Mr. Davern received his bachelor's degree in Commerce and a diploma in professional accounting from University College in Dublin, Ireland. Mr. Davern is a director of Helen of Troy and of Cirrus Logic, Inc., both publicly traded companies.

The Board concluded that Mr. Davern should serve as a director because he is NI's Chief Executive Officer and has held other executive officer positions with NI for over 19 years. In these roles, Mr. Davern has gained extensive knowledge of NI's business, financial and operations matters, and the Board believes that Mr. Davern is well suited to help define and execute NI's corporate strategy. Mr. Davern also serves as a director for other publicly traded companies and has strong expertise in governance matters.

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**INCUMBENT DIRECTORS WHOSE TERMS OF OFFICE**

**CONTINUE AFTER THE ANNUAL MEETING**

The following sets forth information concerning the directors whose terms of office continue after the Annual Meeting, including information as to each director's age as of the Record Date, current principal occupation and business experience.

**Duy-Loan T. Le, 54 - Director since September 2002; Senior Fellow of Texas Instruments, Inc.**

***Business Experience:*** Ms. Le holds the title of Senior Fellow at Texas Instruments Inc. (TI), one of the leading semiconductor companies in the world. Ms. Le was appointed Senior Fellow in 2002 and is the only woman in TI's history elected to this highest Fellow rank. She has held various leadership positions at TI since 1982, including Advanced Technology Ramp Manager for the Embedded Processing Division and worldwide project manager for the Memory Division. While at TI, Ms. Le has led all aspects of execution for advanced technology nodes, including design, assembly and test, productization, qualification, release to market, high volume ramp, and quality and reliability assurance. She has experience opening international offices and developing engineering talent for the TI business. Ms. Le has been awarded 24 patents. She holds a bachelor's degree in Electrical Engineering from UT Austin and a master's degree in Business Administration from the Bauer College of Business at the University of Houston.

The Board concluded that Ms. Le should serve as a director because she has extensive experience managing platform-based product development and is a results-oriented and highly accomplished technology executive with extensive experience in various aspects of semiconductor design and manufacture, including operations, research and development, product launch, customer interfacing, foundry partnership, and supply chain management while at TI. She also managed global R&D centers for TI, and these centers span multiple countries, disciplines, businesses, and organizations across TI. She has over 20 years of process manufacturing experience. These skills and knowledge are relevant for NI's business. She serves as a member of the Audit Committee, a member of the Compensation Committee and a member of the Nomination and Governance Committee.

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**Charles J. Roesslein, 68 - Director since July 2000; Former Chief Executive Officer of Austin Tele-Services, LLC.**

***Business Experience:*** Mr. Roesslein was the co-founder and Chief Executive Officer of Austin Tele-Services, LLC, which is in the secondary market for telecom and IT assets, from 2004 until 2016 when his interests were sold. During 2000, Mr. Roesslein served as the Chairman of the Board of Directors and President of Prodigy Communications Corporation, an internet service provider. He served as President of SBC-CATV, a cable television service provider, from 1999 until 2000, and as President of SBC Technology Resources, the applied research division of SBC Communications Inc., from 1997 until 1999. Prior to 1997, Mr. Roesslein served in executive officer positions with SBC Communications, Inc. and Southwestern Bell. Mr. Roesslein holds a bachelor's degree in Mechanical Engineering from the University of Missouri-Columbia and a master's degree in Finance from the University of Missouri-Kansas City. Mr. Roesslein is currently a director of Atlantic Tele-Network, Inc., a publicly traded company.

The Board concluded that Mr. Roesslein should be nominated and serve as a director because he brings a wealth of financial and executive experience to the Board including extensive experience in the development of large accounts while serving Southwestern Bell Corporation's customers. He also has a strong financial background, having served as Vice President and Chief Financial Officer of Southwestern Bell Publications and as Vice President and Chief Financial Officer of Southwestern Bell Telephone Company. Mr. Roesslein has an extensive high level background in the telecom industry and in telecom technologies. He serves as a member of the Audit Committee and a member of the Nomination and Governance Committee.

**Gerhard P. Fettweis, PhD, 55 - Director since March 2016; Vodafone Chair Professor at the Technical University of Dresden.**

***Business Experience:*** Since September 1994, Dr. Fettweis has served as the Vodafone Chair Professor of Electrical Engineering at the Technical University of Dresden, where his research focuses on next generation wireless systems. In connection with that role, he has spun-out ten startup companies from the university. From August 2015 to February 2016, he served as a visiting professor at the University of California at Berkeley and as a senior researcher at the International Computer Science Institute. Dr. Fettweis is a member of the German National Academy of Science and Engineering and a fellow of the Institute of Electrical and Electronics Engineers (IEEE). He has received numerous awards, including a recognition award for outstanding technical contributions from the IEEE Wireless Communications Technical Committee and the Stuart Meyer Memorial Award from the IEEE Vehicular Technology Society, both in 2014. Dr. Fettweis has authored or co-authored two books and is listed as an inventor on over thirty issued patents.

Dr. Fettweis received his Dipl.-Ing. in Electrical Engineering in 1986 and his PhD in Electrical Engineering in 1990, each from Aachen University of Technology.

The Board concluded that Dr. Fettweis should serve as a director because of his strong technical background and extensive knowledge in electrical engineering, as well as his experience in science, technology and business. Additionally, he is very involved in the scientific community and has leadership and management experience through his role as the Vodafone Chair Professor at the Technical University of Dresden. He serves as a member of the Compensation Committee.

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**James J. Truchard, PhD, 73 - Chairman of the Board of Directors since 1976; Former Chief Executive Officer and President of NI from 1976 to 2016.**

***Business Experience:*** Dr. Truchard co-founded NI in 1976 and served as President and Chief Executive Officer from the founding of NI until December 2016. From 1963 to 1976, Dr. Truchard worked at the Acoustical Measurements Division at ARL at UT Austin, as Research Scientist and later Division Head. Dr. Truchard received his PhD in Electrical Engineering, his master's degree in Physics and his bachelor's degree in Physics, all from UT Austin.

The Board concluded that Dr. Truchard should serve as a director because he is a founder and large stockholder of NI and has pioneered the development of virtual instrumentation software and hardware. Further, the Board recognizes that under Dr. Truchard's leadership as a Board member and as CEO, he has inspired innovation, growth, and expansion over a period of over 40 years to make NI a highly successful, worldwide enterprise while maintaining an entrepreneurial spirit.

**John M. Berra, 69 - Director since May 2010; Former Chairman of Emerson Process Management and Former Executive Vice President of Emerson Electric Company.**

***Business Experience:*** Prior to retiring in September 2010, beginning in October 2008 Mr. Berra served as Chairman of Emerson Process Management, a global leader in providing solutions to customers in process control, and as Executive Vice President of Emerson Electric Company. From 1997 until 2008, he served as President of Emerson Process Management. Mr. Berra has diversified experience in global business, strategic planning, technology, organizational planning and acquisitions. Mr. Berra joined Emerson's Rosemount division as a marketing manager in 1976 and, thereafter, continued assuming more prominent roles in the organization until 1997, when he was named President of Emerson's Fisher-Rosemount division (now Emerson Process Management). Prior to joining Emerson, Mr. Berra was an instrument and electrical engineer with Monsanto Company. Mr. Berra is currently a director of Ryder System, Inc., a publicly traded company, and serves as a member of that company's compensation committee, and as a member of its finance committee.

The Board concluded that Mr. Berra should serve as a director due to his significant executive level experience at leading corporations Emerson and Monsanto. In particular, as President of Emerson Process Management, he was chief executive of a \$6.7 billion dollar global corporation. He has extensive experience growing large accounts and broad based sales and marketing experience concentrated in a number of markets. He also has extensive

experience in hardware development of measurement products and control systems and software dealing with PC software and embedded applications. He serves as a member of the Audit Committee, a member of the Compensation Committee and a member of the Nomination and Governance Committee.

There is no family relationship between any director, director nominee or executive officer of NI.

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The following table sets forth the beneficial ownership of NI's common stock as of the Record Date (i) by all persons known to NI, based on statements filed by such persons pursuant to Section 13(d) or 13(g) of the Exchange Act, to be the beneficial owners of more than 5% of NI's common stock, (ii) by each of the executive officers named in the Summary Compensation Table under Executive Compensation, (iii) by each director and director nominee, and (iv) by all current directors and executive officers as a group:

Name of Person or Entity	Number of Shares (1)	Approximate Percentage Owned (2)
James J. Truchard 11500 North Mopac Expressway Austin, Texas 78759	10,333,821 (3)	7.97%
James J. Truchard Marital Trust 3816 Hunterwood Point Austin, Texas 78746	10,770,347 (4)	8.31%
The Vanguard Group 100 Vanguard Blvd. Malvern, Pennsylvania 19355	9,018,388 (5)	6.96%
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202	7,000,958 (6)	5.40%
BlackRock, Inc. 55 East 52 <sup>nd</sup> Street New York, NY 10055	8,747,088 (7)	6.75%
Janus Capital Management LLC 151 Detroit Street Denver, Colorado 80206	10,923,681 (8)	8.43%
Jeffrey L. Kodosky	2,074,939 (9)	1.60%
Alexander M. Davern	99,265 (10)	*%
Eric H. Starkloff	19,512 (11)	*%
Scott A. Rust	21,950 (12)	*%
Charles J. Roesslein	94,452 (13)	*%

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Duy-Loan T. Le	87,766 (14)	*%
Donald M. Carlton	57,122 (15)	*%
John M. Berra	32,836 (16)	*%
Michael E. McGrath	15,540 (17)	*%
Gerhard P. Fettweis	3,084 (18)	*%
All executive officers and directors as a group (12 persons)	12,860,224 (19)	9.92%

\* Represents less than 1% of the outstanding shares of our common stock.

- (1) Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable.
- (2) For each individual and group included in the table, percentage owned is calculated by dividing the number of shares beneficially owned by such person or group as described above by the sum of the 129,593,771 shares of common stock outstanding on March 10, 2017 and the number of shares of common stock that such person or group had the right to acquire on or within 60 days of March 10, 2017, including restricted stock units ( RSUs ).



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- (3) Includes 9,271,416 shares directly owned by Dr. Truchard, 985,162 shares held in three trust accounts for which Dr. Truchard is the trustee, and 77,243 shares held by a non-profit corporation of which Dr. Truchard is president.
- (4) The information as to beneficial ownership is based on a Schedule 13G filed with the SEC on February 24, 2015, reflecting beneficial ownership as of December 31, 2014. The Schedule 13G states that the James J. Truchard Marital Trust has sole voting power with respect to 10,770,347 shares of common stock and sole dispositive power with respect to 10,770,347 shares of common stock.
- (5) The information as to beneficial ownership is based on a Schedule 13G/A filed with the SEC on February 10, 2017, reflecting beneficial ownership as of December 31, 2016. The Schedule 13G/A states that The Vanguard Group and/or its subsidiaries have sole voting power with respect to 61,792 shares of common stock, shared voting power with respect to 12,250 shares of common stock, sole dispositive power with respect to 9,018,388 shares of common stock and shared dispositive power with respect to 68,117 shares of common stock.
- (6) The information as to beneficial ownership is based on a Schedule 13G filed with the SEC on February 7, 2017, reflecting beneficial ownership as of December 31, 2016. The Schedule 13G states that T. Rowe Price Associates, Inc. and/or its subsidiaries have sole voting power with respect to 1,132,468 shares of common stock and sole dispositive power with respect to 7,000,958 shares of common stock.
- (7) The information as to beneficial ownership is based on a Schedule 13G/A filed with the SEC on January 25, 2017, reflecting beneficial ownership as of December 31, 2016. The Schedule 13G/A states that BlackRock, Inc., and/or its subsidiaries have sole voting power with respect to 8,313,363 shares of common stock, shared voting power with respect to 20,714 shares of common stock, sole dispositive power with respect to 8,726,374 shares of common stock and shared dispositive power with respect to 20,714 shares of common stock.
- (8) The information as to beneficial ownership is based on a Schedule 13G/A filed with the SEC on February 13, 2017, reflecting beneficial ownership as of December 31, 2016. The Schedule 13G/A states that Janus Capital Management LLC and/or its subsidiaries have sole voting power with respect to 10,917,981 shares of common stock, shared voting power with respect to 5,700 shares of common stock, sole dispositive power with respect to 10,917,981 shares of common stock and shared dispositive power with respect to 5,700 shares of common stock.
- (9) Includes an aggregate of 972,708 shares held in two trusts for the benefit of Mr. Kodosky's daughters for which Mr. Kodosky is the trustee; includes 102,383 shares held by a non-profit corporation of which Mr. Kodosky is president and his wife, Gail T. Kodosky, is secretary; includes 80,000 shares held by a charitable remainder trust for the benefit of Mr. Kodosky and his wife; includes 13,499 shares held in a charitable remainder trust for the benefit of Mr. Kodosky's brother of which Mr. Kodosky is the sole trustee with investment power over the securities held therein and 19,650 shares in Raymond Kodosky Art 2-7 Trust; includes an aggregate of 105,046 shares held in 14 trusts for non-immediate family members of Mr. Kodosky of which Mr. Kodosky is the sole trustee with investment power over the securities held therein; and includes 390,827 shares owned by his wife. Mr. Kodosky disclaims beneficial ownership of the shares owned by his wife. Cumulatively, Jeffrey and Gail Kodosky control and/or beneficially own a total of 2,074,939 shares.

(10) Includes 17,410 shares subject to RSUs which vest within 60 days of March 10, 2017.

(11) Includes 9,681 shares subject to RSUs which vest within 60 days of March 10, 2017.

(12) Includes 6,267 shares subject to RSUs which vest within 60 days of March 10, 2017.

(13) Includes 4,439 shares subject to RSUs which vest within 60 days of March 10, 2017.

(14) Includes 4,439 shares subject to RSUs which vest within 60 days of March 10, 2017.

(15) Includes 4,439 shares subject to RSUs which vest within 60 days of March 10, 2017.

(16) Includes 4,439 shares subject to RSUs which vest within 60 days of March 10, 2017.

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(17) Includes 5,990 shares subject to RSUs which vest within 60 days of March 10, 2017.

(18) Includes 3,084 shares subject to RSUs which vest within 60 days of March 10, 2017.

(19) Includes 63,359 shares subject to RSUs which vest within 60 days of March 10, 2017.

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**CORPORATE GOVERNANCE**

**Board Meetings and Committees**

The Board of Directors of NI held a total of seven meetings during 2016. The Board of Directors has a standing Audit Committee, Compensation Committee, and Nomination and Governance Committee.

Each director, other than Dr. Carlton, attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings held by all committees of the Board of Directors on which he or she served. NI encourages, but does not require, its board members to attend NI's annual meeting of stockholders. In 2016, all directors, with the exception of Dr. Fettweis and Dr. Carlton, attended NI's annual meeting.

**Board Leadership Structure**

The Board of Directors believes that Dr. Truchard is best situated to serve as Chairman because he is a co-founder of NI and a large stockholder and is very familiar with NI's business and industry, and capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. The Board's independent directors and management directors have different perspectives and roles in strategic development. NI's independent directors bring experience, oversight and expertise from outside the company and industry, while the Chairman, Chief Executive Officer and the other management director bring company-specific experience and expertise. The Board of Directors believes that the current roles of Chairman and Chief Executive Officer promote strategy development and execution, and facilitate information flow between management and the Board of Directors, which are essential to effective governance. NI does not have a lead independent director.

The NI Board oversees risk management in a number of ways. The Audit Committee oversees the management of financial and accounting related risks as an integral part of its duties. Similarly, the Compensation Committee considers risk management when setting the compensation policies and programs for NI's executive officers and other employees. The full Board of Directors receives reports on various risk related items at each of its regular meetings including risks related to NI manufacturing operations, intellectual property, taxes, products and employees. The Board also receives periodic reports on NI's efforts to manage such risks through safety measures, insurance or self-insurance.

**Communications to the Board of Directors**

Stockholders may communicate with members of the Board of Directors by mail addressed to the Chairman, any other individual member of the Board, to the full Board, or to a particular committee of the Board. In each case, such correspondence should be sent to the following address: 11500 North Mopac Expressway, Building C, Austin, Texas 78759, Attention: Corporate Secretary. Correspondence received that is addressed to the members of the Board of Directors will be reviewed by NI's General Counsel or his designee, who will forward such correspondence to the appropriate members of the Board of Directors.

