

GENERAL AMERICAN INVESTORS CO INC
Form N-30B-2
October 23, 2002

GENERAL AMERICAN INVESTORS
COMPANY, INC

THIRD QUARTER REPORT
SEPTEMBER 30, 2002

A Closed-End Investment Company
listed on the New York Stock Exchange

450 Lexington Avenue
New York, N.Y. 10017
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TO THE STOCKHOLDERS

For the nine months ended September 30, 2002, our stockholders experienced a decrease of 29.2% on their investment in our Common Shares (assuming reinvestment of all dividends). The net asset value per Common Share decreased 26%. By comparison, our benchmark, the Standard & Poor's 500 Stock Index (including income), declined 28.2%. For the twelve months ended September 30, 2002, the results were negative as well. Our stockholders experienced a decrease of 20.1% and the net asset value per Common Share decreased 18%; these compare with a decline of 20.5% for the S&P 500. During each period, the discount at which our shares traded increased moderately and at September 30, 2002, it was 8.8%.

As set forth in the accompanying financial statements (unaudited), as of September 30, 2002, the net assets applicable to the Company's Common Stock were \$790,002,176, equal to \$25.77 per Common Share.

The decrease in net assets resulting from operations for the nine months ended September 30, 2002 was \$283,168,974. During this period, net realized gain on securities sold was \$6,517,576, of which approximately \$830,000 (\$.03 per share) is applicable to the Common Stock, and the decrease in unrealized appreciation was \$284,006,500. Net investment income for the nine months was \$2,419,950 and distributions to preferred stockholders amounted to \$8,100,000.

During the nine months, 580,900 shares of the Company's Common Stock were repurchased for \$14,989,101 at an average discount from net asset value of 9.2%.

The bear market that began some twenty-five months ago intensified in the period just ended. It now rivals the 1973-74 span for worst bear market since the Great Depression. Despite the fact that our portfolio holdings are characterized by their strong balance sheets, high earnings visibility and valuations which we believe to be attractive, we have not escaped the carnage - bear markets tend not to discriminate between companies, qualitatively, with respect to their destructive impulse.

We held historically high levels of cash at the market's peak and, today, these balances are even higher in relation to our total assets. As others rediscover

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the truth of the adage "you can't buy stock with stock," we look forward to employing our reserves and investing at valuations that have become much more reasonable.

Pursuant to authorization granted on October 9, 2002 by the Board of Directors, we have commenced the process of implementing Direct Registration ("DR") for our stockholders. DR is a system that allows for book-entry ownership and the electronic transfer of our shares. Holders of certificates will be able to deposit them with our transfer agent and receive periodic statements showing their book-entry share balances. We are planning to implement DR at the time of our year-end dividend payment in late December. A brochure describing all of its features and benefits will be distributed at that time.

A wealth of information about the Company, including current NAV and market price data as well as historical dividend payments, financial reports, notices and press releases, can be obtained from the Company's Web site, which can be accessed on the Internet at www.generalamericaninvestors.com.

By Order of the Board of Directors,
General American Investors Company, Inc.

Spencer Davidson
President and Chief Executive Officer

October 9, 2002

STATEMENT OF ASSETS AND LIABILITIES September 30, 2002 (Unaudited)

----- General American Investors

Assets

INVESTMENTS, AT VALUE (NOTE 1a)

Common stocks (cost \$436,420,768) \$
Corporate discount notes (cost \$312,767,506)

Total investments (cost \$749,188,274)

CASH, RECEIVABLES AND OTHER ASSETS

| | |
|--|-----------|
| Cash, including margin account balance of \$22,669 | \$138,603 |
| Receivable for securities sold | 1,456,981 |
| Receivable from broker for proceeds on securities sold short | 5,247,257 |
| Dividends, interest and other receivables | 802,085 |
| Prepaid expenses | 6,288,999 |
| Other | 479,949 |

TOTAL ASSETS

Liabilities

| | |
|--|-----------|
| Payable for securities purchased | 2,746,603 |
| Preferred dividend accrued but not yet declared | 240,000 |
| Securities sold short, at value (proceeds \$5,247,257) (note 1a) | 4,934,600 |
| Accrued expenses and other liabilities | 8,831,612 |

