

GENERAL AMERICAN INVESTORS CO INC  
Form N-CSRS  
August 03, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-00041  
-----

GENERAL AMERICAN INVESTORS COMPANY, INC.

-----  
(Exact name of registrant as specified in charter)

450 Lexington Avenue, Suite 3300, New York, New York 10017-3911  
-----

(Address of principal executive offices) (Zip code)

Eugene S. Stark  
General American Investors Company, Inc.  
450 Lexington Avenue  
Suite 3300  
New York, New York 10017-3911  
(Name and address of agent for service)

Copy to:  
John E. Baumgardner, Jr., Esq.  
Sullivan & Cromwell LLP  
125 Broad Street  
New York, New York 10004

Registrant's telephone number, including area code: 212-916-8400

Date of fiscal year end: December 31

Date of reporting period: June 30, 2006

2

ITEM 1. REPORTS TO STOCKHOLDERS.

GENERAL AMERICAN INVESTORS  
COMPANY, INC.

SEMI-ANNUAL REPORT  
JUNE 30, 2006

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

450 LEXINGTON AVENUE

# Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

NEW YORK, NY 10017  
212-916-8400 1-800-436-8401  
E-mail: InvestorRelations@gainv.com  
www.generalamericaninvestors.com

3

## TO THE STOCKHOLDERS

---

For the six months ended June 30, 2006, the investment return to our stockholders was 4.9% (assuming reinvestment of all dividends and distributions). The net asset value per Common Share increased by 1.7%. By comparison, the rate of return (including income) for our benchmark, the Standard & Poor's 500 Stock Index, was 2.7%. For the twelve months ended June 30, 2006, the return to our stockholders was 19.5%, and the return on the net asset value per Common Share was 11.6%; these compare with a return of 8.5% for the S&P 500. During each period, the discount at which our shares traded continued to fluctuate and at June 30, 2006, it was 8.7%.

As set forth in the accompanying financial statements (unaudited), as of June 30, 2006, the net assets applicable to the Company's Common Stock were \$1,130,643,127, equal to \$39.52 per Common Share.

The increase in net assets resulting from operations for the six months ended June 30, 2006 was \$17,911,615. During this period, the net realized gain on securities sold was \$76,478,198, and the decrease in net unrealized appreciation was \$57,871,637. Net investment income for the six months was \$5,255,054, and distributions to Preferred Stockholders amounted to \$5,950,000.

During the six months, 439,600 shares of the Company's Common Stock were repurchased for \$16,209,356 at an average discount from net asset value of 9.5%.

Stock markets declined globally in the quarter just ended, erasing most of their year-to-date gains. Foremost among the litany of concerns threatening equities would appear to be Federal Reserve policy, specifically whether a seventeenth consecutive rate hike is likely to be followed by further tightening. Others include the effect of higher energy prices on consumer spending and the prospect of a sharp decline in the housing market.

While the combination of higher interest rates, rising inflation and slower growth may continue to have a moderating influence on investment returns, the outlook is not without cause for optimism. The U.S. economy is expanding, earnings and dividends are growing and job creation is vigorous, while around the world the absence of recession is notable.

Information about the Company, including our investment objectives, operating policies and procedures, investment results, record of dividend and distribution payments, financial reports and press releases, is on our website and has been updated through June 30, 2006. It can be accessed on the internet at [www.generalamericaninvestors.com](http://www.generalamericaninvestors.com).

By Order of the Board of Directors,

General American Investors Company, Inc.

Spencer Davidson  
President and Chief Executive Officer  
July 12, 2006

4

Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

-----  
 General American Investors

ASSETS

-----

|  |  |       |
|--|--|-------|
| INVESTMENTS, AT VALUE (NOTE 1a)                  |  |       |
| Common and preferred stocks (cost \$697,808,050) |  | \$1,  |
| Corporate note (cost \$33,427,317)               |  |       |
| Corporate discount notes (cost \$49,895,903)     |  |       |
| Money market fund (cost \$27,658,129)            |  |       |
|  |  | ----- |
| Total investments (cost \$808,789,399)           |  | 1,    |

CASH, RECEIVABLES AND OTHER ASSETS

|   |           |       |
|---|-----------|-------|
| Cash                                      | \$28,066  |       |
| Receivable for securities sold            | 62,317    |       |
| Dividends, interest and other receivables | 1,237,660 |       |
| Prepaid pension cost                      | 7,826,881 |       |
| Prepaid expenses and other assets         | 183,477   |       |
|   | -----     | ----- |

TOTAL ASSETS

LIABILITIES

-----

|   |           |       |
|---|-----------|-------|
| Payable for securities purchased                    | 94,209    |       |
| Preferred distribution accrued but not yet declared | 231,389   |       |
| Accrued pension expense                             | 5,970,343 |       |
| Accrued expenses and other liabilities              | 2,965,733 |       |
|   | -----     | ----- |