**Audit Committee**

The Audit Committee, which currently consists of directors Charles J. Roesslein, John M. Berra, Michael E. McGrath, and Duy-Loan T. Le, met six times during 2016. The Audit Committee appoints, compensates, retains and oversees the engagement of NI's independent registered public accounting firm, reviews with such independent registered public accounting firm the plan, scope and results of their examination of NI's consolidated financial statements and reviews the independence of such independent registered public accounting firm. The Audit Committee maintains free

and open communication with NI's independent registered public accounting firm and the internal audit department, overseeing the internal audit function and NI's management team. The Audit Committee

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inquires about any significant risks or exposures and assesses the steps management has taken to minimize such risks to NI, including the adequacy of insurance coverage and the strategy for management of foreign currency risk. The Audit Committee also reviews NI's compliance with matters relating to environmental, Equal Employment Opportunity Commission, export and SEC regulations. The Audit Committee has established procedures to promote and protect employee reporting of (i) suspected fraud or wrongdoing relating to accounting, auditing or financial reporting matters and (ii) complaints and concerns regarding a violation of the federal securities laws, including (A) receiving, retaining and addressing complaints received by NI relating to such matters, (B) enabling employees to submit on a confidential and anonymous basis any concerns regarding such matters; and (C) protecting reporting employees from retaliation. The Board of Directors believes that each member of the Audit Committee is an independent director as that term is defined by the Nasdaq listing standards and Rule 10A-3 of the Securities Exchange Act of 1934. The Board of Directors has determined that Mr. Roesslein is an audit committee financial expert within the meaning of SEC rules. The charter of the Audit Committee is available on NI's website at [http://www.ni.com/nati/corporategovernance/composition\\_charters.htm](http://www.ni.com/nati/corporategovernance/composition_charters.htm).

## **Nomination and Governance Committee**

The Nomination and Governance Committee, which currently consists of directors John M. Berra, Charles J. Roesslein, Michael E. McGrath, and Duy-Loan T. Le, each of whom was deemed to be an independent director as that term is defined by the Nasdaq listing standards, met three times during 2016. The Nomination and Governance Committee recommends to the Board of Directors the selection criteria for board members, compensation of outside directors, appointment of board committee members and committee chairpersons, and develops board governance principles. The Nomination and Governance Committee will consider nominees recommended by stockholders provided such recommendations are made in accordance with procedures described in this Proxy Statement under **Deadline for Receipt of Stockholder Proposals**. When considering a potential director candidate, the Nomination and Governance Committee looks for demonstrated character, judgment, relevant business, functional and industry experience, and a high degree of acumen. The Nomination and Governance Committee also considers issues of diversity, such as education, professional experience and differences in viewpoints and skills. The Nomination and Governance Committee does not have a formal policy with respect to diversity; however, the Board of Directors and the Nomination and Governance Committee believe that it is important that the members of the Board of Directors represent diverse viewpoints. The Nomination and Governance Committee's process for identifying and evaluating nominees typically involves a series of internal discussions, review of information concerning candidates and interviews with selected candidates. There are no differences in the manner in which the Nomination and Governance Committee evaluates nominees for director based on whether the nominee is recommended by a stockholder. NI does not pay any third party to identify or assist in identifying or evaluating potential nominees. The charter of the Nomination and Governance Committee is available on NI's website at [http://www.ni.com/nati/corporategovernance/composition\\_charters.htm](http://www.ni.com/nati/corporategovernance/composition_charters.htm).

## **Compensation Committee**

The Compensation Committee, which currently consists of directors Duy-Loan T. Le, John M. Berra, Michael E. McGrath, and Gerhard P. Fettweis each of whom was deemed to be an independent director as that term is defined by applicable SEC rules, Nasdaq listing standards and other requirements, met eleven times during 2016. The charter of the Compensation Committee is available on NI's website at [http://www.ni.com/nati/corporategovernance/composition\\_charters.htm](http://www.ni.com/nati/corporategovernance/composition_charters.htm).

The Compensation Committee obtained input from NI's then President and Chief Executive Officer, Dr. Truchard, when discussing the performance of, and compensation levels for, executives other than himself. The Compensation Committee also worked closely with Dr. Truchard and NI's vice president of human resources and others as required in

evaluating the financial, accounting, tax and retention implications of NI's various compensation programs. The vice president of human resources regularly

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attends the meetings of the Compensation Committee and, at such meetings, provides advice on compensation matters to the Compensation Committee. The vice president of human resources also provides guidance to the Compensation Committee concerning compensation matters as they relate to NI's executive officers. Neither Dr. Truchard, Alexander Davern, the vice president of human resources, nor any of NI's other executives participates in deliberations relating to his or her own compensation.

Under the terms of its charter, the Compensation Committee establishes the compensation of NI's Chief Executive Officer, evaluates the performance of NI's executive officers, and establishes the salaries and cash bonus compensation of the executive officers. When establishing the salaries and cash bonus compensation for the executive officers other than the Chief Executive Officer, the Compensation Committee considers the recommendations of the Chief Executive Officer. The Compensation Committee also periodically examines NI's compensation structure to evaluate whether NI is rewarding its officers and other personnel in a manner consistent with sound industry practices and makes recommendations on such matters to NI's management and Board of Directors. The Compensation Committee also has oversight responsibility for NI's 2015 Equity Incentive Plan (the "2015 Incentive Plan"), NI's 2010 Incentive Plan (the "2010 Incentive Plan"), NI's 2005 Incentive Plan (the "2005 Incentive Plan"), and Employee Stock Purchase Plan. The Board of Directors may by resolution prescribe additional authority and duties to the Compensation Committee.

The Compensation Committee's charter does not contain a provision providing for the delegation of its duties to other persons. The Compensation Committee has not delegated any of its authority.

For a discussion of NI's utilization of compensation consultants, see Compensation Discussion and Analysis.



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**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

The members of the Compensation Committee are set forth in the Compensation Committee section of this proxy statement and do not include any NI executive officers. During 2016, no NI executive officer served on the compensation committee (or equivalent), or the board of directors, of another entity whose executive officer(s) served on NI's Compensation Committee. During 2016, no NI executive officer served on the compensation committee (or equivalent) of another entity whose executive officer(s) served as a member of the NI Board of Directors.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Transactions with Related Persons**

NI had no related party transactions requiring disclosure under applicable SEC rules for the year ended December 31, 2016 and has no such related party transaction currently proposed.

**Policy and Procedures for Review, Approval, or Ratification of Related Party Transactions**

Pursuant to its written charter, the Audit Committee is responsible for reviewing NI's policies relating to the avoidance of conflicts of interests and past or proposed transactions between NI, members of the Board of Directors of NI, and management. NI considers related person transactions to mean all transactions involving a related person, which under SEC rules means an executive officer, director or a holder of more than five percent of NI's common stock, including any of their immediate family members and any entity owned or controlled by such persons. The Audit Committee determines whether the related person has a material interest in a transaction and may approve, ratify, rescind or take other action with respect to the transaction in its discretion.

In any transaction involving a related person, NI's Audit Committee would consider the available material facts and circumstances of the transaction, including: the direct and indirect interests of the related person; the risks, costs and benefits of the transaction to NI; whether any alternative transactions or sources for comparable services or products are available; and, in the event the related person is a director (or immediate family member of a director or an entity with which a director is affiliated), the impact that the transaction will have on such director's independence.

After considering such facts and circumstances, NI's Audit Committee determines whether approval, ratification or rescission of the related person transaction is in NI's best interests. NI's Audit Committee believes that all employees and directors should be free from conflicting interests and influences of such nature and importance as would make it difficult to meet their applicable fiduciary duties and loyalty to NI, and reviews all related party transactions against the foregoing standard.

NI's written policies and procedures for review, approval or ratification of transactions that pose a conflict of interest, including related person transactions, are set forth in its Code of Ethics, which contains, among other policies, a conflicts of interest policy for all employees, including NI's executives, and a conflicts of interest policy for non-employee directors.

Under NI's written conflicts of interest policy applicable to all employees, including NI's executives, every employee is required to report to NI's President any information regarding the existence or likely development of conflicts of interest involving themselves or others within NI. While NI provides examples of potential conflicts of interest, such as investments in enterprises that do business with NI, compensation for services to any person or firm which does business with NI, or gifts and loans and entertainment from any person or firm having current or prospective dealings with NI, the policy applicable to employees expressly states that the examples provided are illustrative only and that

each employee should report

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any other circumstance which could be construed to interfere actually or potentially with loyalty to NI. Transactions involving potential conflicts of interests for employees are reviewed by NI's President, who makes a determination as to whether there exists any conflict of interest or relationship which violates NI's policies and the appropriate actions to take with respect to such relationship. NI's General Counsel reports to the Audit Committee the conflict of interest reports received and acted upon by the President. In the event a report was received concerning a potential conflict of the President or a member of the Board of Directors, the Audit Committee would review such matter.

The written conflicts of interest policy applicable to all non-employee directors is substantially similar to the conflicts of interest policy applicable to NI employees, with the exception that every non-employee director is required to report potential conflict of interest situations to the Audit Committee, which is responsible for making the determination as to whether there exists any conflict of interest or relationship which violates such policy. If the Audit Committee determines that a conflict of interest exists, the non-employee director involved will be required to dispose of the conflicting interest to the satisfaction of the Audit Committee.

Table of Contents**BOARD COMPENSATION****Determining Compensation for Non-Employee Directors in 2016**

The Board of Directors, upon the recommendation of the Nomination and Governance Committee, sets non-employee directors' compensation with the goal of retaining NI's directors and attracting qualified persons to serve as directors. In developing its recommendations, the Nomination and Governance Committee considers director compensation at comparable publicly-traded companies and aims to structure director compensation in a manner that is transparent and easy for stockholders to understand.

The compensation of non-employee directors for the fiscal year ended December 31, 2016 is set forth in the table below.

**DIRECTOR COMPENSATION****FOR FISCAL YEAR ENDED DECEMBER 31, 2016**

Name	Fees				Total
	Earned or Paid in Cash	Stock Awards (1)	Option Awards	All Other Compensation	
James J. Truchard (2)	\$	\$	\$	\$	\$
Jeffrey L. Kodosky (3)					
Donald M. Carlton	62,740	130,037			192,777
Charles J. Roesslein	76,326	130,037			206,363
Duy-Loan T. Le	76,326	130,037			206,363
John M. Berra	72,109	130,037			202,146
Michael E. McGrath	68,826	130,037			198,863
Gerhard P. Fettweis	52,198	260,074			312,272

- (1) Amounts represent the dollar amount recognized for financial statement reporting purposes for 2016 in accordance with Financial Accounting Standards Board Accounting Standard Codification Topic 718 ( FASB ASC 718 ). These dollar amounts reflect the aggregate grant date fair value for these stock awards and may not correspond to the actual value that will be recognized by the directors. The grant date fair value of each award is expensed monthly based on the estimated vesting period of the corresponding grant, which is 36 months. Grant date fair value is calculated using the closing price of the day immediately preceding the date of grant multiplied by the number of RSUs granted. On April 27, 2016, Dr. Carlton, Mr. Roesslein, Ms. Le, Mr. Berra and Mr. McGrath were each granted 4,626 RSUs and Dr. Fettweis was granted 9,252 RSUs. The grant date fair value of each RSU grant was based on the April 26, 2016 closing price of \$28.11 per share. The RSUs granted to Dr. Carlton, Mr. Roesslein, Ms. Le, Mr. Berra, Mr. McGrath, and Dr. Fettweis vest over a three-year period with 1/3rd of the RSUs vesting on each anniversary of the vesting commencement date, which is May 1 of each year.

- (2) As an employee director in 2016, Dr. Truchard did not receive any additional compensation for his service as a director. His compensation as an NI officer in 2016 is included in the Summary Compensation Table.
  
- (3) As an employee director, Mr. Kodosky does not receive any additional compensation for his service as a director. Mr. Kodosky is a Business and Technology Fellow, but not a named executive officer, as such term is defined under Item 402(a)(3) of Regulation S-K. Pursuant to SEC rules, the compensation that a director receives for services as a Business and Technology Fellow does not need to be reported in the table for Director Compensation.

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**Discussion of Director Compensation**

In 2016, the annual compensation for NI's non-employee directors was comprised of cash compensation in the form of an annual retainer, committee chair retainer, committee membership retainer, and equity compensation in the form of RSUs. Each of these components is described below. An NI employee director does not receive any additional compensation for his service as a director. Dr. Truchard does not receive any compensation for his service as a director.

***Annual Board/Committee Retainer Fees***

In 2016, the annual compensation for NI's non-employee directors was comprised of cash compensation, payable quarterly, for membership on the board of directors and committees, as well as for committee chair positions. Non-employee directors receive an annual cash retainer of \$60,000 per year, plus \$5,000 per year for membership on the Audit Committee and \$2,500 per year for membership on each of the Compensation Committee and the Nomination and Governance Committee. In addition, the chairpersons of the Audit Committee, Compensation Committee and Nomination and Governance Committee receive an additional \$15,000, \$10,000 and \$5,000 per year, respectively. An NI employee director does not receive any additional compensation for service as a director.

***Non-Employee Director Reimbursement Practice***

Non-employee directors are reimbursed for travel and other out-of-pocket expenses connected to Board service.

***Restricted Stock Unit Awards***

Under NI's applicable Incentive Plan, non-employee directors are eligible to receive RSU grants. Specifically, each non-employee director receives an annual grant of RSUs equal to \$130,000 divided by the closing price of NI's common stock on the day immediately preceding the date of grant. Under the 2015 Incentive Plan, in 2016, Dr. Carlton, Mr. Roesslein, Ms. Le, Mr. Berra, and Mr. McGrath were each granted 4,626 RSUs and Dr. Fettweis was granted 9,252 RSUs based on NI's closing stock price of \$28.11 per share on April 26, 2016. The RSUs granted to Dr. Carlton, Mr. Roesslein, Ms. Le, Mr. Berra, Mr. McGrath, and Dr. Fettweis vest over a three-year period with one-third of the RSUs vesting on each anniversary of the vesting commencement date, which is May 1 of each year.

**Table of Contents****EXECUTIVE OFFICERS**

The following table sets forth information concerning the persons serving as executive officers of NI as of the Record Date, including information as to each executive officer's age, position with NI and business experience. Officers of NI serve at the discretion of the Board.

<b>Name of Executive Officer</b>	<b>Age</b>	<b>Position</b>
Alexander M. Davern	50	Chief Executive Officer and President
Eric H. Starkloff	42	Executive Vice President, Global Sales & Marketing
Scott A. Rust	50	Senior Vice President, Global Research & Development
John C. Roiko	59	Interim Chief Financial Officer and Treasurer

See Election of Directors for additional information with respect to Mr. Davern.

*Eric H. Starkloff* joined NI in July 1997 and currently serves as Executive Vice President, Global Sales and Marketing. He previously served as NI's Senior Vice President of Marketing from April 2013 to January 2014; Vice President of Marketing from November 2010 to March 2013; as Vice President of Product Marketing from October 2008 to October 2010; as Director of Product Marketing from August 2004 to September 2008; and as Product Marketing Manager from January 1998 to July 2004. Mr. Starkloff received his bachelor's degree in Electrical Engineering from the University of Virginia.

*Scott A. Rust* joined NI in 1990 and currently serves as Senior Vice President, Global Research and Development. He previously served as NI's Vice President of Research and Development Test Systems from July 2013 to January 2014; as NI's Vice President of Research and Development in Penang, Malaysia from January 2011 to July 2013; as Vice President of Research and Development of Modular Instruments from October 2008 to December 2010; as Director of Modular Instruments from March 2003 to September 2008; as Software Section Manager from October 2000 to March 2003; as Group Manager from October 1996 to October 2000; as Marketing Manager of Test and Measurement Software from August 1991 to September 1996; and as Applications Engineer from June 1990 to July 1991. Mr. Rust received his bachelor's degree in Electrical Engineering from Texas A&M University.

*John C. Roiko* joined NI in 1998 and currently serves as Interim Chief Financial Officer and Treasurer. He formerly served as Vice President of Finance from October 2008 to December 2016 and as worldwide Corporate Controller from March 1998 to September 2008. As Interim Chief Financial Officer, Mr. Roiko is responsible for the strategy and execution of NI's worldwide finance operations including financial planning and reporting, foreign exchange hedging, acquisition analysis and integration, corporate taxation, manufacturing support, and company-wide financial support. Prior to joining NI, Mr. Roiko worked as a product line controller for the defense division at Honeywell before moving to Emerson Process Management as the North America's accounting manager. Mr. Roiko then pursued start-up opportunities as the Chief Financial Officer for Columbia Scientific and director of accounting for Arrowsmith Technologies. Mr. Roiko holds a bachelor's degree in Finance with a minor in Accounting from St. Cloud State University and a master's degree from Minnesota State University.