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TOTAL LIABILITIES

7.20% TAX-ADVANTAGED CUMULATIVE PREFERRED STOCK -
6,000,000 shares at a liquidation value of \$25 per share (note 2)

NET ASSETS APPLICABLE TO COMMON STOCK - 30,650,663 shares (note 2)

NET ASSET VALUE PER COMMON SHARE

Net Assets Applicable to Common Stock

| | |
|---|--------------|
| Common Stock, 30,650,663 shares at par value (note 2) | \$30,650,663 |
| Additional paid-in capital (note 2) | 565,006,780 |
| Undistributed realized gain on investments | 6,746,546 |
| Undistributed net income | 2,472,687 |
| Unallocated distributions on Preferred Stock | (8,340,000) |
| Unrealized appreciation on investments and securities sold short (including aggregate gross unrealized appreciation of \$289,958,123) | 193,465,500 |
| | ----- |

NET ASSETS APPLICABLE TO COMMON STOCK

(see notes to financial statements)

STATEMENT OF OPERATIONS Nine Months Ended September 30, 2002 (Unaudited)

General American Investors

Income

| | |
|--|-------------|
| Dividends (net of foreign withholding taxes of \$21,770) | \$5,418,749 |
| Interest | 4,746,627 |
| Other Income | 344,673 |
| | ----- |

Expenses

| | |
|---|-----------|
| Investment research | 5,164,040 |
| Administration and operations | 1,882,547 |
| Office space and general | 435,242 |
| Auditing and legal fees | 167,500 |
| Transfer agent, custodian and registrar fees and expenses | 165,096 |
| Stockholders' meeting and reports | 108,832 |
| Directors' fees and expenses | 104,048 |
| Miscellaneous taxes | 62,794 |
| | ----- |

NET INVESTMENT INCOME

Realized Gain and Change in Unrealized Appreciation on Investments (notes 1d and 4)

| | |
|--|---------------|
| Net realized gain (loss) on investments: | |
| Long transactions | (3,345,550) |
| Short sale transactions (note 1b) | 9,863,126 |
| | ----- |
| Net realized gain on investments (long-term, except for \$199,404) | 6,517,576 |
| Net decrease in unrealized appreciation | (284,006,500) |

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NET LOSS ON INVESTMENTS

DISTRIBUTIONS TO PREFERRED STOCKHOLDERS

DECREASE IN NET ASSETS RESULTING FROM OPERATIONS

(see notes to financial statements)

STATEMENT OF CHANGES IN NET ASSETS

General American Investors

| | Nine Months Ended September 30, 2002 (Unaudited) | |
|---|---|-------|
| | ----- | |
| Operations | | |
| ----- | | |
| Net investment income | \$2,419,950 | |
| Net realized gain on investments | 6,517,576 | |
| Net decrease in unrealized appreciation | (284,006,500) | |
| | ----- | |
| Distributions to Preferred Stockholders: | | |
| From net income, including short-term capital gain | - | |
| From long-term capital gain | - | |
| Unallocated distributions on Preferred Stock | (8,100,000) | |
| | ----- | |
| Decrease In Net Assets From Preferred Distributions | (8,100,000) | |
| | ----- | |
| DECREASE IN NET ASSETS RESULTING FROM OPERATIONS | (283,168,974) | |
| | ----- | |
| Distributions to Common Stockholders | | |
| ----- | | |
| From net income, including short-term capital gain | (5,933,997) | |
| From long-term capital gain | (3,435,472) | |
| | ----- | |
| DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS | (9,369,469) | |
| | ----- | |
| Capital Share Transactions | | |
| ----- | | |
| Value of Common Shares issued in payment of dividends (note 2) | - | |
| Cost of Common Shares purchased (note 2) | (14,989,101) | |
| | ----- | |
| INCREASE (DECREASE) IN NET ASSETS - CAPITAL TRANSACTIONS | (14,989,101) | |
| | ----- | |
| NET DECREASE IN NET ASSETS | (307,527,544) | |
| | ----- | |
| Net Assets Applicable to Common Stock | | |
| ----- | | |
| BEGINNING OF PERIOD | 1,097,529,720 | 1, |
| | ----- | ----- |
| END OF PERIOD (including undistributed net income of \$2,472,687 and \$52,737, respectively) | \$790,002,176 | \$1, |