TOTAL LIABILITIES

5.95% CUMULATIVE PREFERRED STOCK, SERIES B -  
 8,000,000 shares at a liquidation value of \$25 per share (note 2)

NET ASSETS APPLICABLE TO COMMON STOCK - 28,610,799 shares (note 2) \$1, ==

NET ASSET VALUE PER COMMON SHARE ==

NET ASSETS APPLICABLE TO COMMON STOCK

-----

|   |              |       |
|---|--------------|-------|
| Common Stock, 28,610,799 shares at par value (note 2) | \$28,610,799 |       |
| Additional paid-in capital (note 2)                   | 503,202,937  |       |
| Undistributed realized gain on investments            | 76,446,745   |       |
| Undistributed net investment income                   | 6,787,034    |       |
| Unallocated distributions on Preferred Stock          | (6,181,389)  |       |
| Unrealized appreciation on investments                | 521,777,001  |       |
|   | -----        | ----- |

NET ASSETS APPLICABLE TO COMMON STOCK \$1, ==

(see notes to financial statements)

5

3 STATEMENT OF OPERATIONS Six Months Ended June 30, 2006 (Unaudited)

-----  
 General American Investors

## Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

### INCOME

|   |             |
|---|-------------|
| Dividends (net of foreign withholding taxes of \$207,546) | \$8,808,836 |
| Interest  | 2,721,074   |

### EXPENSES

|   |           |
|---|-----------|
| Investment research                                       | 4,181,185 |
| Administration and operations                             | 1,364,994 |
| Office space and general                                  | 266,156   |
| Directors' fees and expenses                              | 143,990   |
| Auditing and legal fees                                   | 120,000   |
| Transfer agent, custodian and registrar fees and expenses | 82,111    |
| Stockholders' meeting and reports                         | 64,639    |
| Miscellaneous taxes                                       | 51,781    |

### NET INVESTMENT INCOME

### REALIZED GAIN (LOSS) AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS (NOTES 1e AND 4)

|  |              |
|--|--------------|
| Net realized gain on investments:                                    |              |
| Long transactions  | 77,107,878   |
| Short sale transactions (note 1b)                                    | (629,680)    |
| <hr style="border-top: 1px dashed black;"/>                          |              |
| Net realized gain on investments (long-term, except for \$1,941,847) | 76,478,198   |
| Net decrease in unrealized appreciation                              | (57,871,637) |

### NET GAIN ON INVESTMENTS

### DISTRIBUTIONS TO PREFERRED STOCKHOLDERS

### INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

(see notes to financial statements)

6

4

### STATEMENT OF CHANGES IN NET ASSETS

#### General American Investors

|  | Six Months<br>Ended<br>June 30, 2006<br>(Unaudited) |
|--|---|
| <hr style="border-top: 1px dashed black;"/>        |   |
| OPERATIONS   |   |
| <hr style="border-top: 1px dashed black;"/>        |   |
| Net investment income                              | \$5,255,054   |
| Net realized gain on investments                   | 76,478,198  |
| Net increase (decrease) in unrealized appreciation | (57,871,637)  |
|  | <hr style="border-top: 1px dashed black;"/>         |
|  | 23,861,615  |
| <hr style="border-top: 1px dashed black;"/>        |   |
| Distributions to Preferred Stockholders:           |   |
| From net investment income                         | -   |
| From short-term capital gains                      | -   |

## Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

|   |                        |             |
|---|------------------------|-------------|
| From long-term capital gains  | -                      |             |
| Unallocated distributions on Preferred Stock  | (5,950,000)            |             |
|   | -----                  |             |
| Decrease in net assets from Preferred Stock distributions   | (5,950,000)            |             |
|   | -----                  |             |
| <b>INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>   | <b>17,911,615</b>      |             |
|   | -----                  |             |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS</b>   |                        |             |
| -----   |                        |             |
| From net investment income  | -                      |             |
| From short-term capital gains   | -                      |             |
| From long-term capital gains  | (4,000,786)            |             |
|   | -----                  |             |
| <b>DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS</b>   | <b>(4,000,786)</b>     |             |
|   | -----                  |             |
| <b>CAPITAL SHARE TRANSACTIONS (NOTE 2)</b>  |                        |             |
| -----   |                        |             |
| Value of Common Shares issued in payment of distributions   | -                      |             |
| Cost of Common Shares purchased   | (16,209,356)           |             |
|   | -----                  |             |
| <b>DECREASE IN NET ASSETS - CAPITAL TRANSACTIONS</b>  | <b>(16,209,356)</b>    |             |
|   | -----                  |             |
| <b>NET INCREASE (DECREASE) IN NET ASSETS</b>  | <b>(2,298,527)</b>     |             |
|   | -----                  |             |
| <b>NET ASSETS APPLICABLE TO COMMON STOCK</b>  |                        |             |
| -----   |                        |             |
| <b>BEGINNING OF PERIOD</b>  | <b>1,132,941,654</b>   | <b>1,</b>   |
|   | -----                  | -----       |
| <b>END OF PERIOD (including undistributed net investment income of \$6,787,034 and \$1,531,980, respectively)</b> | <b>\$1,130,643,127</b> | <b>\$1,</b> |
|   | =====                  | =====       |