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**EXECUTIVE COMPENSATION**

The following Compensation Discussion and Analysis ( CD&A ) should be read in conjunction with the compensation tables contained elsewhere in this proxy statement. References to our named executive officers in this CD&A are to the same persons set forth in the summary compensation table.

**Compensation Discussion and Analysis**

***Overview of Compensation Philosophy and Objectives***

NI's philosophy towards compensation for its named executive officers reflects the following principles:

*Total compensation opportunities should be competitive.* NI believes that its total compensation programs should be competitive so that NI can attract, retain and motivate talented executives.

*Total compensation should be related to NI's performance.* NI believes that a significant portion of its executives' total compensation should be directly linked to achieving specified financial objectives that NI believes will create stockholder value.

*Total compensation should be related to individual performance.* NI believes that executives' total compensation should reward individual performance achievements and encourage individual contributions to NI's performance.

*Equity awards help executives think like stockholders.* NI believes that executives' total compensation should have a significant equity component because stock based equity awards help reinforce the executive's long-term interest in NI's overall performance and thereby align the interests of the executive with the interests of NI's stockholders.

*NI's overall amount of equity awards should be related to its revenue growth.* NI believes that its use of equity awards must be sensitive to the dilutive impact that such equity compensation will have on its stockholders. As a result, NI's overall amount of equity awards for each year is linked to its revenue growth.

*The same compensation programs should generally apply to both executive and non-executive employees whenever possible.* NI values the contributions of all employees and, to the extent practicable, NI designs its compensation programs to apply to all employees. NI seeks to minimize the number of compensation programs that apply only to its executives and disfavors the use of executive perks.

***Determining Executive Compensation***

In establishing NI's overall program for executive compensation, the Compensation Committee works closely with NI's senior management, including its Chief Executive Officer and Vice President of Human Resources. However, NI's executives do not participate in any Board or Compensation Committee deliberations relating to their own



compensation.

The Compensation Committee engaged Frederic W. Cook & Co. ( F.W. Cook ) as an independent consultant for 2011 compensation purposes. At that time, the Compensation Committee determined to engage an independent consultant every three years. Accordingly, the Compensation Committee again engaged F.W. Cook in 2014 to review NI's overall executive compensation structure and perform an analysis and assessment of NI's compensation processes, methodologies and practices to evaluate their effectiveness and alignment with NI's compensation philosophy and objectives (as outlined above). As part of its analysis, the consulting firm reviewed compensation trends and developments, compensation levels for a number of companies that were comparable to NI in terms of market capitalization, revenue size and number of employees (including the Radford data used by NI in prior years as described below), NI executive compensation levels and certain disclosure and regulatory requirements.

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As a result of its analysis, F.W. Cook concluded that NI's compensation program was highly effective, enabled NI to attract and retain leadership talent and that the program was comprehensively tailored to NI's business model, culture and philosophy. The Compensation Committee considered the consultant's work in establishing executive compensation levels for 2016. In connection with the engagement of F.W. Cook in 2014, the Compensation Committee determined that F.W. Cook met the independence requirements of applicable SEC and Nasdaq rules. F.W. Cook also advised the Compensation Committee with respect to the terms of the CEO Agreement (as defined below). Other than its engagement by the Compensation Committee in 2011 and 2014, and for the CEO Agreement, F.W. Cook has not provided any other services to the Compensation Committee or NI. The Compensation Committee has engaged F.W. Cook in 2017 to assist with a review of NI's overall compensation methodologies and practices and executive compensation matters.

As described below, NI utilizes survey information to help determine whether the total compensation package for its executives is competitive with comparable companies. NI exercises judgment in allocating compensation among specific programs in view of its overall compensation philosophy, objectives, business results and risk assessment.

For the past several years, the Compensation Committee has utilized data from Radford Surveys, a leading worldwide provider of survey information regarding executive compensation of technology companies. In setting compensation levels for 2016, the Radford data which was utilized included executive compensation information of public companies in the high technology industry that had annual revenues ranging from \$500 million to \$3 billion. NI believes the information from public companies in such revenue range is appropriate because it affords an adequate sample size of comparable high technology companies and because the average annual revenue of the companies in such range is comparable to NI's annual revenue. NI compares the compensation of its executive officers with that of the executive officers in the Radford survey as a whole rather than any individual company within such survey.

NI believes that total compensation at or around the 50<sup>th</sup> percentile of the peer companies provided in the Radford survey is the appropriate starting point for benchmarking the compensation of its executives. Though NI uses such 50<sup>th</sup> percentile as a reference point, NI does not target a specific percentile in the range of comparative information for each individual executive or for each component of compensation. Instead, NI structures a total compensation package in view of the comparative information and such other factors specific to the individual, including the level of responsibility, prior experience, expectations of future performance and assessment of risk as it relates to employee motivation and employee retention. NI uses information obtained from Radford to test for reasonableness and competitiveness of its compensation package as a whole, but exercises judgment in allocating compensation among executives and within each element of an individual's total compensation package. Set forth on Exhibit A is each of the companies that are covered by the relevant portion of the Radford information utilized by NI for 2016 compensation purposes. For 2016, the actual total compensation paid to NI's executive officers, excluding NI's Chief Executive Officer, was between the 25<sup>th</sup> percentile and the 50<sup>th</sup> percentile of the peer companies in the Radford data.

NI does not have specific policies for allocating between long-term and currently paid out compensation or policies for allocating between cash and non-cash compensation, and among different forms of non-cash compensation. Each NI executive may receive a mix of compensation comprised of base salary, performance-based bonus, equity awards, service-based bonus and discretionary bonuses. The amount of compensation allocated to each element of compensation is determined on a case-by-case basis. At his request, NI's former CEO, Dr. James Truchard, who is a founder of the company and a large stockholder, received a base salary of \$1 and did not participate in the executive bonus programs or receive equity awards.

As described in greater detail below under Analysis of Elements of Executive Compensation, the Compensation Committee considers both NI performance and individual performance when determining



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the level of compensation for a number of the elements of executive compensation. For example, in determining the grants of RSUs and any increases in base salary, the Compensation Committee takes into consideration, among other things, the prior individual performance of an executive officer, as well as NI's performance. Similarly, the Annual Incentive Program (AIP) is an at risk bonus program designed to induce NI's executive officers to accomplish a set of goals based upon individual performance and NI's business goals and reflects NI's philosophy that total compensation should be related both to individual performance and NI's performance. Amounts, if any, awarded under the discretionary cash program are determined solely on individual performance. For some of NI's other elements of executive compensation, such as the annual company cash performance bonus program, NI's performance as a whole is determinative of the compensation payable to the participants. The Compensation Committee believes that the various elements of executive compensation work together to promote NI's objective that total compensation should be related both to individual performance and NI's performance.

At our annual meeting of stockholders in 2011, our stockholders adopted a three-year interval for management pay review. Accordingly, our stockholders last voted on such matter at our annual meeting in 2014 and approved, on an advisory (non-binding) basis and with over 99% of the votes cast in favor of the proposal, the compensation of our named executive officers. The Compensation Committee considered the favorable vote results from the 2011 and 2014 annual meetings in establishing NI's compensation program for 2016.

***Compensation Terms for New Chief Executive Officer***

In August 2016, the NI Board appointed Alexander M. Davern as President and Chief Executive Officer, effective January 1, 2017. Mr. Davern succeeded Dr. James Truchard, who retired as President and Chief Executive Officer effective as of December 31, 2016. In connection with Mr. Davern's appointment, NI entered into an employment agreement with Mr. Davern (the CEO Agreement). Under the CEO Agreement, the initial term of Mr. Davern's employment as President and Chief Executive Officer extends from January 1, 2017 through December 31, 2019, and the term of his employment continues for successive one-year periods thereafter (the Term). In his role as President and Chief Executive Officer, Mr. Davern will receive an annual base salary of \$700,000 which will be reviewed annually by the Compensation Committee. During the Term, Mr. Davern will be eligible to participate in NI's annual incentive program (the AIP) and receive an annual cash bonus. His initial target annual cash incentive shall be 80% of his base salary, subject to subsequent adjustment in accordance with the AIP. As contemplated by the CEO Agreement, in January 2017, Mr. Davern received an initial grant of 150,000 RSUs under NI's 2015 Equity Incentive Plan, which will vest subject to his continued employment with NI (the Initial Award). For each calendar year during the Term, Mr. Davern shall be eligible to receive an additional award of up to 50,000 RSUs beginning in April 2017 (the Annual Awards). In the event Mr. Davern's employment is terminated either by NI without Cause or by Mr. Davern for Good Reason (as such terms are defined in the CEO Agreement), subject to him executing and not revoking a release of claims in favor of NI and meeting other requirements in the CEO Agreement, Mr. Davern will be entitled to receive a cash payment (the Severance Payment) equal to the sum of (i) two times his then-current base salary, (ii) two times his target annual cash incentive for the year of termination, and (iii) an amount equal to the cost of COBRA coverage for 12 months. The Severance Payment is payable over a 24 month period. In addition, Mr. Davern would receive accelerated vesting of the number of RSUs that would have vested if Mr. Davern remained employed for an additional twelve months. If, within 24 months following a Change in Control (as defined in the CEO Agreement), Mr. Davern's employment is terminated by NI without Cause or by Mr. Davern for Good Reason (as such terms are defined in the CEO Agreement), subject to him executing and not revoking a release of claims in favor of NI and meeting other requirements in the CEO Agreement, Mr. Davern shall be entitled to receive the Severance Payment in a lump sum and the accelerated vesting of the number of RSUs granted as part of the Initial Award and the Annual Awards that would have vested if Mr. Davern remained employed for an additional 12 months.



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The foregoing compensation terms and the CEO Agreement were approved by the Compensation Committee, upon the advice of legal counsel and F.W. Cook, in accordance with the powers delegated to the Compensation Committee by the Board. The NI Board considered the recommendation of the Compensation Committee and reviewed the proposed terms of the CEO Agreement and deemed it to be in the best interests of NI and its stockholders to approve the terms of such agreement.

***Elements of Executive Compensation***

The components of NI's executive compensation for 2016 were as follows:

Base salary;

Annual company cash performance bonus program;

AIP for executives;

Discretionary cash bonus program;

RSU grants; and

Service award cash bonus program.

A significant number of NI's employees participate in the compensation programs enumerated above with the exception of the AIP for executives. In addition, in 2016, NI's Executive Vice President, Global Sales & Marketing participated in a sales bonus plan based upon growth and profitability performance measures approved by the Compensation Committee.

NI's executive and non-executive employees who meet the relevant eligibility requirements may also participate in the following programs:

**Employee stock purchase plan.** This plan is intended to qualify as a tax-favored employee stock purchase plan under Section 423 of the Internal Revenue Code ( Code ). The ESPP permits eligible employees to purchase NI stock at a 15% discount to the market price. Under this plan, a participant can invest a maximum amount equal to 15% of base salary and commissions, provided that such amount cannot exceed \$25,000 in any year.

**A tax-qualified, employee-funded 401(k) plan.** During 2016, NI made matching contributions under the plan in an amount equal to 50% of the amount of the employee's contribution up to 6% of the employee's eligible compensation. In September 2016, the Compensation Committee approved an increase to the 401(k) matching

formula such that NI will make matching contributions in an amount equal to 50% of the employee's contribution up to 8% of the employee's eligible compensation, effective January 1, 2017. The plan does not permit the purchase of shares of NI common stock.

Health and welfare benefits. Under this plan, the cost to NI is dependent on the level of benefits coverage an employee elects.

NI seeks to reward shorter-term performance through base salary, its annual bonus programs and its discretionary bonus program. Longer-term performance is incentivized through RSU grants and the service award program.

### ***Analysis of Elements of Executive Compensation***

#### ***Base Salary***

NI's goal is to provide its executives with competitive base salaries. NI uses independent survey information to help evaluate the reasonableness and competitiveness of its base salaries. NI determines

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base salary for each executive based on the level of job responsibilities, consideration of the prior performance of the executive and the company, the executive's experience and tenure, consideration of the expected future contributions of the executive, the business risk presented to NI in the event the executive were to leave the employ of the company, and general compensation trends and practices in the technology industry, including pay levels and programs provided by comparable companies. In setting base salaries, NI does not utilize any particular formula but instead exercises judgment in view of its overall compensation philosophy and objectives. Individual base salaries are reviewed annually. After consideration of the factors described above, the base salaries for Mr. Rust and Mr. Starkloff were increased by an average of approximately 7% in October 2016 in connection with the annual salary review process. At Mr. Davern's request, he did not receive a salary increase in 2016. The overall NI employee base received a weighted average salary increase of 3.4%. The weighted average percentage increase was determined by taking the aggregate percentage increase in the base salaries of all employees as a group. In connection with Mr. Davern's promotion to President and Chief Executive Officer, effective January 1, 2017, he receives an annual base salary of \$700,000 which will be reviewed annually by the Compensation Committee. At his request, NI's former President and Chief Executive Officer, Dr. Truchard received an annual base salary of \$1 in 2016.

***Annual Company Cash Performance Bonus Program***

NI maintains a cash performance bonus program under which substantially all regular full-time and part-time employees, including executives, participate (the Annual Performance Bonus Program). The Compensation Committee approved amendments to the targets and bonus payment percentages under the Annual Performance Bonus Program for 2016. To receive a payout under the plan, NI must achieve pre-determined goals for revenue growth and profitability. These goals, as provided in the plan, were 20% year over year organic revenue growth and 18% non-GAAP operating profit as a percent of revenue. The same goals apply to all participants in the plan including executive and non-executive employees. The amount of the payments made under the Annual Performance Bonus Program is based on a bonus payment percentage multiplied by the eligible earnings of each participant. Eligible earnings include base salary, overtime pay and commissions but exclude bonuses, equity awards, relocation payments and previous cash performance bonus payments. The bonus payment percentage for executives, officers and fellows was determined by multiplying 25% by two variables: NI's actual organic revenue growth percentage divided by the targeted level of revenue growth of 20%; and NI's actual non-GAAP operating profit as a percentage of revenue (limited by a cap) divided by the target non-GAAP operating profit of 18%. The bonus payments percentage for regular full-time and part-time employees was determined in the same manner except that the multiplier was 10% not 25%. Expressed as a formula, the bonus calculation for executives follows:

*Calendar Year Non-GAAP Operating Profit%*

*(not to exceed 20% for payout*

*Calendar Year Organic*

$$\begin{array}{ccccccc} \text{Revenue Growth} & & X & & \text{purposes)} & & X & 25\% & = & \text{Bonus Percentage} \\ 20\% & & & & 18\% & & & & & \end{array}$$

For fiscal 2016, in accordance with the foregoing formula, none of NI's named executives received individual payments under the Annual Performance Bonus Program. Amounts under the Annual Performance Bonus Program are customarily made in two payments, one in the fourth quarter and the other upon completion of the annual financial statement audit in the first quarter of the following year.

***Annual Incentive Program***



NI maintains an AIP under which only officers and fellows participate. Dr. Truchard, NI's former President and Chief Executive Officer, did not participate in the program in 2016. Under this program, payments are made to executive officers based upon the achievement of individual performance criteria and NI business goals as approved by the NI Board and NI's President. Program participants are designated by NI's President and approved by the Compensation Committee. The participants under the

## **Table of Contents**

AIP and the AIP goals are determined annually. The amount of cash bonus under the AIP ultimately paid depends on the extent to which the performance goals of each executive are achieved, in each case subject to adjustment at the discretion of the Compensation Committee.

The AIP is intended to increase stockholder value and promote NI's success by providing incentive and reward for the accomplishment of key objectives by NI executives.