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(see notes to financial statements)

FINANCIAL HIGHLIGHTS

General American Investors

The following table shows per share operating performance data, total investment return, ratios and supplemental data for the nine months ended September 30, 2002 and for each year in the five-year period ended December 31, 2001. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

| | Nine Months Ended September 30, 2002 (Unaudited) | Year Ended | | |
|--|---|-------------|-------------|-------------|
| | | 2001 | 2000 | 1999 |
| PER SHARE OPERATING PERFORMANCE | | | | |
| Net asset value, beginning of period | \$35.14 | \$39.91 | \$41.74 | \$34.14 |
| Net investment income | .08 | .41 | .53 | .14 |
| Net gain (loss) on securities - realized and unrealized | (8.89) | (.66) | 6.12 | 11.14 |
| Distributions on Preferred Stock: | | | | |
| Dividends from investment income | - | (.07) (a) | (.11) (b) | (.14) |
| Distributions from capital gains | - | (.29) | (.29) | (.14) |
| Unallocated | (.26) | - | - | - |
| | (.26) | (.36) | (.40) | (.28) |
| Total from investment operations | (9.07) | (.61) | 6.25 | 11.14 |
| Less distributions on Common Stock: | | | | |
| Dividends from investment income | (.19) (d) | (.88) (e) | (2.30) (f) | (.14) |
| Distributions from capital gains | (.11) | (3.28) | (5.78) | (3.28) |
| | (.30) | (4.16) | (8.08) | (3.42) |
| Capital Stock transaction - effect of Preferred Stock offering | - | - | - | - |
| Net asset value, end of period | \$25.77 | \$35.14 | \$39.91 | \$41.74 |
| Per share market value, end of period | \$23.50 | \$33.47 | \$36.00 | \$37.50 |
| TOTAL INVESTMENT RETURN - Stockholder Return, based on market price per share | (29.17)%* | 4.33% | 19.10% | 39.10% |
| RATIOS AND SUPPLEMENTAL DATA | | | | |
| Net assets applicable to Common Stock, end of period (000's omitted) | \$790,002 | \$1,097,530 | \$1,155,039 | \$1,094,500 |
| Ratio of expenses to average net assets applicable to Common Stock | 0.83%* | 1.02% | 1.09% | 1.09% |

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| | | | | |
|--|-----------|-----------|-----------|---------|
| Ratio of net income to average net assets applicable to Common Stock | 0.25%* | 1.15% | 1.24% | 1. |
| Portfolio turnover rate | 17.33%* | 23.81% | 40.61% | 33. |
| PREFERRED STOCK | | | | |
| Liquidation value, end of period (000's omitted) | \$150,000 | \$150,000 | \$150,000 | \$150,0 |
| Asset coverage | 627% | 832% | 870% | 8 |
| Liquidation preference per share | \$25.00 | \$25.00 | \$25.00 | \$25. |
| Market value per share | \$26.02 | \$25.90 | \$24.25 | \$21. |

STATEMENT OF INVESTMENTS September 30, 2002 (Unaudited)

----- General American Investors

| Shares | COMMON STOCKS | |
|---|--------------------------------------|---------------------|
| ----- | | |
| AEROSPACE/DEFENSE (2.2%) | | |
| ----- | | |
| 500,000 | The Boeing Company | (COST \$15,978,443) |
| COMMUNICATIONS AND INFORMATION SERVICES (3.3%) | | |
| ----- | | |
| 655,000 | Cisco Systems, Inc. (a) | |
| 775,000 | Cox Communications, Inc. Class A (a) | |
| 180,000 | NTL Incorporated (a) | |
| | | (COST \$20,856,878) |
| COMPUTER SOFTWARE AND SYSTEMS (0.2%) | | |
| ----- | | |
| 175,000 | Oberthur Card Systems S.A. (a) | |
| 339,500 | Wind River Systems, Inc. (a) | |
| | | (COST \$8,061,069) |
| CONSUMER PRODUCTS AND SERVICES (3.2%) | | |
| ----- | | |
| 275,000 | Ethan Allen Interiors Inc. | |
| 765,000 | Ford Motor Company | |
| 100,000 | Newell Rubbermaid Inc. | |
| 150,000 | PepsiCo, Inc. | |
| | | (COST \$21,713,581) |
| ELECTRONICS (1.8%) | | |
| ----- | | |
| 692,500 | Molex Incorporated Class A | (COST \$14,877,393) |
| ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (1.7%) | | |
| ----- | | |
| 589,000 | Waste Management, Inc. | (COST \$11,654,199) |