(see notes to financial statements)

7

5

### FINANCIAL HIGHLIGHTS

#### General American Investors

The following table shows per share operating performance data, total investment return, ratios and supplemental data for the six months ended June 30, 2006 and for each year in the five-year period ended December 31, 2005. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

|  | Six Months<br>Ended<br>June 30, 2006<br>(Unaudited) | -----<br>2005 | 2004    | Year Ended Decembe<br>2003 | 200     |
|--|---|---------------|---------|----------------------------|---------|
|  | -----   | -----         | -----   | -----                      | -----   |
| <b>PER SHARE OPERATING PERFORMANCE</b> |   |               |         |                            |         |
| Net asset value, beginning of period   | \$39.00   | \$35.49       | \$33.11 | \$26.48                    | \$35.14 |
|  | -----   | -----         | -----   | -----                      | -----   |
| Net investment income                  | .18   | .19           | .32     | .03                        | .19     |
| Net gain (loss) on investments -       |   |               |         |                            |         |

## Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

|   |             |             |             |           |           |
|---|-------------|-------------|-------------|-----------|-----------|
| realized and unrealized   | .69         | 5.85        | 3.48        | 7.72      | (7.88)    |
|   | -----       | -----       | -----       | -----     | -----     |
| Less distributions on Preferred Stock:  |             |             |             |           |           |
| Dividends from net investment income  | -           | (.03)       | (.09)       | (.01)     | (.12)     |
| Distributions from net short-term capital gains                                 | -           | (.08)       | -           | -         | -         |
| Distributions from net long-term capital gains                                  | -           | (.30)       | (.32)       | (.35)     | (.23)     |
| Unallocated   | (.21)       | -           | -           | -         | -         |
|   | -----       | -----       | -----       | -----     | -----     |
|   | (.21)       | (.41)       | (.41)       | (.36)     | (.35)     |
|   | -----       | -----       | -----       | -----     | -----     |
| Total from investment operations  | .66         | 5.63        | 3.39        | 7.39      | (8.04)    |
|   | -----       | -----       | -----       | -----     | -----     |
| Less distributions on Common Stock:   |             |             |             |           |           |
| Dividends from net investment income  | -           | (.15)       | (.23)       | (.02)     | (.02)     |
| Distributions from net short-term capital gains                                 | -           | (.44)       | -           | -         | (.19)     |
| Distributions from net long-term capital gains                                  | (.14)       | (1.53)      | (.78)       | (.52)     | (.41)     |
|   | -----       | -----       | -----       | -----     | -----     |
|   | (.14)       | (2.12)      | (1.01)      | (.54)     | (.62)     |
|   | -----       | -----       | -----       | -----     | -----     |
| Capital Stock transaction - effect of Preferred Stock offering                  | -           | -           | -           | (.22)     | -         |
|   | -----       | -----       | -----       | -----     | -----     |
| Net asset value, end of period  | \$39.52     | \$39.00     | \$35.49     | \$33.11   | \$26.48   |
|   | =====       | =====       | =====       | =====     | =====     |
| Per share market value, end of period   | \$36.10     | \$34.54     | \$31.32     | \$29.73   | \$23.85   |
|   | =====       | =====       | =====       | =====     | =====     |
| TOTAL INVESTMENT RETURN - Stockholder return, based on market price per share   |             |             |             |           |           |
|   | 4.92%*      | 17.40%      | 8.79%       | 27.01%    | (27.21)   |
| RATIOS AND SUPPLEMENTAL DATA  |             |             |             |           |           |
| Net assets applicable to Common Stock, end of period (000's omitted)            | \$1,130,643 | \$1,132,942 | \$1,036,393 | \$986,335 | \$809,192 |
| Ratio of expenses to average net assets applicable to Common Stock              | 1.08%**     | 1.25%       | 1.15%       | 1.23%     | 0.92      |
| Ratio of net investment income to average net assets applicable to Common Stock | 0.90%**     | 0.51%       | 0.94%       | 0.13%     | 0.61      |
| Portfolio turnover rate   | 10.34%*     | 20.41%      | 16.71%      | 18.62%    | 22.67     |
| PREFERRED STOCK   |             |             |             |           |           |
| Liquidation value, end of period (000's omitted)                                | \$200,000   | \$200,000   | \$200,000   | \$200,000 | \$150,000 |
| Asset coverage  | 665%        | 666%        | 618         | 593%      | 639       |
| Liquidation preference per share  | \$25.00     | \$25.00     | \$25.00     | \$25.00   | \$25.00   |
| Market value per share  | \$22.48     | \$24.07     | \$24.97     | \$25.04   | \$25.85   |