In February 2016, the Compensation Committee approved an amendment to the AIP to provide that incentive bonuses under the AIP are defined as a percentage (with a target of up to 60% for Executive Vice Presidents, a target of up to 40% for Senior Vice Presidents and a target of up to 25% for Vice Presidents and Fellows) of a participant's salary (or, in the case of executives in the sales organization, salary plus targeted commission), based upon attainment of objectives approved in accordance with the AIP. For 2016, the target bonus under the AIP for each of Mr. Davern, Mr. Starkloff, and Mr. Rust was 60%, 40% and 40% of his base salary, respectively. Under the terms of the AIP, the actual bonus amount to be paid to AIP participants can be more or less than the target bonus based on the nature of the objectives, the performance of the participant relative to such objectives and the discretion of the Compensation Committee. For the purposes of the AIP, the base salary amount to be used is set by the Compensation Committee at the time the goals are approved. Payments are made based on whether the individual executive has achieved his or her specified objectives for the year. Each executive typically has four to six objectives that are targeted to reward achievements in the executive's functional area or NI business goals. The objectives for NI's executive officers are presented by NI's President for approval by the Compensation Committee, except the objectives for the President which are to be set by the Compensation Committee. The amount of the bonus for an executive officer which is allocated to each specific objective is approved each year by the Compensation Committee.

With respect to NI's executive officers, following the end of NI's fiscal year, the Compensation Committee met to determine whether the objectives of each executive officer were attained and then approved or disapproved the payment of the annual incentive amounts based upon the achievement of such objectives and the discretion of the Compensation Committee. The Compensation Committee has the discretion to pay all or a portion of an amount to an AIP participant even if such participant did not meet a particular objective if the Compensation Committee believes that such payment is appropriate to achieve the objectives of the program. However, no discretion was applied by the Committee to the payment of AIP bonuses to named executive officers for achievement of AIP objectives for 2016.

In January 2017, the Compensation Committee approved amendments to the AIP to provide for the participation of NI's new president (Mr. Davern) in the AIP, remove the specific bonus target percentages for participants from the plan, and make certain other changes.

For fiscal 2016, NI made cash bonus payments to named executives under the AIP that ranged from approximately \$67,270 to \$173,360 per executive.

Under the AIP, the Compensation Committee has the discretion to make payments of any cash incentive bonus in the fourth quarter of the calendar year based upon projected achievement levels ( Estimated Payment ) rather than waiting until the following calendar year. The payment of an Estimated Payment is subject to reconciliation after NI's books have been closed and audited. If the Estimated Payment is less than the final amount due to the AIP participant, an additional payment equal to the amount of the shortfall is made to such participant. If the Estimated Payment is more than the final amount due to the AIP participant, such participant shall remit to NI the amount of the overpayment. For fiscal 2016, no such Estimated Payment was made.



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The tables below set forth the performance criteria, potential awards and actual awards under the AIP as well as the weightings assigned to the objectives for 2016 for each of the named executives, except Dr. Truchard, NI's former President and Chief Executive Officer, who did not participate in the program in 2016:

**2016 ANNUAL INCENTIVE PROGRAM GOALS AND AWARDS****FOR THE NAMED EXECUTIVES****Alexander Davern, President and Chief Executive Officer (effective January 1, 2017)****Formerly Chief Operating Officer, Chief Financial Officer,****Executive Vice President and Treasurer (during 2016)****% Goal**

	<b>2016 Officer Bonus Goals (1)</b>	<b>Weighting</b>	<b>Goal Value (2)</b>	<b>2016 Actual Payout</b>
1)	Achieve targeted revenue growth goals	25%	\$ 82,500	\$ 11,664
2)	Achieve operating margin goal	25%	\$ 82,500	\$
3)	Achieve gross margin goal	20%	\$ 66,000	\$ 65,914
4)	Achieve cost reduction target	10%	\$ 33,000	\$ 41,250
5)	Achieve employee retention goal	10%	\$ 33,000	\$ 29,783
6)	Ensure expenses are within budget	10%	\$ 33,000	\$ 24,750
	<b>Total</b>	<b>100%</b>	<b>\$ 330,000</b>	<b>\$ 173,360</b>

- (1) NI is not disclosing the specific target levels with respect to performance goals because such information represents confidential trade secrets or confidential commercial or financial information, the disclosure of which would cause NI competitive harm. The performance goals were set to be moderately difficult, or stretch goals, but not unachievable.
- (2) The goals in items 1), 2), and 4) above contained incremental payout thresholds and an increased payout if actual results attained exceed the targeted 100%. In such instance, the maximum amount payable to Mr. Davern would have been \$379,500.

**Eric Starkloff, Executive Vice President, Global Sales and Marketing****% Goal**

	<b>2016 Officer Bonus Goals (1)</b>	<b>Weighting</b>	<b>Goal Value (2)</b>	<b>2016 Actual Payout</b>
1)	Achieve targeted revenue growth goals	45%	\$ 72,000	\$ 52,621
2)	Achieve targeted opportunity generation goals	25%	\$ 40,000	\$ 18,479
3)	Achieve operating margin goal	10%	\$ 16,000	\$
4)	Employee Retention	10%	\$ 16,000	\$ 14,440
5)	Ensure expenses are within budget	10%	\$ 16,000	\$ 16,000
	<b>Total</b>	<b>100%</b>	<b>\$ 160,000</b>	<b>\$ 101,540</b>

- (1) NI is not disclosing the specific target levels with respect to performance goals because such information represents confidential trade secrets or confidential commercial or financial information, the disclosure of which would cause NI competitive harm. The performance goals were set to be moderately difficult, or stretch goals, but not unachievable.
  
- (2) The goals in items 1), 2), and 3) above contained incremental payout thresholds and an increased payout if actual results attained exceed the targeted 100%. In such instance, the maximum amount payable to Mr. Starkloff would have been \$186,000.

**Table of Contents****Scott Rust, Senior Vice President, Global Research & Development**

	<b>% Goal</b>		<b>2016 Actual</b>
<b>2016 Officer Bonus Goals (1)</b>	<b>Weighting</b>	<b>Goal Value (2)</b>	<b>Payout</b>
1) Achieve targeted revenue growth goals	30%	\$ 39,600	\$ 13,997
2) Achieve operating margin goal	10%	\$ 13,200	\$
3) Achieve critical projects goals	30%	\$ 39,600	\$ 23,760
4) Achieve quality goals	10%	\$ 13,200	\$ 11,000
5) Achieve employee retention goal	10%	\$ 13,200	\$ 11,913
6) Ensure expenses are within budget	10%	\$ 13,200	\$ 6,600
<b>Total</b>	<b>100%</b>	<b>\$ 132,000</b>	<b>\$ 67,270</b>

(1) NI is not disclosing the specific target levels with respect to performance goals because such information represents confidential trade secrets or confidential commercial or financial information, the disclosure of which would cause NI competitive harm. The performance goals were set to be moderately difficult, or stretch goals, but not unachievable.

(2) The goals in items 1) and 2) above contained incremental payout thresholds and an increased payout if actual results attained exceed the targeted 100%. In such event, the maximum amount payable to Mr. Rust would have been \$145,200.

In assessing performance against the objectives for each named executive participating in the AIP, the Compensation Committee considered the actual results for 2016 against the specific deliverables associated with each objective, the extent to which the objective was a significant stretch goal for the organization, and whether significant unforeseen obstacles or favorable circumstances altered the expected difficulty in achieving the desired results. Based on the foregoing factors, The Compensation Committee approved a cash payment for each named executive. As set forth under the column heading 2016 Actual Payout, the actual payouts to NI's named executive officers ranged from 46% to 55% of the maximum amount they were eligible to receive under the AIP in 2016.

*Sales Commission Program Applicable to Executive Vice President, Global Sales & Marketing.* On January 27, 2015, the Compensation Committee approved a bonus arrangement for Mr. Starkloff, NI's Executive Vice President, Global Sales and Marketing. Under this arrangement, Mr. Starkloff was eligible to receive a cash bonus of \$12,500 per quarter if NI's quarterly revenue equaled 100% of the targeted amount for such quarter. If NI's revenue for a quarter was less than the targeted amount, the total bonus amount for that quarter would decrease provided that no bonus amount was payable for the quarter unless NI's revenue for the quarter exceeded the minimum threshold amount for such quarter. If NI's revenue for a quarter exceeded the targeted amount for that quarter, the total bonus amount for the quarter would increase up to a maximum of \$25,000 per quarter. NI is not disclosing the specific targets or threshold amounts with respect to such bonus arrangement because such information represents confidential trade secrets or confidential commercial or financial information, the disclosure of which would cause NI competitive harm. The targeted revenue amounts were set to be a moderately difficult stretch goal, but not unachievable. Under this sales bonus plan, Mr. Starkloff earned for 2016 an aggregate of \$48,338, which represented approximately 97% of the targeted annual amount.

**Discretionary Cash Bonus Program**

NI maintains a discretionary cash performance bonus program under which all employees, including executives, are eligible to receive awards in recognition of performance or a special achievement that is not covered by NI's other

compensation programs. Awards under this program vary based on the nature of the recognition event. The amount of the award for executives is determined by NI's President and the amount of the award for non-executive employees is determined by the departmental supervisors. The average award under this program in 2016 was approximately \$1,454. During 2016, none of the named executives received an award under this program. NI's President does not participate in this program.

**Table of Contents*****Restricted Stock Unit (RSU) Awards***

*Determining the Overall Level of Equity Compensation Awards.* NI uses equity compensation to incentivize key employees. In 2016, approximately 29% of all U.S. based regular, full-time professional employees received equity based compensation. NI's use of stock based equity compensation for its employees is driven by NI's goal of aligning the long-term interests of its employees with its overall performance and the interests of its stockholders. NI's equity compensation program is also driven by NI's desire to be sensitive to the dilutive impact that such equity compensation will have on its stockholders.

*Allocation of Equity Compensation Awards.* In 2016, NI granted a total of 759,550 RSUs to all employees, which represented 0.59% of NI's shares outstanding at December 31, 2016. Of such amount, a total of 65,000 RSUs were granted to NI's named executives in April 2016, representing 8.2% of all RSUs granted in 2016.

RSUs granted to executives vest over a period of ten years, subject to acceleration based on NI's performance. For 2016, these executive RSU grants were subject to an additional performance-based goal that required that during the period beginning April 1, 2016 and ending June 30, 2016, NI's non-GAAP operating income divided by NI's net sales had to be equal to or greater than a target percentage, and if such target was not met, all of the RSUs subject to such executive awards would be forfeited. Based on NI's actual performance for such period, the performance goal was met and the RSUs will vest in accordance with the other vesting provisions of such award. Expressed as a formula, the acceleration amount for RSU grants under the 2005 Plan and the 2010 Plan to executives is as follows:

$$\begin{array}{rcccl}
 & & \text{Calendar Year} & & \\
 & & \text{Non-GAAP} & & \\
 \text{Calendar Year} & & \text{Operating Profit} & & \\
 \text{Organic} & & (\text{not to exceed } 18\% & & \text{Shares} \\
 \text{Revenue Growth} & \times & \text{for payout purposes)} & \times & \text{Granted} & = & \text{Shares Accelerated} \\
 40\% & & 18\% & & 10 & & 
 \end{array}$$

Expressed as a formula, the acceleration amount for RSU grants to executives under the 2015 Plan is as follows:

$$\begin{array}{rcccl}
 & & \text{Calendar Year} & & \\
 & & \text{Non-GAAP} & & \\
 \text{Calendar Year} & & \text{Operating Profit} & & \\
 \text{Organic} & & (\text{not to exceed } 18\% & & \text{Shares} \\
 \text{Revenue Growth} & \times & \text{for payout purposes)} & \times & \text{Granted} & = & \text{Shares Accelerated} \\
 20\% & & 18\% & & 10 & & 
 \end{array}$$



A set formula for allocating RSUs to the executives as a group or to any particular executive is not utilized. Instead, the Compensation Committee exercises its judgment and discretion and considers, among other things, the role and responsibility of the executive, competitive factors, labor market dynamics, the relative importance of retaining each executive, the amount of stock based equity compensation already held by the executive, the non-equity compensation received by the executive and the total number of RSUs to be granted to all participants during the year. The Compensation Committee reviews general compensation trends and practices in the technology industry, including pay levels and programs provided by comparable companies as represented in the Radford survey.

*Timing of Equity Awards.* The Compensation Committee typically grants RSUs to executives and current employees once per year. Such grants are made at a meeting of the Compensation Committee

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held in the second quarter of the year. RSU grants to new employees were issued four times in 2016 at Compensation Committee meetings. NI does not have any program, plan or practice to time RSU grants in coordination with the release of material non-public information. NI does not time, nor does NI plan to time, the release of material non-public information for the purposes of affecting the value of executive compensation.

*Executive Equity Ownership.* NI's former President and Chief Executive Officer, Dr. Truchard, is one of NI's largest stockholders. NI encourages its executives to hold a significant equity interest in NI. However, NI does not have specific share retention and ownership guidelines for its executives. NI does not permit executives to sell short its securities. NI prohibits executives from holding NI securities in a margin account and prohibits the purchase or sale of exchange traded options on its stock by executives.

*Type of Equity Awards.* In May 2015, the NI stockholders approved the 2015 Incentive Plan, including approval of its material terms and performance goals for purposes of qualifying awards under the plan as performance-based compensation under Section 162(m) of the Internal Revenue Code (the Code). The NI Board of Directors had approved the 2015 Incentive Plan in January 2015, subject to stockholder approval. The 2015 Incentive Plan provides for the grant of restricted stock and RSUs. Those eligible for awards under the 2015 Incentive Plan include NI employees, directors and consultants and employees and consultants of any parent or subsidiary of NI.

***Service Award Program***

NI maintains a service award bonus program under which all employees, including executives, are eligible to receive awards based on the number of years of continued employment with NI. Under this program, upon achieving a five-year 100,000

11/30/09

74,900 0.75 350,563 100,000

(1) See Note 5 in Notes to Financial Statements.

(2) The AMPS issued by the Fund were fully redeemed at par value on April 10, 2013.

(3) Calculated by subtracting the Fund's total liabilities from the Fund's total assets and dividing by the number of AMPS outstanding.

(4) 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. The most critical estimates reflected in the financial statements relate to securities whose fair values have been estimated by management in the absence of readily determinable fair values. 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 last sales price at the close of 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 bid price provided by an independent pricing service or by principal market makers. Equity securities traded on the 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 independent pricing services, principal market makers, or other independent sources. Short-term securities which mature in more than 60 days are valued at current market quotations. Short-term securities which mature in 60 days or less are valued at amortized cost, which approximates fair value.

The Fund's Board of Directors (the Board) has delegated to the advisers, through approval of the appointment of the members of the advisers' Valuation 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 advisers use a third-party pricing consultant to assist the advisers in analyzing, developing, applying and documenting a methodology with respect to certain Fair Value Securities. The advisers and their valuation consultant, as appropriate, use 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, and (iii) periodically reviewing the appropriateness and accuracy of the methods used in valuing Fair Value Securities. The appointment of any officer or employee of the advisers to the Valuation Committee shall be promptly reported to the Board and ratified by the Board at its next regularly scheduled meeting. The advisers are responsible for reporting to the Board, on a quarterly basis, valuations and certain findings with respect to the Fair Value Securities. Such valuations and findings are reviewed by the entire Board on a quarterly basis.

For valuation purposes, the last quoted prices of non-U.S. equity securities may be adjusted under certain circumstances. 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



Notes to Financial Statements  
November 30, 2013

Boulder Total Return Fund, Inc.

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 advisers 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, 2013 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	\$382,791,372	\$	\$	\$382,791,372
Foreign Common Stock	38,350,301			38,350,301
Limited Partnerships	4,372,801			4,372,801
Short Term Investments	2,342,882			2,342,882
<b>TOTAL</b>	<b>\$427,857,356</b>	<b>\$</b>	<b>\$</b>	<b>\$427,857,356</b>

\* 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, 2013, there were no transfers between Levels 1 and 2 securities. The Fund did not have any securities which used significant unobservable inputs (Level 3) in determining fair value.

**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.

**Use of Estimates:** The preparation of financial statements is in accordance with generally accepted accounting principles in the United States of America, 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.

**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 ) were previously 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.

Notes to Financial Statements  
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Boulder Total Return Fund, Inc.

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.

As of and during the year ended November 30, 2013, the Fund did not have a liability for any unrecognized tax benefits. The Fund files U.S. federal, state, and local tax returns as required. The Fund's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations which is generally three years after the filing of the tax return for federal purposes and four years for most state returns. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

## 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 Advisers renewed the fee waiver for an additional one year term as of December 1, 2012.