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FINANCE AND INSURANCE (30.3%)

| | |
|-----------|--|
| 275,000 | American International Group, Inc. |
| 108,000 | AmerUs Group Co. |
| 500,000 | Annaly Mortgage Management, Inc. |
| 1,000,000 | Annuity and Life Re (Holdings), Ltd. |
| 300 | Berkshire Hathaway Inc. Class A (a) |
| 78,912 | Central Securities Corporation |
| 700,000 | Everest Re Group, Ltd. |
| 465,000 | Golden West Financial Corporation |
| 435,000 | John Hancock Financial Services, Inc. |
| 335,000 | M&T Bank Corporation |
| 425,000 | MetLife, Inc. |
| 530,000 | PartnerRe Ltd. |
| 545,000 | Reinsurance Group of America, Incorporated |
| 235,000 | SunTrust Banks, Inc. |
| 225,000 | Transatlantic Holdings, Inc. |

(COST \$120,469,965)

STATEMENT OF INVESTMENTS September 30, 2002 (Unaudited) - continued

General American Investors

Shares COMMON STOCKS (continued)

HEALTH CARE (13.0%)

PHARMACEUTICALS (10.2%)

| | |
|-----------|--------------------------------------|
| 340,000 | Alkermes, Inc. (a) |
| 300,000 | Bristol-Myers Squibb Company |
| 270,000 | Genaera Corporation (a) |
| 650,000 | Genentech, Inc. (a) |
| 250,000 | IDEC Pharmaceuticals Corporation (a) |
| 264,000 | MedImmune, Inc. (a) |
| 140,000 | Millennium Pharmaceuticals, Inc. (a) |
| 125,000 | OSI Pharmaceuticals, Inc. (a) |
| 1,025,000 | Pfizer Inc |

(COST \$70,595,058)

MEDICAL INSTRUMENTS AND DEVICES (1.5%)

290,000 Medtronic, Inc.

(COST \$862,614)

HEALTH CARE SERVICES (1.3%)

475,000 Health Net, Inc. (a)

(COST \$9,394,993)

(COST \$80,852,665)

MISCELLANEOUS (1.1%)

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Other (COST \$24,471,152)

OIL & NATURAL GAS (INCLUDING SERVICES) (3.3%)

1,175,000 El Paso Corporation
1,300,000 Halliburton Company

(COST \$40,013,062)

RETAIL TRADE (18.8%)

675,000 Costco Wholesale Corporation (a)
2,045,000 The Home Depot, Inc. (b)
2,650,000 The TJX Companies, Inc.
570,000 Wal-Mart Stores, Inc.

(COST \$49,514,414)

SEMICONDUCTORS (0.6%)

337,000 Brooks- PRI Automation, Inc. (a)
197,000 EMCORE Corporation (a)
1,644,900 IQE plc (a)
250,000 Zarlink Semiconductor Inc. (a)

(COST \$21,061,820)

SPECIAL HOLDINGS (a) (c) (NOTE 5) (0.2%)

(d) Sequoia Capital IV
432,000 Silicon Genesis Corporation Series C Preferred
546,000 Standard MEMS, Inc. Series A Convertible Preferred

(COST \$6,896,127)

TOTAL COMMON STOCKS (79.7%)

(COST \$436,420,768)

STATEMENT OF INVESTMENTS September 30, 2002 (Unaudited) - continued

General American Investors

Principal
Amount SHORT-TERM SECURITIES AND OTHER ASSETS

\$82,700,000 American Express Credit Corporation notes due 10/01-11/12/02; 1.74%-1.75%
49,200,000 Ford Motor Credit Company notes due 10/15-11/18/02; 2.03%-2.04%
84,000,000 General Electric Capital Corp. notes due 10/7-11/4/02; 1.75%-1.76%
60,500,000 General Motors Acceptance Corp. notes due 10/3-11/14/02; 2.03%-2.04%
37,100,000 Sears Roebuck Acceptance Corp. notes due 10/22-11/7/02; 2.00%-2.05%