\*Not annualized

\*\*Annualized

8

6 STATEMENT OF INVESTMENTS June 30, 2006 (Unaudited)

-----  
General American Investors

## Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

| Shares  | COMMON AND PREFERRED STOCKS              |                     |
|---|--|---------------------|
| <hr/>   |  |                     |
| BUILDING AND REAL ESTATE (5.9%)                   |  |                     |
| <hr/>   |  |                     |
| 1,175,431   | CEMEX, S.A. de C.V. ADR                  | (COST \$31,961,074) |
| <br>  |  |                     |
| COMMUNICATIONS AND INFORMATION SERVICES (5.4%)    |  |                     |
| <hr/>   |  |                     |
| 775,000   | American Tower Corporation (a)           |                     |
| 900,000   | Cisco Systems, Inc. (a)                  |                     |
| 350,000   | Lamar Advertising Company Class A (a)    |                     |
|   |  | (COST \$37,774,748) |
| <br>  |  |                     |
| COMPUTER SOFTWARE AND SYSTEMS (3.5%)              |  |                     |
| <hr/>   |  |                     |
| 300,000   | EMC Corporation (a)                      |                     |
| 1,400,000   | Microsoft Corporation                    |                     |
| 133,500   | VeriSign, Inc. (a)                       |                     |
|   |  | (COST \$40,487,424) |
| <br>  |  |                     |
| CONSUMER PRODUCTS AND SERVICES (3.0%)             |  |                     |
| <hr/>   |  |                     |
| 350,000   | Diageo plc ADR                           |                     |
| 175,000   | PepsiCo, Inc.                            |                     |
|   |  | (COST \$22,493,511) |
| <br>  |  |                     |
| ELECTRONICS (1.4%)                                |  |                     |
| <hr/>   |  |                     |
| 550,000   | Molex Incorporated Class A               | (COST \$12,287,441) |
| <br>  |  |                     |
| ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (4.2%) |  |                     |
| <hr/>   |  |                     |
|   | Republic Services, Inc.                  | (COST \$26,227,380) |
| <br>  |  |                     |
| FINANCE AND INSURANCE (27.3%)                     |  |                     |
| <hr/>   |  |                     |
| BANKING (9.5%)                                    |  |                     |
| <hr/>   |  |                     |
| 280,000   | Bank of America Corporation              |                     |
| 585,000   | Golden West Financial Corporation        |                     |
| 310,000   | M&T Bank Corporation                     |                     |
| 180,000   | SunTrust Banks, Inc.                     |                     |
|   |  | (COST \$17,866,105) |
| <br>  |  |                     |
| INSURANCE (16.4%)                                 |  |                     |
| <hr/>   |  |                     |
| 275,000   | The Allstate Corporation                 |                     |
| 350,000   | American International Group, Inc.       |                     |
| 428,500   | Annuity and Life Re (Holdings), Ltd. (a) |                     |

Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

|         |                                     |
|---------|-------------------------------------|
| 350,000 | Arch Capital Group Ltd. (a)         |
| 300     | Berkshire Hathaway Inc. Class A (a) |
| 575,000 | Everest Re Group, Ltd.              |
| 285,000 | MetLife, Inc.                       |
| 365,000 | PartnerRe Ltd.                      |
| 235,000 | Transatlantic Holdings, Inc.        |

(COST \$84,101,262)

OTHER (1.4%)

|           |                                  |
|-----------|----------------------------------|
| 655,000   | Annaly Mortgage Management, Inc. |
| 1,150,000 | MFA Mortgage Investments, Inc.   |

(COST \$16,432,767)

(COST \$118,400,134)

9

7 STATEMENT OF INVESTMENTS June 30, 2006 (Unaudited) - continued

General American Investors

Shares COMMON AND PREFERRED STOCKS (continued)

HEALTH CARE (9.8%)

PHARMACEUTICALS (7.9%)

|           |                                |
|-----------|--------------------------------|
| 240,000   | Alkermes, Inc. (a)             |
| 170,000   | Biogen Idec Inc. (a)           |
| 604,900   | Cytokinetics, Incorporated (a) |
| 240,000   | Genentech, Inc. (a)            |
| 380,000   | MedImmune, Inc. (a)            |
| 1,812,000 | Pfizer Inc                     |

(COST \$60,218,463)

MEDICAL INSTRUMENTS AND DEVICES (1.9%)

|         |                 |
|---------|-----------------|
| 450,000 | Medtronic, Inc. |
|---------|-----------------|

(COST \$10,483,716)

(COST \$70,702,179)