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 ). Prior to October 1, 2013 SIA received a monthly fee equal to 75% of the fees earned by the Advisers, and BIA received 25% of the fees earned by the Advisers. As of October 1, 2013 SIA receives 25% of the fees earned by the Advisers and BIA receives 75% of the fees earned by the Advisers.





Boulder Total Return Fund, Inc.

Notes to Financial Statements  
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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, FAS, or any of their affiliates a fee of \$8,000 per annum, plus \$4,000 for each in-person meeting, \$500 for each audit committee meeting, \$500 for each nominating committee meeting, and \$500 for each telephonic meeting of the Board. The lead independent director of the Board receives \$1,000 per meeting. The chairman of the audit committee receives an additional \$1,000 per meeting. The Fund will also reimburse all non-interested Directors for travel and out-of-pocket expenses incurred in connection with such meetings.

Bank of New York Mellon (BNY Mellon) serves as the Fund's custodian. Computershare Shareowner Services (Computershare) serves as the Fund's common stock servicing agent, dividend-paying agent and registrar. 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, served as the Fund's Preferred Stock transfer agent, registrar, dividend disbursing agent and redemption agent until the redemption of the shares on April 10, 2013.

### NOTE 3. SECURITIES TRANSACTIONS

Purchases and sales of securities, excluding short term securities, during the year ended November 30, 2013 were \$26,601,469 and \$27,720,314, respectively.

### NOTE 4. CAPITAL

At November 30, 2013, 240,000,000 of \$0.01 par value common stock (the Common Stock) were authorized, of which 12,338,660 were outstanding.



Notes to Financial Statements  
November 30, 2013

Boulder Total Return Fund, Inc.

Transaction in common stock were as follows:

	<b>For the Year Ended November 30, 2013</b>	<b>For the Year Ended November 30, 2012</b>
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 had 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 had 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.

On April 10, 2013 all outstanding AMPS issued by the Fund were redeemed at par.

The Fund obtained alternative financing to provide new funding in order to redeem the AMPS and provide leverage to the Fund going forward. See Note 10- Line of Credit, for further information on the borrowing facility used by the Fund during the year ended, and as of, November 30, 2013.

An auction of the AMPS was generally held every 28 days. Existing stockholders could submit an order to hold, bid or sell shares on each auction date. AMPS stockholders could 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 paid 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 continued 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 was set at the greater of 2.00% of 30-day LIBOR, or 30-day LIBOR plus 200 basis points.

The Fund was subject to certain limitations and restrictions while AMPS were outstanding. Failure to comply with these limitations and restrictions could have precluded 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 was 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 were entitled to one vote per share and voted with holders of Common Stock as a single class, except that the AMPS voted 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, were 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 failed to pay distributions on AMPS for two consecutive years.

For the period from December 1, 2012 to the redemption date of April 10, 2013, distribution rates ranged from 2.20% to 2.21%. The Fund declared distributions to preferred stockholders for the period from December 1, 2012 to April 10, 2013 of \$541,558.

In connection with the payment of each AMPS distribution, the Fund paid, through the Auction Agent, a service fee of .05% to each participating broker-dealer based upon the aggregate liquidation preference of the AMPS held by the broker-dealer's customers.

#### 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-paying 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, 2013, 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.

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Boulder Total Return Fund, Inc.

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.

**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, 2013, 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 and upon such terms as the Board shall determine.

For the year ended November 30, 2013, the Fund did not repurchase any of its Common Stock and retired the remaining 680 shares AMPS at par value. For the year ended November 30, 2012, the Fund purchased 41 shares of AMPS at a discount and retired them at par value.

#### NOTE 9. TAX BASIS DISTRIBUTIONS

As determined on November 30, 2013, permanent differences resulting primarily from different book and tax accounting for gains and losses on foreign currency, partnership investments, 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 \$(112,432), \$445,455 and \$(333,023) were reclassified at November 30, 2013



Boulder Total Return Fund, Inc.

Notes to Financial Statements  
November 30, 2013

among overdistributed net investment income, accumulated net realized gains on investments and paid-in-capital, respectively, for the Fund. Included in the amounts reclassified were net operating losses offset to Paid In-Capital in the amount \$319,992.

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. Due to the redemption of the AMPS on April 23, 2013, all ordinary income and long-term capital gains are now allocated to common stockholders.

The character of distributions paid on a tax basis during the years ended November 30, 2013 and November 30, 2012 is as follows:

	<b>For the Year Ended November 30, 2013</b>	<b>For the Year Ended November 30, 2012</b>
<b>Distributions paid from:</b>		
Ordinary Income	\$ 486,163	\$ 1,207,772
Long-Term Capital Gains	55,395	
	<b>\$ 541,558</b>	<b>\$ 1,207,772</b>

The Fund elects to defer to the period ending November 30, 2014, late year ordinary losses recognized in the amount of \$12,587.

Capital loss carryovers used during the year ended November 30, 2013 were \$(12,474,967).

As of November 30, 2013, the Fund had no outstanding capital loss carryovers.

On November 30, 2013, based on cost of \$191,687,707 for federal income tax purposes, aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$238,699,031, and aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$2,529,382, and net appreciation for all foreign currency in which there is an excess of tax cost over value of \$966, resulting in net unrealized appreciation of \$236,170,615.

As of November 30, 2013, the components of distributable earnings on a tax basis were as follows:

Accumulated Capital Gain	\$ 1,056,595
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Unrealized Appreciation	236,170,615
Other Cumulative Effect of Timing Differences	(491,562)
Total	\$ 236,735,648

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. LINE OF CREDIT

On March 1, 2013 the Fund entered into a financing package that includes a Committed Facility Agreement (the Agreement ) with BNP Paribas Prime Brokerage, Inc. ( BNP ) that allowed the Fund to borrow up to \$70,000,000 ( Initial Maximum Commitment ) and a Lending Agreement, as defined below. Borrowings under the Agreement are secured by assets of the Fund that are held by the Fund's custodian in a separate account (the Pledged Collateral ). Under the terms of the Agreement, BNP was permitted in its discretion, with 270 calendar days advance notice (the Notice Period ), to reduce or call the entire Initial Maximum Commitment. Interest on the borrowing is charged at the one month LIBOR (London Inter-bank Offered Rate) plus 0.80% on the amount borrowed.

For the period of April 10, 2013 to November 30, 2013, the average amount borrowed under the Agreement and the average interest rate for the amount borrowed were \$68,116,464 and 0.985%, respectively. Due to the short term nature of the Agreement, face value approximates fair value at November 30, 2013. This fair value is based on Level 2 inputs under the three-tier fair valuation hierarchy (see Note 1). As of November 30, 2013, the amount of such outstanding borrowings is \$68,116,464. The interest rate applicable to the borrowings on November 30, 2013 was 0.968%. As of November 30, 2013, the amount of Pledged Collateral was \$195,353,163.

The Lending Agreement is a separate side-agreement between the Fund and BNP pursuant to which BNP may borrow a portion of the Pledged Collateral (the Lent Securities ) in an amount not to exceed the outstanding borrowings owed by the Fund to BNP under the Agreement. The Lending Agreement is intended to permit the Fund to reduce the cost of its borrowings under the Agreement. BNP has the ability to reregister the Lent Securities in its own name or in another name other than the Fund to pledge, re-pledge, sell, lend or otherwise transfer or use the collateral with all attendant rights of ownership. The Fund may designate any security within the Pledged Collateral as ineligible to be a Lent Security, provided there are eligible securities within the Pledged Collateral in an amount equal to the outstanding borrowing owed by the Fund. During the period in which the Lent Securities are outstanding, BNP must remit payment to the Fund equal to the amount of all dividends, interest or other distributions earned or made by the Lent Securities. The Fund receives income from BNP based on the value of the Lent Securities. This income is recorded as Securities lending income on the Statement of Operations.

Under the terms of the Lending Agreement, the Lent Securities are marked to market daily, and if the value of the Lent Securities exceeds the value of the then-outstanding borrowings owed by the Fund to BNP under the Agreement (the Current Borrowings ), BNP must, on that day, either (1) return Lent Securities to the Fund's custodian in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings; or (2) post cash collateral with the Fund's custodian equal to the difference between the value of the Lent Securities and the value of the Current Borrowings. If BNP fails to perform either of these actions as required, the Fund will recall securities, as discussed below, in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings. The Fund can recall any of the Lent Securities and BNP shall, to the extent commercially possible, return such security or equivalent security to the Fund's custodian no later than three business days after such request. If the Fund recalls a Lent Security pursuant to the Lending Agreement, and BNP fails to return the Lent Securities or equivalent securities in a timely fashion, BNP shall remain liable to the Fund's custodian for the

ultimate delivery of such Lent Securities, or equivalent securities, and for any buy-in costs that the executing broker for the sales transaction may impose with respect to the failure to deliver. The Fund shall also have the right to apply and set-off an amount equal to one hundred percent (100%) of the then-current fair market value of such Lent Securities against the Current Borrowings. As of November 30, 2013, the value of securities on loan was \$37,993,029.

The Board has approved the Agreement and the Lending Agreement. No violations of the Agreement or the Lending Agreement occurred during the period ended November 30, 2013.

#### NOTE 11. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. Management is currently evaluating the impact ASU No. 2011-11 may have on the financial statement disclosures.

In June 2013, the FASB issued ASU No. 2013-08, *Financial Services-Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements*. The FASB standard identifies characteristics a company must assess to determine whether it is considered an investment company for financial reporting purposes. This ASU is effective for fiscal years beginning after December 15, 2013. The Fund believes the adoption of this ASU will not have a material impact on its financial statements.

#### NOTE 12. FUND MERGER

**Fund Merger Announcement.** On November 4, 2013, BIA and SIA announced that the respective directors of the Fund, The Denali Fund Inc. ( DNY ), First Opportunity Fund Inc. ( FOFI ) and Boulder Growth & Income Fund, Inc. ( BIF ) and, together with DNY, FOFI and the Fund, the Funds ), have approved the reorganization of each of DNY, FOFI, and the Fund (the Target Funds ) into BIF, with BIF continuing as the surviving fund (each, a Reorganization and collectively, the Reorganizations ). The Reorganizations are contingent upon stockholder approval of each Reorganization and other conditions and contemplate, among other things, the following action:

The assets of the Target Funds will be transferred to, and the liabilities of the Target Funds will be assumed by, BIF in exchange for shares of common stock of BIF (the BIF Shares ). The BIF Shares will then be distributed to the respective Target Fund stockholders. The net asset value (not market value) of the BIF Shares received by the Target Fund stockholders in the Reorganization will equal the aggregate net asset value (not market value) of the respective Target Fund shares held by such stockholders as of the valuation date.

Certain other actions contemplated by the Reorganizations have been approved by the applicable boards, subject to stockholder approval.



Notes to Financial Statements  
November 30, 2013

Boulder Total Return Fund, Inc.

It is currently expected that the Reorganizations will be completed in the second quarter of 2014, subject to requisite stockholder approvals and all regulatory requirements and customary closing conditions being satisfied. Prior to consummation of the Reorganizations, each Fund is expected to distribute any remaining net investment income and realized capital gains, if any exists. The final distribution is in addition to the year-end distributions of net investment income, if any, and capital gains realized, if any, during the current year for each Fund.

#### NOTE 13. SUBSEQUENT EVENTS

**Advisory Fee Waiver.** Effective December 1, 2013, the Advisers renewed their agreement 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.

**Stockholder Distribution for the Fund:** On January 10, 2014, the Fund paid a dividend in the amount of \$0.08 per share to stockholders of record as of December 31, 2013.

Boulder Total Return Fund, Inc.

Report of Independent Registered Public Accounting Firm

**To the Stockholders and Board of Directors of Boulder Total Return Fund, Inc.:**

We have audited the accompanying statement of assets and liabilities of Boulder Total Return Fund, Inc. (the Fund ), including the portfolio of investments, as of November 30, 2013, and the related statement of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of November 30, 2013, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Boulder Total Return Fund, Inc. as of November 30, 2013, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

*DELOITTE & TOUCHE LLP*

Denver, Colorado

January 27, 2014

Additional Information  
November 30, 2013 (Unaudited)

Boulder Total Return Fund, Inc.

## PORTFOLIO INFORMATION

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available (1) on the Fund's website at [www.boulderfunds.net](http://www.boulderfunds.net); (2) on the SEC's website at [www.sec.gov](http://www.sec.gov); or (3) for review and copying at the SEC's Public Reference Room (PRR) in Washington, DC. Information regarding the operation of the PRR may be obtained by calling 1-800-SEC-0330.

## PROXY VOTING

The policies and procedures used to determine how to vote proxies relating to portfolio securities held by the Fund are available, without charge, on the Fund's website located at [www.boulderfunds.net](http://www.boulderfunds.net), on the SEC's website at [www.sec.gov](http://www.sec.gov), or by calling 303-449-0426. Information regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available at [www.sec.gov](http://www.sec.gov).

## SENIOR OFFICER CODE OF ETHICS

The Fund files a copy of its code of ethics that applies to the registrant's principal executive officer, principal financial officer or controller, or persons performing similar functions (the Senior Officer Code of Ethics), with the SEC as an exhibit to its annual report on Form N-CSR. The Fund's Senior Officer Code of Ethics is available on the Fund's website located at [www.boulderfunds.net](http://www.boulderfunds.net).

## PRIVACY STATEMENT

Pursuant to SEC Regulation S-P (Privacy of Consumer Financial Information) the Board established the following policy regarding information about the Fund's stockholders. We consider all stockholder data to be private and confidential, and we hold ourselves to the highest standards in its safekeeping and use.

**General Statement.** The Fund may collect nonpublic information (e.g., your name, address, email address, Social Security Number, Fund holdings (collectively, Personal Information)) about stockholders from transactions in Fund shares. The Fund will not release Personal Information about current or former stockholders (except as permitted by law) unless one of the following conditions is met: (i) we receive your prior written consent; (ii) we believe the recipient to be you or your authorized representative; (iii) to service or support the business functions of the Fund (as explained in more detail below), or (iv) we are required by law to release Personal Information to the recipient. The Fund has not and will not in the future give or sell Personal Information about its current or former stockholders to any company, individual, or group (except as permitted by law) and as otherwise provided in this policy.

In the future, the Fund may make certain electronic services available to its stockholders and may solicit your email address and contact you by email, telephone or U.S. mail regarding the availability of such services. The Fund may



also contact stockholders by email, telephone or U.S. mail in connection with these services, such as to confirm enrollment in electronic stockholder communications or to update your Personal Information. In no event will the Fund transmit your Personal Information via email without your consent.

**Use of Personal Information.** The Fund will only use Personal Information (i) as necessary to service or maintain stockholder accounts in the ordinary course of business and (ii) to support business functions of the Fund and its affiliated businesses. This means that the Fund may share

Boulder Total Return Fund, Inc.

Additional Information  
November 30, 2013 (Unaudited)

certain Personal Information, only as permitted by law, with affiliated businesses of the Fund, and that such information may be used for non-Fund-related solicitation. When Personal Information is shared with the Fund's business affiliates, the Fund may do so without providing you the option of preventing these types of disclosures as permitted by law.

**Safeguards regarding Personal Information.** Internally, we also restrict access to Personal Information to those who have a specific need for the records. We maintain physical, electronic, and procedural safeguards that comply with Federal standards to guard Personal Information. Any doubts about the confidentiality of Personal Information, as required by law, are resolved in favor of confidentiality.

## NOTICE TO STOCKHOLDERS

The Fund designates the following as a percentage of taxable ordinary income distributions, or up to the maximum amount allowable, for the calendar year ended December 31, 2012:

Qualified Dividend Income:	100.00%
Dividend Received Deduction:	100.00%

In early 2013, if applicable, stockholders of record received this information for the distributions paid to them by the Funds during the calendar year 2012 via Form 1099. The Funds will notify stockholders in early 2014 of amounts paid to them by the Funds, if any, during the calendar year 2013.

Pursuant to Section 852(b)(3) of the Internal Revenue Code, the Fund designated \$55,395 as long-term capital gain dividends.

Summary of Dividend Reinvestment Plan  
*November 30, 2013 (Unaudited)*

Boulder Total Return Fund, Inc.

Registered holders ( Common Stockholders ) of common shares (the Common Shares ) are automatically enrolled (the Participants ) in the Fund's Dividend Reinvestment Plan (the Plan ) whereupon all distributions of income, capital gains or managed distributions ( Distributions ) are automatically reinvested in additional Common Shares. Common Stockholders who elect to not participate in the Plan will receive all distributions in cash paid by check in U.S. dollars mailed directly to the stockholders of record (or if the shares are held in street name or other nominee name, then the nominee) by the custodian, as dividend disbursing agent.