(COST \$312,767,506)

Liabilities in excess of cash, receivables and other assets

TOTAL SHORT-TERM SECURITIES AND OTHER ASSETS, NET (39.3%)

PREFERRED STOCK (-19.0%)

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NET ASSETS APPLICABLE TO COMMON STOCK (100%)

STATEMENT OF SECURITIES SOLD SHORT September 30, 2002 (Unaudited)

General American Investors

| Shares | COMMON STOCKS |
|---------|--|
| 55,000 | Molex Incorporated |
| 100,000 | Southwest Bancorporation of Texas Inc. |

TOTAL SECURITIES SOLD SHORT (PROCEEDS \$5,247,257)

(see notes to financial statements)

NOTES TO FINANCIAL STATEMENTS (Unaudited)

General American Investors

1. Significant Accounting Policies

General American Investors Company, Inc. (the "Company"), established in 1927, is registered under the Investment Company Act of 1940 as a closed-end, diversified management investment company. It is internally managed by its officers under the direction of the Board of Directors.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Certain prior year financial statement items have been reclassified to conform to the current year presentation.

a. SECURITY VALUATION Securities traded on securities exchanges or on the NASDAQ National Market System are valued at the last reported sales price on the last business day of the period. Listed and NASDAQ securities for which no sales are reported on that day and other securities traded in the over-the-counter market are valued at the last bid price (asked price for open short positions) on the valuation date. Corporate discount notes are valued at amortized cost, which approximates market value. Special holdings are valued at fair value in the opinion of the Directors. In determining fair value, in the case of restricted shares, consideration is given to cost, operating and other financial data and, where applicable, subsequent private offerings or market price of the issuer's unrestricted shares (to which a 30 percent discount is applied); for limited

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partnership interests, fair value is based upon an evaluation of the partnership's net assets.

b. **SHORT SALES** The Company may make short sales of securities for either speculative or hedging purposes. When the Company makes a short sale, it borrows the securities sold short from a broker; in addition, the Company places cash with that broker and securities in a segregated account with the custodian, both as collateral for the short position. The Company may be required to pay a fee to borrow the securities and may also be obligated to pay any dividends declared on the borrowed securities. The Company will realize a gain if the security price decreases and a loss if the security price increases between the date of the short sale and the date on which the Company replaces the borrowed securities.

c. **FEDERAL INCOME TAXES** The Company's policy is to fulfill the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all taxable income to its stockholders. Accordingly, no provision for Federal income taxes is required.

d. **OTHER** As customary in the investment company industry, securities transactions are recorded as of the trade date. Dividend income and distributions to stockholders are recorded as of the ex-dividend dates.

2. Capital Stock and Dividend Distributions

The authorized capital stock of the Company consists of 50,000,000 shares of Common Stock, \$1.00 par value, and 10,000,000 shares of Preferred Stock, \$1.00 par value, of which 30,650,663 shares and 6,000,000 shares, respectively, were outstanding at September 30, 2002.

On June 19, 1998, the Company issued and sold 6,000,000 shares of its 7.20% Tax-Advantaged Cumulative Preferred Stock. The Preferred Shares are noncallable for 5 years and have a liquidation preference of \$25.00 per share plus an amount equal to accumulated and unpaid dividends to the date of redemption.

The Company is required to allocate distributions from long-term capital gains and other types of income proportionately among holders of shares of Common Stock and Preferred Stock. To the extent that dividends on the shares of Preferred Stock are not paid from long-term capital gains, they will be paid from ordinary income or net short-term capital gains or will represent a return of capital.

Under the Investment Company Act of 1940, the Company is required to maintain an asset coverage of at least 200% for the Preferred Stock. In addition, pursuant to the Rating Agency Guidelines, the Company is required to maintain a certain discounted asset coverage for its portfolio that equals or exceeds the Basic Maintenance Amount under the guidelines established by Moody's Investors Service, Inc. The Company has met these requirements since the issuance of the Preferred Stock.