MACHINERY AND EQUIPMENT (1.3%)

|           |              |
|-----------|--------------|
| 1,150,000 | ABB Ltd. ADR |
|-----------|--------------|

(COST \$12,430,211)

MISCELLANEOUS (5.1%)

Other (b)

(COST \$59,130,397)

OIL & NATURAL GAS (INCLUDING SERVICES) (20.1%)

|         |                     |
|---------|---------------------|
| 825,000 | Apache Corporation  |
| 400,000 | Halliburton Company |



Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

1,000,000 Patterson-UTI Energy, Inc.  
 3,000,000 Talisman Energy Inc.  
 1,220,000 Weatherford International Ltd. (a)

(COST \$147,241,413)

RETAIL TRADE (18.4%)

700,000 Costco Wholesale Corporation  
 1,950,000 Dollar General Corporation  
 1,570,000 The Home Depot, Inc. (c)  
 2,500,000 The TJX Companies, Inc.  
 575,000 Wal-Mart Stores, Inc.

(COST \$87,966,483)

SEMICONDUCTORS (0.2%)

223,000 Brooks Automation, Inc. (a)

(COST \$2,012,801)

SPECIAL HOLDING (a) (d) (0.0%)

546,000 Standard MEMS, Inc. Series A Convertible Preferred

(COST \$3,003,000)

TECHNOLOGY (2.3%)

1,900,000 Xerox Corporation (a)

(COST \$25,689,854)

TOTAL COMMON AND PREFERRED STOCKS (107.9%)

(COST \$697,808,050)

Principal Amount CORPORATE NOTE

CONSUMER PRODUCTS AND SERVICES (2.9%)

\$35,000,000 General Motors Nova Scotia Finance Company  
 6.85% Guaranteed Notes due 10/15/08

(COST \$33,427,317)

10

8 STATEMENT OF INVESTMENTS June 30, 2006 (Unaudited) - continued

General American Investors

Principal Amount/  
 Shares

SHORT-TERM SECURITIES AND OTHER ASSETS

\$25,000,000 American General Finance Corporation note due 7/11/06; 5.20% (COST \$24,949,445)  
 \$25,000,000 General Electric Finance Corporation note due 7/5/06; 5.14% (COST \$24,946,458)  
 27,658,129 SSgA Prime Money Market Fund (COST \$27,658,129)

TOTAL SHORT-TERM SECURITIES (6.9%)

(COST \$77,554,032)

TOTAL INVESTMENTS (e) (117.7%)

(COST \$808,789,399) 1,

Cash, receivables and other assets less liabilities (0.0%)

## Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

PREFERRED STOCK (-17.7%)

NET ASSETS APPLICABLE TO COMMON STOCK (100%)

### PORTFOLIO DIVERSIFICATION June 30, 2006 (Unaudited)

#### General American Investors

The diversification of the Company's net assets applicable to its Common Stock by industry group as of June 30, 2006 and 2005 is shown in the following table.

| Industry Category                          | Cost (000) | Value (000) | Percent Common Net<br>June 30, 2006 |
|--|------------|-------------|-------------------------------------|
| Finance and Insurance                      |            |             |                                     |
| Banking                                    | \$17,866   | \$107,157   | 9.5%                                |
| Insurance                                  | 84,101     | 185,433     | 16.4                                |
| Other                                      | 16,433     | 16,302      | 1.4                                 |
|  | 118,400    | 308,892     | 27.3                                |
| Oil and Natural Gas (Including Services)   | 147,241    | 227,277     | 20.1                                |
| Retail Trade                               | 87,967     | 208,290     | 18.4                                |
|  | 70,703     | 109,792     | 9.8                                 |
| Health Care                                |            |             |                                     |
| Pharmaceuticals                            | 60,219     | 88,678      | 7.9                                 |
| Medical Instruments and Devices            | 10,484     | 21,114      | 1.9                                 |
|  | 31,961     | 66,964      | 5.9                                 |
| Building and Real Estate                   | 55,921     | 66,874      | 5.9                                 |
| Consumer Products and Services             | 37,775     | 60,546      | 5.4                                 |
| Communications and Information Services    | 59,130     | 58,207      | 5.1                                 |
| Miscellaneous**                            | 26,227     | 47,400      | 4.2                                 |
| Environmental Control (Including Services) | 40,487     | 39,004      | 3.5                                 |
| Computer Software and Systems              | 25,690     | 26,429      | 2.3                                 |
| Technology                                 | 12,287     | 15,802      | 1.4                                 |
| Electronics                                | 12,430     | 14,904      | 1.3                                 |
| Machinery and Equipment                    | 2,013      | 2,631       | 0.2                                 |
| Semiconductors                             | 3,003      | 0.0         | 0.0                                 |
| Special Holdings                           | 731,235    | 1,253,012   | 110.8                               |
| Short-Term Securities                      | 77,554     | 77,554      | 6.9                                 |
|  | \$808,789  | 1,330,566   | 117.7                               |
| Total Investments                          | \$808,789  | 1,330,566   | 117.7                               |
| Other Assets and Liabilities - Net         |            | 77          | 0.0                                 |
| Preferred Stock                            |            | (200,000)   | (17.7)                              |
| Net Assets Applicable to Common Stock      |            | \$1,130,643 | 100.0%                              |