Computershare Shareowner Services (the Agent ) serves as Agent for each Participant in administering the Plan. After the Fund declares a Distribution, if (1) the net asset value per Common Share is equal to or less than the market price per Common Share plus estimated brokerage commissions on the payment date for a Distribution, Participants will be issued Common Shares at the higher of net asset value per Common Share or 95% of the market price per Common Share on the payment date; or if (2) the net asset value per Common Share exceeds the market price plus estimated brokerage commissions on the payment date for a Distribution, the Agent shall apply the amount of such Distribution to purchase Common Shares on the open market and Participants will receive the equivalent in Common Shares valued at the weighted average market price (including brokerage commissions) determined as of the time of the purchase (generally, following the payment date of the Distribution). If, before the Agent has completed its purchases, the market price plus estimated brokerage commissions exceeds the net asset value of the Common Shares as of the payment date, the purchase price paid by the Agent may exceed the net asset value of the Common Shares, resulting in the acquisition of fewer Common Shares than if such Distribution had been paid in Common Shares issued by the Fund. If the Agent is unable to invest the full Distribution amount in purchases in the open market or if the market discount shifts to a market premium during the purchase period than the Agent may cease making purchases in the open market the instant the Agent is notified of a market premium and may invest the uninvested portion of the Distribution in newly issued Common Shares at the net asset value per Common Share at the close of business provided that, if the net asset value is less than or equal to 95% of the then current market price per Common Share, the dollar amount of the Distribution will be divided by 95% of the market price on the payment date. The Fund will not issue Common Shares under the Plan below net asset value.

There is no charge to Participants for reinvesting Distributions, except for certain brokerage commissions, as described below. The Agent's fees for the handling of the reinvestment of Distributions will be paid by the Fund. There will be no brokerage commissions charged with respect to shares issued directly by the Fund. However, each Participant will pay a pro rata share of brokerage commissions incurred with respect to the Agent's open market purchase in connection with the reinvestment of Distributions. The automatic reinvestment of Distributions will not relieve Participants of any federal income tax that may be payable on such Distributions.

The Fund reserves the right to amend or terminate the Plan upon 90 days' written notice to Common Stockholders of the Fund.

Participants in the Plan may (i) request a certificate, (ii) request to sell their shares, or (iii) withdraw from the Plan upon written notice to the Agent or by telephone in accordance with the specific procedures and will receive certificates for whole Common Shares and cash for fractional Common Shares.

All correspondence concerning the Plan should be directed to the Agent, Computershare, P.O. Box 30170, College Station, TX, 77842-3170. To receive a full copy of the Fund's Dividend Reinvestment Plan, please contact the Agent at 1-866-228-4853.



Boulder Total Return Fund, Inc.

Board of Directors Approval of the Investment Advisory Agreements  
November 30, 2013 (Unaudited)***Discussion Regarding the Board of Directors Approval of the Investment Advisory Contracts***

Each of the Advisers has entered into an Investment Advisory Agreement with the Fund (the *Advisory Agreements*) pursuant to which the Advisers are jointly responsible for managing the Fund's assets in accordance with its investment objectives, policies and limitations. The 1940 Act requires that the Board, including a majority of the Directors who are not interested persons of the Fund within the meaning of Section 2(a)(19) of 1940 Act (the *Independent Directors*), annually approve the terms of the Advisory Agreements. At a regularly scheduled meeting held on November 4, 2013, the Directors, by a unanimous vote (including a separate vote of the Independent Directors), approved the renewal of the Advisory Agreements.

**Factors Considered**

Generally, the Board considered a number of factors in renewing the Advisory Agreements including, among other things, (i) the nature, extent and quality of services to be furnished by the Advisers to the Fund; (ii) the investment performance of the Fund compared to relevant market indices and the performance of peer groups of closed-end investment companies pursuing similar strategies (the *Peer Group*); (iii) the advisory fees and other expenses paid by the Fund compared to those of similar funds managed by other investment advisers; (iv) the profitability to the Advisers of their investment advisory relationship with the Fund; (v) the extent to which economies of scale would be realized if the Fund grows and whether fee levels reflect any economies of scale; (vi) support of the Advisers by the Fund's principal stockholders; (vii) the historical relationship between the Fund and the Advisers; and (viii) the relationship between the Advisers and its affiliated service provider, FAS. The Board also reviewed the ability of the Advisers to provide investment management and supervision services to the Fund, including the background, education and experience of the key portfolio management and operational personnel, the investment philosophy and decision-making process of those professionals, and the ethical standards maintained by the Advisers.

**Deliberative Process**

To assist the Board in its evaluation of the quality of the Advisers' services and the reasonableness of the Advisers' fees under the Advisory Agreements, the Board received a memorandum from independent legal counsel to the Independent Directors discussing the factors generally regarded as appropriate to consider in evaluating investment advisory arrangements and the duties of directors in approving such arrangements. In connection with its evaluation, the Board also requested, and received, various materials relating to the Advisers' investment services under the Advisory Agreements. These materials included reports and presentations from the Advisers that described, among other things, the Advisers' organizational structure, financial condition, internal controls, policies and procedures on brokerage practices, soft-dollar commissions and trade allocation, comparative investment performance results, comparative advisory fees, and compliance policies and procedures. The Board also met with representatives of, and received a report prepared by, an independent research firm, Morningstar, Inc. (*Morningstar*), comparing the Fund's performance and advisory fees and expenses to a group of closed-end funds determined to be most similar to the Fund in each case as determined by Morningstar (the *Peer Group*). The Board also considered information received from the Advisers throughout the year, including investment performance and returns as well as stock price, net asset value and expense ratio reports for the Fund.

Board of Directors Approval of the Investment Advisory Agreements  
November 30, 2013 (Unaudited)

Boulder Total Return Fund, Inc.

In advance of the November 4, 2013 Board meeting, the Independent Directors held two special telephonic meetings with counsel to the Fund and the Independent Directors. One of the principal purposes of the meetings was to discuss the renewal of the Advisory Agreements and to review the materials provided to the Board by the Advisers in connection with the annual review process. The Board held additional discussions at the November 4, 2013 Board meeting, which included a private session among the Independent Directors and their independent legal counsel at which no employees or representatives of the Advisers were present.

The information below summarizes the Board's considerations in connection with its approval of the Advisory Agreements. In deciding to approve the Advisory Agreements, the Board did not identify a single factor as controlling and this summary does not describe all of the matters considered. However, the Board concluded that each of the various factors referred to below favored such approval.

### **Nature, Extent and Quality of the Services Provided; Ability to Provide Services**

The Board received and considered various data and information regarding the nature, extent and quality of services provided to the Fund by the Advisers under the Advisory Agreements. Each Adviser's most recent investment adviser registration form on the Securities and Exchange Commission's Form ADV was provided to the Board, as were the responses of the Advisers to information requests submitted to the Advisers by the Independent Directors through their independent legal counsel. The Board reviewed and analyzed the materials, which included information about the background, education and experience of the Advisers' key portfolio management and operational personnel and the amount of attention devoted to the Fund by the Advisers' portfolio management personnel. The Board was satisfied that the Advisers' investment personnel would devote an adequate portion of their time and attention to the success of the Fund and its investment strategy. Based on the above factors, the Board concluded that it was generally satisfied with the nature, extent and quality of the investment advisory services provided to the Fund by the Advisers, and that the Advisers possessed the ability to continue to provide these services to the Fund in the future.

### **Investment Performance**

The Board considered the investment performance of the Fund since the Advisers were engaged by the Fund in 1999, as compared to both relevant indices and the performance of the Peer Group. The Board noted that based on its net asset value performance, the Fund outperformed the Standard & Poor's 500 Index (the S&P 500), the Fund's primary relevant benchmark as well as the Dow Jones Industrial Average (the Dow Jones) and NASDAQ Composite Index (the NASDAQ Composite) since August, 1999 when the Advisers were engaged by the Fund. The Board noted the Fund outperformed the S&P 500 and Dow Jones, however underperformed the NASDAQ Composite during the one-, five- and ten-year period ended September 30, 2013. The Board further noted that the Fund underperformed the S&P 500, Dow Jones and NASDAQ Composite during the three-year period ended September 30, 2013. The Board also noted the Fund's recent

Boulder Total Return Fund, Inc.

Board of Directors Approval of the Investment Advisory Agreements  
*November 30, 2013 (Unaudited)*

outperformance of the Dow Jones for the quarter and six-months ended September 30, 2013 however underperformance of the NASDAQ during the same time period. The Board further noted that the Fund outperformed its Peer Group for the one- and ten-year periods ended September 30, 2013, slightly underperformed its Peer Group for the five-year period ended September 30, 2013 and underperformed its Peer Group for the three-year period ended September 30, 2013.

### **Costs of Services Provided and Profits Realized by the Advisers**

In evaluating the costs of the services provided to the Fund by the Advisers, the Board received statistical and other information regarding the Fund's total expense ratio and its various components, including advisory fees and investment-related expenses. The Board noted that the level of fees charged by the Advisers is at the higher end of the spectrum of fees charged by similarly situated investment advisers of closed-end funds included in the Peer Group expense universe; however, the advisory fees payable under the Advisory Agreements were comparable to the fees earned by the Advisers on other portfolios managed by the Advisers. The Advisers discussed with the Board certain factors justifying the advisory fee including, but not limited to, the Advisers' stock skill selection has been substantiated through long-term performance; and the time associated with the discipline of concentrated investing.

The Board also obtained detailed information regarding the overall profitability of the Advisers and the combined profitability of the Advisers and FAS, which acts as co-administrator for the Fund. The combined profitability information was obtained to assist the Board in determining the overall benefits to the Advisers from their relationship to the Fund. In particular, the Board reviewed the costs incurred by the Advisers and FAS in providing services to the Fund.

Based on its analysis of this information, the Board determined that the overall level of profits earned by the Advisers does not appear to be unreasonable based on the profitability of other investment management firms and the quality of the services rendered by the Advisers.

### **Economies of Scale**

The Board considered whether there have been economies of scale with respect to the management of the Fund, whether the Fund has appropriately benefited from any economies of scale, and whether the fee is reasonable in relation to the Fund's assets and any economies of scale that may exist. Although the Board noted that the Advisers do not anticipate that they are likely to experience any meaningful economies of scale with respect to their management of the Fund, the Board, as described below, determined that it would be in the best interests of the Fund and its stockholders to obtain a voluntary fee waiver to provide more immediate benefits to the stockholders.

### **Fee Waiver**

The Board noted the current fee arrangement in place for the Fund under the Advisory Agreements. They noted that the Advisers receive an annual fee, payable monthly, of 1.25% of the value of the Fund's average monthly total net assets, including any leverage. The Board further noted the current one-year voluntary fee waiver whereby the Advisers have agreed to waive a

Board of Directors Approval of the

Investment Advisory Agreements  
*November 30, 2013 (Unaudited)*

Boulder Total Return Fund, Inc.

portion of the advisory fee equal to 10 basis points (0.10%) of the value of the Fund's average monthly total net assets, including any leverage. This fee waiver will reduce the annual fee payable to the Advisers to 1.15% of the value of the Fund's average monthly total net assets, including any leverage, through December 1, 2014. The Board also noted that effective as of October 1, 2013, the fee split amongst the Adviser was revised so that SIA receives 25% of the fees earned by the Advisers and BIA receives 75% of the fees earned by the Advisers. The Board concluded that the fee under the Advisory Agreements, as modified by the voluntary fee waiver, was reasonable and fair in light of the nature and quality of the services provided by the Advisers.

### **Stockholder Support and Historical Relationship with the Fund**

The Board also weighed the views of the Fund's largest stockholders, which are affiliated with the family of Mr. Stewart R. Horejsi. As of September 30, 2013, the Lola Trust and other entities affiliated with the Horejsi family held approximately 42.2% of the Fund's outstanding common shares. The Board understood from Mr. Horejsi that these stockholders were supportive of the Advisers and the renewal of the Advisory Agreements.

### **Approval**

The Board based its decision to approve the renewal of the Advisory Agreements on a careful analysis, in consultation with independent counsel, of the above factors as well as other factors. In approving the Advisory Agreements, the Board concluded that the terms of the Fund's investment advisory agreements are reasonable and fair and that renewal of the Advisory Agreements is in the best interests of the Fund and its stockholders.



Boulder Total Return Fund, Inc.

Directors & Officers  
November 30, 2013 (Unaudited)

Set forth in the following table is information about the Directors of the Fund, together with their address, age, position with the Fund, length of time served and principal occupation during the last five years. The Fund's SAI includes additional information about Directors of the Fund and is available, without charge, upon request, at 303-449-0426.

## INDEPENDENT DIRECTORS

<b>Name,</b>	<b>Position(s)</b>	<b>Term of Office</b>	<b>Principal Occupation(s)</b>	<b>Number of Portfolios</b>	<b>Other Directorships</b>
<b>Age and Address*</b>	<b>Held with Fund</b>	<b>and Length of Time Served</b>	<b>During past 5 years</b>	<b>in Fund Complex Overseen by Director</b>	<b>Held by Director</b>
Dr. Dean L. Jacobson Age: 74	Class I Director	Term expires 2016; served since 2004.	Founder and President (since 1989), Forensic Engineering, Inc. (engineering investigations); Professor Emeritus (since 1997), Arizona State University.	4	Director (since 2006) Boulder Growth & Income Fund, Inc.; Director (since 2007), The Denali Fund Inc.; Director (since 2003), First Opportunity Fund, Inc.
Richard I. Barr Age: 76	Lead Independent Director and Class III Director	Term expires 2015; served since 1999 (Lead Independent Director since 2013 and Chairman 2003-2013).	Retired (since 2001); various executive positions (1963-2001), Advantage Sales and Marketing, Inc. (food brokerage).	4	Director (since 2002) and Lead Independent Director (since 2013), Boulder Growth & Income Fund, Inc.; Director (since 2007) and Lead Independent Director (since 2013), The Denali Fund Inc.; Director (since 2001) and Lead Independent Director (since 2013), First Opportunity Fund, Inc.
Steven K. Norgaard	Class III Director	Term expires 2015; served	Attorney (since 1994), Steven K.	4	Director (since 2011) Boulder Growth &

Age: 49

since 2011.

Norgaard, P.C.  
(law firm),  
Director (since  
2007) ATG Trust  
Company  
(independent trust  
company).

Income Fund, Inc.;  
Director (since 2011),  
The Denali Fund  
Inc.; Director (since  
2011), First  
Opportunity Fund,  
Inc.

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Directors & Officers  
November 30, 2013 (Unaudited)

Boulder Total Return Fund, Inc.

INTERESTED DIRECTORS

<b>Name,</b>	<b>Term of Office</b>	<b>Principal</b>	<b>Number of</b>	<b>Other</b>	
<b>Age and</b>	<b>and Length of</b>	<b>Occupation(s)</b>	<b>Portfolios in</b>	<b>Directorships</b>	
<b>Address*</b>	<b>Time Served</b>	<b>During past 5 years</b>	<b>Fund Complex</b>	<b>Held by Director</b>	
	<b>Fund</b>		<b>Overseen by</b>		
	<b>Held with</b>		<b>Director</b>		
Joel W. Looney*** Age: 52	Chairman and Class II Director	Term expires 2014; served since 2001 (Chairman since 2013).	Assistant Investment Officer (since October 2013), Rocky Mountain Advisers, LLC (investment adviser); Assistant Investment Officer (since October 2013), Boulder Investment Advisers, LLC (investment adviser); Partner (1999 to 2013), Financial Management Group, LLC (investment adviser); Registered Representative (2007 to 2013), VSR Financial Services, Inc. (investment adviser).	4	Director (since 2002) and Chairman (since 2003), Boulder Growth & Income Fund, Inc.; Director and Chairman (since 2001) and Chairman (since 2013).The Denali Fund Inc.; Director and Chairman (since 2003), First Opportunity Fund, Inc.
John S. Horejsi** Age: 42	Class I Director	Term expires 2016; served since 2006.	Director (since 1997), Horejsi Charitable Foundation (private charitable foundation); Director (2007-2011), The Denali Fund Inc.; Director (2006-2011), First Opportunity Fund, Inc.	2	Director (since 2004), Boulder Growth & Income Fund, Inc.