The holders of Preferred Stock have voting rights equivalent to those of the holders of Common Stock (one vote per share) and, generally, vote together with the holders of Common Stock as a single class.

At all times, holders of Preferred Stock will elect two members of the Company's Board of Directors and the holders of Preferred and Common Stock, voting as a single class, will elect the remaining directors. If the Company fails to pay dividends on the Preferred Stock in an amount equal to two full years' dividends, the holders of Preferred Stock will have the right to elect a majority of the directors. In addition, the Investment Company Act of 1940 requires that approval of the holders of a majority of any outstanding Preferred Shares, voting separately as a class, would be required to (a) adopt any plan of

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reorganization that would adversely affect the Preferred Stock and (b) take any action requiring a vote of security holders, including, among other things, changes in the Company's subclassification as a closed-end investment company or changes in its fundamental investment policies.

In accordance with Emerging Issues Task Force Topic No. D-98, "Classification and Measurement of Redeemable Securities," effective for the current period, the Company has reclassified its Preferred Stock outside of permanent equity in the Statement of Assets and Liabilities. In addition, distributions to Preferred Stockholders are now classified as a component of the "Increase (Decrease) in Net Assets Resulting from Operations" in the Statements of Operations and of Changes in Net Assets and as a component of the "Total from Investment Operations" in the Financial Highlights. This change has no impact on the Net Assets Applicable to the Common Stock of the Company.

NOTES TO FINANCIAL STATEMENTS (Unaudited) - continued

----- General American Investors

2. Capital Stock and Dividend Distributions - continued

Transactions in Common Stock during the nine months ended September 30, 2002 and the year ended December 31, 2001 were as follows:

| | Shares | | Amount |
|---|---------|-----------|----------------|
| | 2002 | 2001 | 2002 |
| Shares issued in payment of dividends (includes 28,400 shares issued from treasury) | - | 2,310,019 | - |
| Increase in paid-in capital | | | - |
| Total increase | | | - |
| Shares purchased (at an average discount from net asset value of 9.2% and 9.0%, respectively) | 580,900 | 19,000 | (\$580,900) |
| Decrease in paid-in capital | | | (14,408,201) |
| Total decrease | | | (14,989,101) |
| Net increase (decrease) | | | (\$14,989,101) |
| | | | ===== |

At September 30, 2002, the Company held in its treasury 580,900 shares of Common Stock with an aggregate cost in the amount of \$14,989,101.

3. Officers' Compensation and Retirement and Thrift Plans

The aggregate compensation paid by the Company during the nine months ended September 30, 2002 to its officers amounted to \$4,067,200.

The Company has non-contributory retirement plans and a contributory thrift plan which cover substantially all employees. The costs to the Company and the assets and liabilities of the plans are not material. Costs of the plans are funded currently.

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4. Purchases and Sales of Securities

Purchases and sales of investment securities and securities sold short (other than short-term securities) for the nine months ended September 30, 2002 were as follows:

| | Purchases | Sales |
|-------------------------|---------------|---------------|
| Long transactions | \$131,219,370 | \$152,583,474 |
| Short sale transactions | 14,152,372 | 5,928,301 |
| | ----- | ----- |
| Total | \$145,371,742 | \$158,511,775 |
| | ===== | ===== |

At September 30, 2002, the cost of investments for Federal income tax purposes was the same as the cost for financial reporting purposes.

5. Restricted Securities

| | Date Acquired | Cost | Value (note 1a) |
|--|------------------|-------------|--------------------|
| Sequoia Capital IV* | 1/31/84 | \$886,407 | \$2,500 |
| Silicon Genesis Corporation Series C Preferred | 2/16/01 | 3,006,720 | 1,503,360 |
| Standard MEMS, Inc. Series A Convertible Preferred | 12/17/99 | 3,003,000 | - |
| | | ----- | ----- |
| Total | | \$6,896,127 | \$1,505,860 |
| | | ===== | ===== |

* The amounts shown are net of distributions from this limited partnership interest which, in the aggregate, amounted to \$4,806,404. The initial investment in the limited partnership was \$2,000,000.