-----  
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.

a. SECURITY VALUATION Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the period. Securities reported on the NASDAQ national market are valued at the official closing price on that day. 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. Securities traded primarily in foreign markets are generally valued at the preceding closing price of such securities on their respective exchanges or markets. If, after the close of the foreign market, conditions change significantly, the price of certain foreign securities may be adjusted to reflect fair value as of the time of the valuation of the portfolio. Corporate discount notes are valued at amortized cost, which approximates market value. Investments in money market funds are valued at their net asset value. Special holdings (restricted securities) and other securities for which quotations are not readily available are valued at fair value determined in good faith pursuant to procedures established by and under the general supervision of the Board of Directors.

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. INDEMNIFICATIONS In the ordinary course of business, the Company enters into contracts that contain a variety of indemnifications. The Company's maximum exposure under these arrangements is unknown. However, the Company has not had prior claims or losses pursuant to these indemnification provisions and expects the risk of loss thereunder to be remote.

e. 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. Interest income, adjusted for amortization of discount and premium on investments, is earned from settlement date and is recognized on the accrual basis. Cost of short-term investments represents amortized cost.

## Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

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 28,610,799 shares and 8,000,000 shares, respectively, were outstanding at June 30, 2006.

On September 24, 2003, the Company issued and sold 8,000,000 shares of its 5.95% Cumulative Preferred Stock, Series B in an underwritten offering. 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 underwriting discount and other expenses associated with the Preferred Stock offering amounted to \$6,700,000 and were charged to paid-in capital.

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. If the Company fails to meet these requirements in the future and does not cure such failure, the Company may be required to redeem, in whole or in part, shares of Preferred Stock at a redemption price of \$25.00 per share plus accumulated and unpaid dividends (whether or not earned or declared). In addition, the Company's failure to meet the foregoing asset coverage requirements could restrict its ability to pay dividends on shares of Common Stock and could lead to sales of portfolio securities at inopportune times.

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 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.

The Company classifies its Preferred Stock pursuant to the requirements of EITF D-98, Classification and Measurement of Redeemable Securities, which require that preferred stock for which its redemption is outside of the company's control should be presented outside of net assets in the statement of assets and liabilities.

12

10

NOTES TO FINANCIAL STATEMENTS (Unaudited) - continued

---

# Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

## General American Investors

2. CAPITAL STOCK AND DIVIDEND DISTRIBUTIONS - (Continued from bottom of previous page.) Transactions in Common Stock during the six months ended June 30, 2006 and the year ended December 31, 2005 were as follows:

|   | SHARES  |           |
|---|---------|-----------|
|   | 2005    | 2004      |
| Shares issued in payment of dividends (includes 1,067,491 shares issued from treasury for 2005) | -       | 1,067,491 |
| Increase in paid-in capital   |         |           |
| Total increase  |         |           |
| Shares purchased (at an average discount from net asset value of 9.5% and 12.4%, respectively)  | 439,600 | 1,222,404 |
| Decrease in paid-in capital   |         |           |
| Total decrease  |         |           |
| Net decrease  |         |           |

At June 30, 2006, the Company held in its treasury 2,620,764 shares of Common Stock with an aggregate cost in the amount of \$77,099,870. Distributions for tax and book purposes are substantially the same.

3. OFFICERS' COMPENSATION - The aggregate compensation paid by the Company during the six months ended June 30, 2006 to its officers amounted to \$3,872,250.

4. PURCHASES AND SALES OF SECURITIES - Purchases and sales of securities and securities sold short (other than short-term securities) for the six months ended June 30, 2006 amounted to \$135,508,007 and \$229,399,448 on long transactions, respectively, and \$4,061,806 and \$3,432,126 on short sale transactions, respectively.

5. PENSION BENEFIT PLANS - The Company has funded (Qualified) and unfunded (Supplemental) noncontributory defined benefit pension plans that cover substantially all of its employees. The plans provide defined benefits based on years of service and final average salary with an offset for a portion of social security covered compensation. The components of the net periodic benefit cost of the plans for the six months ended June 30, 2006 were:

|                                      |           |
|--------------------------------------|-----------|
| Service cost                         | \$158,698 |
| Interest cost                        | 342,078   |
| Expected return on plan assets       | (563,520) |
| Amortization of:                     |           |
| Prior service cost                   | 17,548    |
| Recognized net actuarial loss (gain) | 92,751    |
|                                      | -----     |
| Net periodic benefit cost (income)   | \$47,555  |
|                                      | =====     |

The Company also has funded and unfunded contributory defined contribution thrift plans that cover substantially all employees. The aggregate cost of such plans for the six months ended June 30, 2006 was \$371,086. The unfunded

## Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

liability included in accrued expenses and other liabilities at June 30, 2006 was \$2,791,863.