\*

*Unless otherwise specified, the Directors' respective addresses are c/o Boulder Total Return Fund, Inc., 2344 Spruce Street, Suite A, Boulder, Colorado 80302.*

*Includes the Fund, The Denali Fund Inc., Boulder Growth & Income Fund, Inc., and First Opportunity Fund, Inc.*

*\*\* Mr. Horejsi is an interested person as a result of the extent of his beneficial ownership of Fund shares and by virtue of his indirect beneficial ownership of BIA, SIA and FAS.*

*\*\*\*Mr. Looney is considered an interested person because of his position as an employee of FAS and Assistant Investment Officer of BIA.*

Boulder Total Return Fund, Inc.

Directors & Officers  
November 30, 2013 (Unaudited)

## OFFICERS

The names of the executive officers of the Fund are listed in the table below. Unless otherwise specified, each officer was elected to office by the Board at a meeting held on January 27, 2012. Officers are elected annually and will hold such office until a successor has been elected by the Board.

## Name,

Age and Address*	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During past 5 years
Stephen C. Miller Age: 61	President	Appointed annually; served since 1999.	President and General Counsel (since 1999), Boulder Investment Advisers, LLC; President and General Counsel (since 2008), Rocky Mountain Advisers, LLC; Manager (since 1999), Fund Administrative Services, LLC.; Vice President (since 1998), Stewart Investment Advisers; President (since 2002), Boulder Growth & Income Fund, Inc.; President (since 2007), The Denali Fund Inc.; President (since 2003), First Opportunity Fund, Inc.; officer of various other entities affiliated with the Horejsi family; Of Counsel (since 1991), Krassa & Miller, LLC.
Nicole L. Murphey Age: 36	Chief Financial Officer, Chief Accounting Officer, Vice President, Treasurer, and Assistant Secretary	Appointed annually; served as Chief Financial Officer, Chief Accounting Officer and Treasurer since 2011; served as Vice President since 2008; served as Assistant Secretary since 2000.	Vice President and Treasurer (since 2011), Boulder Investment Advisers, LLC and Rocky Mountain Advisers, LLC; Assistant Manager (since 2011), Fund Administrative Services, LLC; Chief Financial Officer, Chief Accounting Officer, Treasurer (since 2011), Vice President (since 2008) and Assistant Secretary (since 2002), Boulder Growth & Income Fund, Inc.; Chief Financial Officer, Chief Accounting Officer, Treasurer (since 2011), Vice President (since 2008) and Assistant Secretary (since 2007), The Denali Fund Inc.; Chief Financial Officer, Chief Accounting Officer, Treasurer (since 2011), Vice President (since 2008) and Assistant Secretary (since 2003) First Opportunity Fund, Inc.

Directors & Officers  
November 30, 2013 (Unaudited)  
OFFICERS (continued)

Boulder Total Return Fund, Inc.

**Name,**

**Age and**

**Address\***

**Position(s)  
Held with Fund**

**Term of Office  
and Length of  
Time Served**

**Principal Occupation(s) During past 5 years**

Lucas Foss\*\*

Age: 36

Chief Compliance  
Officer

Appointed  
annually; served  
since 2012.

Deputy Chief Compliance Officer (since August 2012), ALPS Fund Services; Chief Compliance Officer (since 2012), Wakefield Alternative Series Trust; Chief Compliance Officer (since 2012), ALPS Series Trust; Chief Compliance Officer (since 2012), The Caldwell & Orkin Funds, Inc.; Chief Compliance Officer (since 2012), Boulder Growth & Income Fund, Inc.; Boulder Total Return Fund, Inc.; First Opportunity Fund, Inc.; Chief Compliance Officer (since 2013), Whitebox Mutual Funds; Chief Compliance Officer (since 2013), Principal Real Estate Income Fund; Chief Compliance Officer (Since 2013), RiverNorth Opportunities Fund, Inc.; Compliance manager (2010-2012), ALPS Fund Services; Senior Compliance Analyst (2006-2009), ALPS Fund Services; Registered Representative, ALPS Distributors, Inc.

Stephanie J. Kelley Secretary

Age: 57

Secretary

Appointed  
annually; served  
since 2000.

Secretary (since 2002) and Assistant Compliance Officer (2002-2012), Boulder Growth & Income Fund, Inc., Secretary (since 2007) and Assistant Compliance Officer (2007-2012), The Denali Fund Inc.; Secretary (since 2003) and Assistant Compliance Officer (2003-2012), First Opportunity Fund, Inc.; Assistant Secretary and Assistant Treasurer of various other entities affiliated with the Horejsi family.

\* Unless otherwise specified, the Officers' respective addresses are c/o Boulder Total Return Fund, Inc., 2344 Spruce Street, Suite A, Boulder, Colorado 80302.

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*Jennifer Welsh resigned as Chief Compliance Officer of the Fund, effective as of November 6, 2012. Mr. Foss was elected Chief Compliance Officer of the Fund via written consent of the Board of Directors dated November 30, 2012 and effective as of December 3, 2012.*

*The Fund's president has certified to the New York Stock Exchange that, as of November 30, 2013, he was not aware of any violation by the Fund of applicable NYSE corporate governance listing standards. The Fund's reports to the Securities and Exchange Commission on Form N-CSR contain certifications by the Fund's principal executive officer and principal financial officer that relate to the Fund's disclosure in such reports and that are required by rule 30a-2(3) under the Investment Company Act.*

Boulder Total Return Fund, Inc.

Notes



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Notes

Boulder Total Return Fund, Inc.



BOULDER TOTAL RETURN FUND, INC.

	n n
Directors	Richard I. Barr John S. Horejsi Dr. Dean L. Jacobson Joel W. Looney Steven K. Norgaard
Co-Investment Advisers	Stewart Investment Advisers Boulder Investment Advisers, LLC 2344 Spruce Street, Suite A Boulder, CO 80302
Co-Administrator	Fund Administrative Services, LLC 2344 Spruce Street, Suite A Boulder, CO 80302
Co-Administrator	ALPS Fund Services, Inc. 1290 Broadway, Suite 1100 Denver, CO 80203
Custodian	Bank of New York Mellon One Wall Street New York, NY 10286
Stock Transfer Agent	Computershare 480 Washington Blvd. Jersey City, NJ 07310
Independent Registered Public Accounting Firm	Deloitte & Touche LLP 555 17th Street, Suite 3600 Denver, CO 80202
Legal Counsel	Paul Hastings, LLP 515 South Flower Street Twenty-Fifth Floor Los Angeles, CA 90071

*Statistics and projections in this report are derived from sources deemed to be reliable but cannot be regarded as a representation of future results of the Fund. This report is prepared for the general information of stockholders and is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.*

[www.boulderfunds.net](http://www.boulderfunds.net)

BOULDER TOTAL RETURN FUND, INC.

c/o Computershare

480 Washington Blvd.

Jersey City, NJ 07310

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**Item 2. Code of Ethics.**

As of the end of the period covered by this report, the Boulder Total Return Fund, Inc. (the Registrant or Fund ) has adopted a code of ethics that applies to the Registrant's Principal Executive Officer and Principal Financial Officer. During the period covered by this report, there were no material changes made to the provisions of the code of ethics nor were there any waivers granted from a provision of the code of ethics. A copy of the Registrant's code of ethics is filed with this N-CSR under Item 12(a).

**Item 3. Audit Committee Financial Expert.**

As of the end of the period covered by the report, the Registrant's board of directors has determined that Steven K. Norgaard is qualified to serve as an audit committee financial expert serving on its audit committee and that he is independent, as defined in paragraph (a)(2) of Item 3.

**Item 4. Principal Accountant Fees and Services.**

- (a) **Audit Fees** The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the Registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements were \$28,600 and \$29,500 for the fiscal years ended November 30, 2012 and November 30, 2013, respectively.
- (b) **Audit-Related Fees** There were no fees billed for the fiscal years ended November 30, 2012 and November 30, 2013 for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the Registrant's financial statements and are not reported under (a) of this Item.
- (c) **Tax Fees** The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for the review of the Registrant's tax returns, excise tax returns, December dividend calculations and Maryland Property Tax returns were \$7,965 and \$8,200 for the fiscal years ended November 30, 2012 and November 30, 2013, respectively.
- (d) **All Other Fees** The aggregate fees billed for the last two fiscal years for products and services provided by the principal accountant, other than the services reported in (a) through (c) of this Item were \$5,000 and \$0 for the fiscal years ended November 30, 2012 and November 30, 2013, respectively. These fees pertained to agreed-upon procedures reports related to the Registrant's Auction Market Preferred Shares.
- (e) (1) The Registrant's audit committee pre-approves all audit and non-audit services to be performed by the Registrant's accountant before the accountant is engaged by the Registrant to perform such services. Under the audit committee's charter, pre-approval of permitted non-audit services by the Registrant's accountant is not required if: (1) the aggregate amount of all permitted non-audit services is not more than 5% of the total revenues paid by the Registrant to the accountant in the fiscal year in which the non-audit services are provided; (2) such services were not recognized by the Registrant at the time of the engagement to be non-audit services; and (3) such services are promptly brought to the attention of the audit committee and approved by the audit committee or a designated audit committee member prior to the completion of the audit of the Registrant's annual financial statements.

(2) There were no services described in (b) through (d) above (including services required to be approved by the audit committee pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X) that were approved by the audit committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

(f) None of the hours expended on the principal accountant's engagement to audit the Registrant's financial statements for the fiscal year ended November 30, 2013 were attributable to work performed by persons other than the principal accountant's full-time, permanent employees.

(g) Not applicable.

(h) Not applicable.

### Item 5. Audit Committee of Listed Registrants.

The Registrant has an audit committee which was established by the Board of Directors of the Fund in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The members of the Registrant's audit committee are Dr. Dean L. Jacobson, Richard I. Barr, and Steven K. Norgaard.

### Item 6. Investments.

(a) The Registrant's full schedule of investments is included as part of the report to stockholders filed under Item 1 of this Form.

(b) Not applicable.

### Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

The Registrant has delegated, subject to the supervision of the Board, the voting of proxies relating to its voting securities to the Advisers. The Registrant's Proxy Voting Procedures of the Advisers are included below.

Boulder Total Return Fund, Inc.

Boulder Growth & Income Fund, Inc.

The Denali Fund Inc.

First Opportunity Fund, Inc.

#### Proxy Voting Procedures

The Board of Directors of the Boulder Total Return Fund, Inc., Boulder Growth & Income Fund, Inc., The Denali Fund Inc. and First Opportunity Fund, Inc. (collectively, the **Funds**) hereby adopt the following policies and procedures with respect to voting proxies relating to portfolio securities held by the Funds (collectively, the **Voting Policies**).

1. **Policy.** It is the policy of each of the Boards of Directors of the Funds (the **Board**) to delegate the responsibility for voting proxies relating to portfolio securities held by the Funds to each Fund's respective investment adviser(s) (the **Adviser**) as a part of the Adviser's general management of the Funds, subject to the Board's continuing oversight. The voting of proxies is an integral part of the investment management services that the Adviser provides pursuant to the advisory contract. Proxy voting policies and procedures are required by Rule 206 (4)-6 of the Investment Advisers Act of 1940, and became effective August 6, 2003.

2. **Fiduciary Duty.** The right to vote a proxy with respect to portfolio securities held by the Funds is a significant asset of the Fund. The Adviser, to which authority to vote on behalf of the Funds is delegated, exercises this voting responsibility as a fiduciary, and votes proxies in a manner consistent with the best interest of the Funds and its shareholders, and with the goal of maximizing the value of the Funds and the shareholders' investments.

3. **Procedures.** The following are the procedures adopted by the Board for the administration of this policy:

a. **Review of Adviser Proxy Voting Procedures.** The Adviser, with advice and counsel from the Board, shall present to the Board its policies, procedures and other guideline for voting proxies at least annually (the **Voting Guidelines**), and



must notify the Board promptly of any material changes. In accordance with the foregoing, the Adviser has developed the Voting Guidelines which are attached hereto as **Exhibit A**.

b. *Voting Record Reporting*. No less than annually, the Adviser shall report to the Board a record of each proxy voted with respect to portfolio securities of the Funds during the respective year. With respect to those proxies the Adviser has identified as involving a conflict of interest<sup>2</sup>, the Adviser shall submit a separate report indicating the nature of the conflict of interest and how that conflict was resolved with respect to the voting of the proxy.

4. *Revocation*. The delegation by the Board of the authority to vote proxies relating to portfolio securities of the Funds is entirely voluntary and may be revoked by the Board, in whole or in part, at any time. This disclosure shall be included in any registration statement filed on behalf of the Funds after July 1, 2003.

5. *Annual Filing*. The Fund shall file an annual report of each proxy voted with respect to portfolio securities of the Funds during the twelve-month period ended June 30 on Form N-PX not later

<sup>1</sup> This policy is adopted for the purpose of the disclosure requirements adopted by the Securities and Exchange Commission, Releases No. 33-8188, 34-47304, IC-25922.

<sup>2</sup> As it is used in this document, the term "conflict of interest" refers to a situation in which the Adviser or affiliated persons of the adviser have a financial interest in a matter presented by a proxy other than the obligation it incurs as investment adviser to the Funds which compromises the Adviser's independence of judgment and action with respect to the voting of the proxy.

## Voting Policies and Procedures

than August 31 of each year. The Fund must file the complete proxy voting record on an annual basis on this form. Form N-PX must contain complete proxy voting records for the 12 month period stated above, and must be signed on behalf of the Fund by the principal executive officers.

### 6. *Disclosures.*

a. The Fund shall include in any future registration statement:

- i. A description of the Voting Policies and the Voting Guidelines<sup>3</sup>; and
- ii. A statement disclosing that information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge, upon request, by calling the Funds toll-free telephone number; or through a specified Internet address; or both; and on the SEC website.<sup>4</sup>

b. The Fund shall include in its Annual and Semi-Annual Reports to shareholders:

- i. A statement disclosing that the Voting Policies and Voting Guidelines are available without charge, upon request, by calling the Funds toll-free telephone number; or through a specified Internet address; and on the SEC website.<sup>5</sup>
- ii. A statement disclosing that information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge, upon request, by calling the Funds toll-free telephone number; or through a specified Internet address; or both; and on the SEC website.<sup>6</sup>

7. ***Recordkeeping Requirements.*** SEC Rule 204-2, as amended, requires advisers to retain:

1. Proxy voting policies and procedures
2. Proxy statements received regarding client securities
3. Records of votes cast on behalf of clients
4. Records of written client requests
5. Any documents prepared by the Adviser material to making a decision how to vote, or that memorialized the basis for the decision.

8. ***Review of Policy.*** At least annually, the Board shall review this Policy to determine its sufficiency and shall make and approve any changes that it deems necessary from time to time.

<sup>3</sup> This disclosure is included in all registration statements filed on behalf of the Funds after July 1, 2003.

<sup>4</sup> This disclosure is included in all registration statements filed on behalf of the Funds after August 31, 2004.

<sup>5</sup> This disclosure is included in all reports filed on behalf of the Funds after July 1, 2003.

<sup>6</sup> This disclosure is included in all reports filed on behalf of the Funds after August 31, 2004.

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**EXHIBIT A VOTING GUIDELINES**

The Funds and Advisers' proxy voting principles are summarized below, with specific examples of voting decisions for the types of proposals that are most frequently presented:

<i>Category</i>	<i>Guideline</i>	<i>Voting</i>
<b>BOARD OF DIRECTOR ISSUES</b>	The board of directors' primary role is to protect the interests of all shareholders. Key functions of the board are to approve the direction of corporate strategy, ensure succession of management and evaluate performance of the corporation as well as senior management. The board is accountable to shareholders, and must operate independently from management.	
Routine Elections	Although we typically vote for the election of directors in uncontested elections, we may vote against, or withhold, if applicable, if we believe the individual has not, or is not likely to in the future, deliver value to shareholders or protect shareholders' interests due to the individual's relationships, background or prior actions.	Generally FOR, but will review on a case-by-case basis
Board Classification	Generally we are opposed to entrenchment mechanisms and will vote against proposals to classify a board. We prefer annual election of directors in order that shareholders have more power to replace directors deemed to not be acting in the shareholders' interest.	Generally AGAINST
Independence of Directors	The majority of board members should be independent from the corporation, management or a majority shareholder. An independent member should not be a former employee of the company or a representative of a key supplier to or a key client of the company.	We will generally support boards that have a majority of board members classified as independent.
Director Indemnification	Mandatory indemnification of directors and officers is necessary to attract quality candidates.	Generally FOR
Director Attendance	Board membership requires a significant amount of time in order for responsibilities to be executed, and attendance at Board and Committee	We look for attendance records to be in the 75% participation range.

meetings is noted.