6. Operating Lease Commitment

In July 1992, the Company entered into an operating lease agreement for office space which expires in 2007 and provides for future rental payments in the aggregate amount of approximately \$5.6 million. The lease agreement contains a clause whereby the Company received twenty months of free rent beginning in December 1992 and escalation clauses relating to operating costs and real property taxes.

Rental expense approximated \$235,700 for the nine months ended September 30, 2002. Minimum rental commitments under the operating lease are approximately \$403,000 in 2002 and \$504,000 per annum in 2003 through 2007.

In March 1996, the Company entered into a sublease agreement which expires in 2003 and provides for future rental receipts. Minimum rental receipts under the sublease are approximately \$203,000 in 2002 and \$64,000 in 2003. The Company will also receive its proportionate share of operating expenses and real property taxes under the sublease.

In addition to purchases of the Company's Common Stock as set forth in Note 2 on page 9, purchases of Common Stock may be made at such times, at such prices, in

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such amounts and in such manner as the Board of Directors may deem advisable.

MAJOR STOCK CHANGES* Three Months Ended September 30, 2002 (Unaudited)

| General American Investors | | |
|---|---------|-----------------------------------|
| Increases | Shares | Shares Held September 30, 2002 |
| Additions | | |
| Alkermes, Inc. | 100,000 | 340,000 |
| Annuity and Life Re (Holdings), Ltd. | 300,000 | 1,000,000 |
| Cisco Systems, Inc. | 120,000 | 655,000 |
| Cox Communications, Inc. Class A | 46,300 | 775,000 |
| El Paso Corporation | 325,000 | 1,175,000 |
| Everest Re Group, Ltd. | 75,000 | 700,000 |
| Genentech, Inc. | 50,000 | 650,000 |
| Halliburton Company | 50,000 | 1,300,000 |
| Health Net, Inc. | 25,000 | 475,000 |
| MetLife, Inc. | 125,000 | 425,000 |
| Pfizer Inc | 25,000 | 1,025,000 |
| | | |
| Decreases | | |
| <hr style="border-top: 1px dashed black;"/> | | |
| Eliminations | | |
| BioReliance Corporation | 74,000 | - |
| | | |
| Reductions | | |
| American International Group, Inc. | 25,000 | 275,000 |
| AmerUs Group Co. | 167,000 | 108,000 |
| Berkshire Hathaway Inc. Class A | 15 | 300 |
| Ford Motor Company | 110,500 | 765,000 |
| Golden West Financial Corporation | 35,000 | 465,000 |
| John Hancock Financial Services, Inc. | 5,000 | 435,000 |
| IDEC Pharmaceuticals Corporation | 245,000 | 250,000 |
| M&T Bank Corporation | 15,000 | 335,000 |
| Newell Rubbermaid Inc. | 50,000 | 100,000 |
| OSI Pharmaceuticals, Inc. | 25,000 | 125,000 |
| PartnerRe Ltd. | 20,000 | 530,000 |
| Reinsurance Group of America, Incorporated | 55,000 | 545,000 |
| SunTrust Banks, Inc. | 25,000 | 235,000 |
| Waste Management, Inc. | 11,000 | 589,000 |

* Excludes transactions in Stocks - Miscellaneous - Other.

DIRECTORS

| | |
|------------------------------------|---------------------|
| Lawrence B. Battenwieser, Chairman | |
| Arthur G. Altschul, Jr. | Bill Green |
| Lewis B. Cullman | Sidney R. Knafel |
| Spencer Davidson | Richard R. Pivrotto |

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Gerald M. Edelman
John D. Gordan, III

Joseph T. Stewart, Jr.
Raymond S. Troubh

William O. Baker, Director Emeritus
William T. Golden, Director Emeritus

OFFICERS

Spencer Davidson, President & Chief Executive Officer
Andrew V. Vindigni, Vice-President
Eugene L. DeStaebler, Jr., Vice-President, Administration
Peter P. Donnelly, Vice-President & Trader
Diane G. Radosti, Treasurer
Carole Anne Clementi, Secretary

SERVICE COMPANIES

Counsel
Sullivan & Cromwell

Independent Auditors
Ernst & Young LLP

Custodian
Deutsche Bank Trust
Company Americas

Transfer Agent and Registrar
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