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 \$152,000 for the six months ended June 30, 2006. Minimum rental commitments under the operating lease are approximately \$505,000 per annum in 2006 through 2007.

In January 2003, the Company extended a sublease agreement (originally entered into in March 1996) which expires in 2007 and provides for future rental receipts. Minimum rental receipts under the sublease are approximately \$254,000 per annum in 2006 through 2007. The Company will also receive its proportionate share of operating expenses and real property taxes under the sublease.

13

### 11 MAJOR STOCK CHANGES\* Three Months Ended June 30, 2006 (Unaudited)

-----  
General American Investors

| INCREASES                            | SHARES      | SHARES<br>JUNE 30, 2006 |
|--------------------------------------|-------------|-------------------------|
| -----                                |             |                         |
| NEW POSITION                         |             |                         |
| ABB Ltd. ADR                         | -           | 1,150,000               |
| ADDITIONS                            |             |                         |
| American Tower Corporation           | 100,000     | 77,000                  |
| Annaly Mortgage Management, Inc.     | 155,000     | 65,000                  |
| Apache Corporation                   | 160,000     | 82,000                  |
| Dollar General Corporation           | 1,200,000   | 1,950,000               |
| Everest Re Group, Ltd.               | 25,000      | 57,000                  |
| Transatlantic Holdings, Inc.         | 10,000      | 23,000                  |
| DECREASES                            |             |                         |
| -----                                |             |                         |
| ELIMINATIONS                         |             |                         |
| EMCORE Corporation                   | 100,000     |                         |
| EOG Resources, Inc.                  | 200,000     |                         |
| North Fork Bancorporation, Inc.      | 475,000     |                         |
| Total S.A. ADR                       | 552,000 (b) |                         |
| REDUCTIONS                           |             |                         |
| Annuity and Life Re (Holdings), Ltd. | 71,500      | 42,000                  |
| Brooks Automation, Inc.              | 100,000     | 22,000                  |
| Genentech, Inc.                      | 65,000      | 24,000                  |
| Halliburton Company                  | 40,000      | 40,000                  |
| MFA Mortgage Investments, Inc.       | 150,000     | 1,150,000               |
| MedImmune, Inc.                      | 20,000      | 38,000                  |

## Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

|                      |         |      |
|----------------------|---------|------|
| Pfizer Inc           | 135,000 | 1,81 |
| SunTrust Banks, Inc. | 20,000  | 18   |

### OTHER MATTERS (Unaudited)

#### General American Investors

In addition to purchases of the Company's Common Stock as set forth in Note 2 on page 10, purchases of Common Stock may be made at such times, at such prices, in such amounts and in such manner as the Board of Directors may deem advisable.

The policies and procedures used by the Company to determine how to vote proxies relating to portfolio securities and the Company's proxy voting record for the twelve-month period ended June 30, 2006 are available: (1) without charge, upon request, by calling us at our toll-free telephone number (1-800-436-8401), (2) on the Company's website at [www.generalamericaninvestors.com](http://www.generalamericaninvestors.com) and (3) on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

In addition to distributing financial statements as of the end of each quarter, General American Investors files a Quarterly Schedule of Portfolio Holdings (Form N-Q) with the Securities and Exchange Commission (SEC) as of the end of the first and third calendar quarters. The Company's Forms N-Q are available at [www.generalamericaninvestors.com](http://www.generalamericaninvestors.com) and on the SEC's website: [www.sec.gov](http://www.sec.gov). Also, Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330. A copy of the Company's Form N-Q may be obtained by calling us at 1-800-436-8401.

On May 2, 2006, the Company submitted a CEO annual certification to the New York Stock Exchange ("NYSE") on which the Company's principal executive officer certified that he was not aware, as of that date, of any violation by the Company of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Company's principal executive and principal financial officer made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q relating to, among other things, the Company's disclosure controls and procedures and internal control over financial reporting, as applicable.