Term Limits	We are more concerned with the performance of directors and not with the term limits	Generally AGAINST but will look at on a case-by-case basis.
Separation of Chair and CEO	In most cases it is advisable for there to be a separation between the CEO and the Chair to enhance separation of management interests and shareholders.	In most cases we would support a recommendation to separate the Chair from the CEO. Lead directors are considered acceptable, and in this situation an independent Corporate Governance committee must also be in place.
Committees of the Board	Audit, Compensation, Governance and Nominating committees are the most significant committees of the board.	We support the establishment of these committees, however independent director membership on these committees is the primary concern. Two-thirds independent membership is satisfactory, provided that the chair of each committee is independent.

Voting Policies and Procedures

<i>Category</i>	<i>Guideline</i>	<i>Voting</i>
Audit Process	The members of an audit committee should be independent directors, and the auditor must also be independent. The auditor should report directly to the Audit committee and not to management.	We will generally support the choice of auditors recommended by the Audit Committee. In the event that the auditor supplies other services for a fee other than the audit, each situation will be reviewed on a case-by-case basis.

**VOTING AND ENTRENCHMENT ISSUES**

Shareholder Right to Call		Generally FOR
Special Meeting		
Shareholder Right to Act by		Generally FOR
Written Consent		
Cumulative Voting		Generally FOR, although there may be situations where such a structure may be detrimental to shareholder interests.
Confidentiality of Shareholder Voting	Like any other electoral system, the voting at annual and special meetings should be confidential and free from any potential coercion and/or impropriety.	We will support any proposals to introduce or maintain confidential voting.
Size of Board of Directors	Generally boards should be comprised of a minimum of seven to a maximum of fifteen. However the complexity of the company has an impact on required board size.	The independence of the board is a greater concern than the number of members. However should a change in board size be proposed as a potential an anti-takeover measure we

would vote against.

**COMPENSATION ISSUES**

Director Compensation

Directors should be compensated fairly for the time and expertise they devote on behalf of shareholders. We favor directors personally owning shares in the corporation, and that they receive a substantial portion of their remuneration in the form of shares.

We support recommendations where a portion of the remuneration is to be in the form of common stock. We generally do not support options for directors, and do not support retirement bonuses or benefits for directors.

**MANAGEMENT  
COMPENSATION**

Compensation plans for executives should be designed to attract and retain the right people with exceptional skills to manage the company successfully long-term. These plans should be competitive within the company's respective industry without being excessive and should attempt to align the executive's interests with the long-term interest of shareholders.

Executive compensation will be considered on a case-by-case basis.

## Voting Policies and Procedures

<i>Category</i>	<i>Guideline</i>	<i>Voting</i>
Stock Options and Incentive Compensation Plans	Compensation plans should be designed to reward good performance of executives. They should also encourage management to own stock so as to align their financial interests with those of the shareholders. It is important that these plans are disclosed to the shareholders in detail for their approval.	We will not support plans with options priced below current market value or the lowering of the exercise price on any previously granted options. We will not support any plan amendment that is not capped or that results in anything but negligible dilution. We believe that shareholders should have a say in all aspects of option plans and therefore will not support omnibus stock option plans or plans where the Board is given discretion to set the terms. Plans will be considered on a case-by-case basis. Considered on a case-by-case basis.
Adopt/Amend Employee Stock Purchase Plans		
Golden Parachutes	Although we believe that golden parachutes may be a good way to attract, retain and encourage objectivity of qualified executives by providing financial security in the case of a change in the structure or control of a company, golden parachutes can be excessive.	Generally opposed but will consider on a case-by-case basis.
Require Shareholder Approval of Golden Parachutes		Generally FOR
<b>TAKEOVER PROTECTIONS</b>	Some companies adopt shareholder rights plans that incorporate anti-takeover measures, which may include: poison pills, crown jewel defense, payment of greenmail, going private transactions, leveraged buyouts, lock-up arrangements, Fair price amendments, Re-incorporation. Rights plans should be designed to ensure that all shareholders are treated equally in the event there is a change in control of a company. These plans should also provide the Board with sufficient time to ensure that the appropriate course of action is chosen to ensure shareholder interests have been protected. However, many shareholder rights plans can be	We will review each situation on a case-by-case basis. We will generally support proposals that protect the rights and share value of shareholders.



	<p>used to prevent bids that might in fact be in the shareholders best interests. Depending on their contents, these plans may also adversely influence current share prices and long-term shareholder value.</p>	
Dual Class Shares	<p>It is not unusual for certain classes of shares to have more than one vote per share. This is referred to as a dual class share structure and can result in a minority of shareholders having the ability to make decisions that may not be in the best interests of the majority of shareholders.</p>	Generally AGAINST.
Super-Majority Voting Provisions	<p>Super-majority voting (e.g., 67% of votes cast or a majority of outstanding shares), although fairly common, can, from a practical point of view, be difficult to obtain, and essentially are a bar from effective challenges to entrenched management, regardless of performance or popularity. A very high requirement can be unwieldy and therefore not in the best interest of the majority of shareholders.</p>	Generally AGAINST. We will generally oppose proposals for voting requirements that are greater than a majority of votes cast. That said, we will review supermajority proposals on a case-by-case basis.

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Voting Policies and Procedures

<i>Category</i>	<i>Guideline</i>	<i>Voting</i>
Issuance of Authorized Shares		Generally FOR
Issuance of Unlimited or Additional Shares	Corporations may increase their authorized number of shares in order to implement a stock split, to support an acquisition or restructuring plan, to use in a stock option plan or to implement an anti-takeover plan. Shareholders should approve of the specific business need for the increase in the number of shares and should understand that the issuance of new shares can have a significant effect on the value of existing shares.	Generally AGAINST. We will generally oppose proposals to increase the number of authorized shares to unlimited , but will consider any proposals to increase the number of authorized shares on a case-by-case basis for a valid business purpose.
Shareholder Proposals	Shareholders should have the opportunity to raise their concerns or issues to company management, the board and other shareholders. As long as these proposals deal with appropriate issues and are not for the purposes of airing personal grievances or to obtain publicity, they should be included on the proxy ballot for consideration.	Shareholder proposals will be reviewed on a case-by-case basis.
 <b>OTHER MATTERS</b>		
Stock Repurchase Plans		Generally FOR
Stock Splits		Generally FOR
Require Shareholder Approval to issue Preferred Stock		Generally FOR
Corporate Loans to Employees	Corporate loans, or the guaranteeing of loans, to enable employees to purchase company stock or options should be avoided. These types of loans can be risky if the company stock declines or the employee is terminated.	Generally AGAINST.

Blank-cheque Preferred Shares	The authorization of blank-cheque preferred shares gives the board of directors complete discretion to fix voting, dividend, conversion and other rights and privileges. Once these shares have been authorized, the shareholders have no authority to determine how or when they will be allocated. There may be valid business reasons for the issuance of these shares but the potential for abuse outweighs the benefits.	Generally AGAINST.
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Dated: October 26, 2007

Revised: July 30, 2010, November 8, 2010, July 27, 2012, August 5, 2013.

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**Item 8. Portfolio Managers of Closed-End Management Investment Companies.**

(a) Stewart R. Horejsi, Brendon J. Fischer and Joel Looney are the Fund's portfolio managers and are collectively responsible for the day-to-day management of the Fund's assets. Mr. Horejsi, Mr. Fischer and Mr. Looney are referred to herein as the Portfolio Managers. Boulder Investment Advisers, LLC ( **BIA** ) and Stewart West Indies Trading Company, Ltd. d/b/a Stewart Investment Advisers ( **SIA** together with BIA, the **Advisers** ) are the co-advisers to the Fund. The Portfolio Managers manage the Fund and three other registered investment companies, the Boulder Growth & Income Fund, Inc. ( **BIF** ), The Denali Fund Inc. ( **DNY** ) and First Opportunity Fund, Inc ( **FOFI** ). As of November 30, 2013, BIF, DNY and FOFI had total assets, including leverage, of approximately \$283.4 million, \$125.3 million and \$336.4 million, respectively. None of the advisory fees of the other registered investment companies for which the Portfolio Managers manage are based on the performance of the account.

Separately, Mr. Horejsi also acts as a financial consultant to other private trusts and entities associated with the Horejsi family (collectively, the **Horejsi Affiliates** ) and consults with respect to their portfolios of equities having an aggregate value of approximately \$887.2 million as of November 30, 2013. Mr. Horejsi has been the financial and investment adviser for the Horejsi Affiliates since 1982 and the Chief Investment Officer for BIA and SIA since 1999 and for Rocky Mountain Advisers, LLC ( **RMA** )(the co-adviser, together with SIA, to FOFI) since 2008. Mr. Horejsi has been a Portfolio Manager for the Fund since August 1999.

Mr. Fischer joined BIA and RMA as an Assistant Investment Officer in 2012 and has been a Portfolio Manager of the Fund since 2012 as well. Prior to joining RMA and BIA, Mr. Fischer was an Associate and Senior Analyst with H.I.G. WhiteHorse in Dallas, Texas from 2005 until 2012.

Separately, Mr. Looney also acts as an advisory representative providing investment supervisory and financial planning services to RMA's private clients (the **RMA Private Clients** ) for which RMA receives fees generally based on a percentage of assets under management. Mr. Looney joined BIA and RMA as an Assistant Investment Officer and a Portfolio Manager of the Fund in 2013. Prior to joining the Advisers, Mr. Looney was the Principal for Financial Management Group, LLC, an investment management firm, from 1999 to 2013. Mr. Looney also currently serves as Chairman of the Board of Directors for the Fund.

As a general matter, portfolio management staff are paid an annual fixed salary and are offered participation in the firm's 401K, as well as other benefits that are offered to other employees of the Advisers. In evaluating a portfolio manager's salary and annual pay increases, the Fund's performance may be one of many factors considered by management. However, as a general matter, the Advisers do not tie portfolio manager compensation to specific levels of performance relative to fixed benchmarks. Other factors that may also be significant in determining portfolio manager compensation include, without limitation, the effectiveness of the manager's leadership within the Adviser's investment team, contributions to the Adviser's overall performance, discrete securities analysis, idea generation, and other considerations. Generally, a portfolio manager does not receive bonuses; however, in the case of Mr. Horejsi, because of his affiliation with and beneficial interest in the Horejsi Affiliates that own the Advisers, he may, directly or indirectly, receive distributions of the Advisers' profits. In the case of Mr. Looney, in addition to an annual fixed salary and other benefits mentioned above, he receives a portion of the fees paid to RMA for providing investment supervisory and financial planning services to the RMA Private Clients.

Conflicts of interest may arise in connection with the Portfolio Managers' management of the Fund's investments. This is because the Portfolio Managers also serve as portfolio managers to BIF, DNY and FOFI, as well as the RMA Private Clients. Additionally, Mr. Horejsi consults with respect to a substantial portfolio of securities for the Horejsi Affiliates. From time to time, securities may meet the investment objectives of one or any combination of the Fund, BIF, DNY, FOFI, the RMA Private Clients and the Horejsi Affiliates. In such cases, the decision to recommend a purchase to one fund or account rather than another is based on a number of factors. Allocations of investments to and among the Fund, BIF, DNY and FOFI and the RMA Private Clients are made in accordance with the investment allocation policies and procedures of the Advisers. There is no guarantee that these policies and procedures will be able to identify and mitigate all potential conflicts of interest with respect to the investments of the funds. Factors considered in the investment recommendations may include the size of the portfolio, concentration of holdings, investment objectives, restrictions and guidelines, asset coverage ratios, tax considerations, purchase cost, and cash availability. It is possible that at times identical securities will be held by more than one fund and/or account. However, positions in the same issue may vary and the length of time that any fund or account may choose to hold its investment in the same issue may likewise vary. To the extent that more than one of the funds or accounts managed by the Advisers seek to acquire the same security at about the same time, the Fund may not be able to acquire as large a position in such security as it desires or it may have to pay a higher price for the security. With respect to the assets of the Horejsi Affiliates as may be advised from time to time by Mr. Horejsi, the Horejsi Affiliates have consented to allow the funds and other accounts managed by the Advisers to complete the entirety of their transactions in any particular security before the Horejsi Affiliates will be allowed to transact in such security, thus giving the funds managed by the Advisers the first opportunity to trade in a particular security. The Fund may not be able to obtain as large an execution of an order to sell or as high a price for any particular portfolio security if the Advisers decide to sell on behalf of another fund or account the same portfolio security at the same time. On the other hand, if the same securities are bought or sold at the same time by more than one fund or account, the resulting participation in volume transactions could produce better executions for the Fund. In the event more than one fund or account purchases or sells the same security on a given date, the Advisers will seek to allocate the purchases and sales on an equitable basis, taking into consideration such factors as: the size of the portfolio, concentration of holdings, investment objectives and guidelines, asset coverage ratios, tax considerations, purchase cost, and cash availability. Although the other funds managed by the Advisers may have the same or similar investment objectives and policies as the Fund, their respective portfolios will vary from fund to fund and their respective performance results are likely to differ from those of the Fund.

Mr. Horejsi does not directly own any shares of the Fund. However, the Ernest Horejsi Trust No. 1B and the Lola Brown Trust No. 1B, both of which have engaged Mr. Horejsi as a financial consultant and with respect to which Mr. Horejsi is a discretionary beneficiary, hold 2,987,504 shares and 1,666,907 shares, respectively, of the Fund as of November 30, 2013. In addition, as of November 30, 2013, (i) Evergreen Atlantic, LLC, a limited liability company with respect to which Mr. Horejsi is a manager (but not an equity member), owned 343,749 shares of the Fund; (ii) the Stewart West Indies Trust, a trust established by Mr. Horejsi but with respect to which he is not a beneficiary, owned 104,627 shares of the Fund; (iii) the Susan L. Ciciora Trust, a trust established by Mr. Horejsi's daughter but with respect to which Mr. Horejsi is not a beneficiary, owned 72,176 shares of the Fund; and (iv) the Evergreen Trust, a trust established by Mr. Horejsi but with respect to which he is not a beneficiary, owned 25,698 shares of the Fund (the foregoing are included in the above definition of Horejsi Affiliates). Because of Mr. Horejsi's advisory or familial role with respect to these Horejsi Affiliates, Mr. Horejsi may be deemed to have indirect beneficial ownership of their respective shares which in the aggregate have a dollar range in excess of \$1 million.

Mr. Fischer owned 600 shares of the Fund as of November 30, 2013 with an aggregate value of between \$10,001 - \$50,000.

Mr. Looney owned 4,792 shares of the Fund as of November 30, 2013 with an aggregate value of between \$100,001 - \$500,000.

(b) Not applicable.

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.**

No reportable purchases for the period covered by this report.

**Item 10. Submission of Matters to a Vote of Security Holders.**

No material changes to the procedures by which the shareholders may recommend nominees to the Registrant's Board of Directors have been implemented after the Registrant last provided disclosure in response to the requirements of Item 407(c)(2)(iv) of Regulation S-K (17 CFR 229.407) (as required by Item 22(b)(15) of Schedule 14A (17 CFR 240.14a-101)), or this Item.

**Item 11. Controls and Procedures.**

(a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act) (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 12. Exhibits.**

(a)(1) Code of Ethics, or any amendment thereto, that is the subject of disclosure required by Item 2 is attached hereto.

(a)(2) Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto as Exhibits 99.302(i) CERT.

(a)(3) Not applicable.

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto as Exhibit 99.906CERT.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, and the Investment Company Act of 1940, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) BOULDER TOTAL RETURN FUND, INC.

By (Signature and Title) /s/ Stephen C. Miller  
Stephen C. Miller, President  
  
(Principal Executive Officer)

Date: February 7, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, and the Investment Company Act of 1940, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

By (Signature and Title) /s/ Stephen C. Miller  
Stephen C. Miller, President  
  
(Principal Executive Officer)

Date: February 7, 2014

By (Signature and Title) /s/ Nicole L. Murphey  
Nicole L. Murphey, Chief Financial Officer, Chief Accounting Officer,  
Vice President, Treasurer, Asst. Secretary  
  
(Principal Financial Officer)

Date: February 7, 2014