14

### DIRECTORS

|                                    |                        |
|------------------------------------|------------------------|
| Lawrence B. Bottenwieser, Chairman |                        |
| Arthur G. Altschul, Jr.            | Sidney R. Knafel       |
| Lewis B. Cullman                   | Richard R. Pivirotto   |
| Spencer Davidson                   | D. Ellen Shuman        |
| Gerald M. Edelman                  | Joseph T. Stewart, Jr. |
| John D. Gordan, III                | Raymond S. Troubh      |

William T. Golden, Director Emeritus

### OFFICERS

Spencer Davidson, President & Chief Executive Officer  
Peter P. Donnelly, Vice-President & Trader  
Sally A. Lynch, Vice-President

## Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

Eugene S. Stark, Vice-President, Administration &  
Chief Compliance Officer  
Jesse R. Stuart, Vice-President  
Andrew V. Vindigni, Vice-President  
Diane G. Radosti, Treasurer  
Carole Anne Clementi, Secretary  
Craig A. Grassi, Assistant Vice-President  
Maureen E. LoBello, Assistant Secretary

### SERVICE COMPANIES

---

Counsel  
Sullivan & Cromwell LLP

Independent Auditors  
Ernst & Young LLP

Custodian  
State Street Bank and  
Trust Company

Transfer Agent and Registrar  
American Stock Transfer & Trust  
Company  
59 Maiden Lane  
New York, NY 10038  
1-800-413-5499  
www.amstock.com

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

---

To the Board of Directors and Stockholders of  
GENERAL AMERICAN INVESTORS COMPANY, INC.

We have reviewed the accompanying statement of assets and liabilities of General American Investors Company, Inc., including the statement of investments, as of June 30, 2006, and the related statements of operations and changes in net assets and financial highlights for the six-month period ended June 30, 2006. These financial statements and financial highlights are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the interim financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board, the statement of changes in net assets for the year ended December 31, 2005 and financial highlights for each of the five years in the period then ended and in our report, dated January 18, 2006, we



## Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

expressed an unqualified opinion on such financial statements and financial highlights.

New York, New York  
July 12, 2006

ERNST & YOUNG LLP

15

ITEM 2. CODE OF ETHICS.

Not applicable to this semi-annual report.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this semi-annual report.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this semi-annual report.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable to this semi-annual report.

ITEM 6. SCHEDULE OF INVESTMENTS

The schedule of investments in securities of unaffiliated issuers is included as part of the report to stockholders filed under Item 1 of this form.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to this semi-annual report.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to this semi-annual report.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS

### REGISTRANT PURCHASES OF EQUITY SECURITIES

| Period      | (a) Total Number<br>of Shares<br>(or Units) Purchased | (b) Average Price<br>Paid per Share<br>(or Unit) | (c) Total Number of Shares<br>(or Units) Purchased as Part<br>of Publicly Announced<br>Plans or Programs | (d)<br>D<br>t |
|-------------|---|--|--|---------------|
| 2006        |   |  |  |               |
| 01/01-01/31 | 93600   | 35.8364  | 93600  |               |
| 02/01-02/28 | 97900   | 36.6130  | 97900  |               |
| 03/01-03/31 | 37200   | 37.0097  | 37200  |               |
| 04/01-04/30 | 79300   | 37.6870  | 79300  |               |
| 05/01-05/31 | 102600  | 37.6683  | 102600   |               |

Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

|             |        |         |        |
|-------------|--------|---------|--------|
| 06/01-06/30 | 29000  | 35.8809 | 29000  |
|             | -----  | -----   | -----  |
| Total       | 439600 |         | 439600 |
|             | =====  |         | =====  |

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors as set forth in the registrant's Proxy Statement, dated February 28, 2006.

ITEM 11. CONTROLS AND PROCEDURES.

Conclusions of principal officers concerning controls and procedures

(a) As of July 12, 2006, an evaluation was performed under the supervision and with the participation of the officers of General American Investors Company, Inc. (the "Registrant"), including the principal executive officer ("PEO") and principal financial officer ("PFO"), to assess the effectiveness of the Registrant's disclosure controls and procedures. Based on that evaluation, the Registrant's officers, including the PEO and PFO, concluded that, as of July 12, 2006, the Registrant's disclosure controls and procedures were reasonably designed so as to ensure:(1) that information required to be disclosed by the Registrant on Form N-CSR is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission, and (2) that material information relating to the Registrant is made known to the PEO and PFO as appropriate to allow timely discussions regarding required disclosure.

(b) There have been no significant changes in the Registrant's internal control over financial reporting 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) The code of ethics disclosure required by Item 2 is not applicable to this semi-annual report.

(a) (2) Certifications of the principal executive officer and the principal financial officer pursuant to Rule 30a-2(a) under the Investment Company Act of 1940.

(a) (3) There were no written solicitations to purchase securities under Rule 23c-1 under the Investment Company Act of 1940 during the period covered by the report.

(b) Certifications of the principal executive officer and the principal financial officer, as required by Rule 30a-2(b) under the Investment Company Act of 1940.

16

SIGNATURES

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

General American Investors Company, Inc.

Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-CSRS

By: /s/Eugene S. Stark  
Eugene S. Stark  
Vice-President, Administration

Date: August 3, 2006

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

By: /s/Spencer Davidson  
Spencer Davidson  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: August 3, 2006

By: /s/Eugene S. Stark  
Eugene S. Stark  
Vice-President, Administration  
(Principal Financial Officer)

Date: August 3, 2006