

GENERAL AMERICAN INVESTORS CO INC

Form N-30B-2

April 25, 2002

GENERAL AMERICAN INVESTORS COMPANY, INC.

FIRST QUARTER REPORT

MARCH 31, 2002

A Closed-End Investment Company

listed on the New York Stock Exchange

450 Lexington Avenue

New York, N.Y. 10017

212-916-8400 1-800-436-8401

E-mail: InvestorRelations@gainv.com

www.generalamericaninvestors.com

TO THE STOCKHOLDERS

For the three months ended March 31, 2002, our stockholders experienced a decrease of 0.6% on their investment in our Common Shares (assuming reinvestment of all dividends). The net asset value per Common Share decreased 2.3%. By comparison, our benchmark, the Standard & Poor's 500 Stock Index (including income), increased 0.3%. For the twelve months ended March 31, 2002, the return to our stockholders was 4% and the return on the net asset value per Common Share was 2%; these compare with an increase of 0.2% for the S&P 500. During each period, the discount at which our shares traded declined modestly and at March 31, 2002, it was 3.1%.

As set forth in the accompanying financial statements (unaudited), as of March 31, 2002, the net assets of the Company were \$1,212,973,779. Net assets applicable to the Common Stock were \$1,062,973,779, equal to \$34.04 per Common Share.

The decrease in net assets resulting from operations for the three months ended March 31, 2002 was \$22,486,472. During this period, net realized loss on securities sold was \$17,960,739 and the decrease in unrealized appreciation was \$5,037,227. Net investment income for the three months was \$511,494.

The nascent signs of economic recovery seen late last year have become more apparent. This strength is reflected in the outperformance during the first quarter of two stock groups, Basic Materials and Energy, where our market exposure is limited. Interest rates, meanwhile, have risen markedly with the yield on the benchmark 10-year Treasury notes up over one percentage point, to over five percent. Should this trend continue, two mainstays of the recovery, housing and consumer spending are likely to suffer.

The importance of housing, and its related financing, to the health of the economy and the market cannot be overstated since the average American family has four times more equity in housing than in the stock market. In addition, over the past year the average price of a house has increased by 12% - the largest inflation adjusted gain in history.

We continue to believe that the recovery is likely to be below average and that

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stock valuations remain high in the context of corporate profits pressured by excess capacity, global competition and rising wage and health care costs, among others. We retain abundant cash reserves and look forward to their selective employment as opportunities present themselves.

We are pleased to report that on April 10, 2002, at the Company's annual meeting, the Stockholders (1) elected eleven directors, including two directors who were elected by the holders of the Company's Preferred Stock, and (2) ratified the selection of Ernst & Young LLP as auditors of the Company for the year 2002.

We are pleased to announce that on March 26, 2002 the Company completed the development of a Web site. It can be accessed on the Internet at www.generalamericaninvestors.com and contains 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.

It is with a feeling of great loss that we report the death on March 17, 2002 of Arthur G. Altschul, our esteemed colleague and Chairman Emeritus. He served the Company for 50 years, including 43 years as a Director, of which 34 years were as Chairman of the Board, and 7 years as Chairman Emeritus. Over the years he contributed to the success of the Company by giving it steady leadership and guidance through many stock market cycles, and by providing management teams with unfailing support and considered encouragement even after his retirement from active involvement in the day-to-day affairs of the Company.

By Order of the Board of Directors,

GENERAL AMERICAN INVESTORS COMPANY, INC.

Spencer Davidson
President and Chief Executive Officer

April 10, 2002

2 STATEMENT OF ASSETS AND LIABILITIES March 31, 2002 (Unaudited)

General American Investors

ASSETS

INVESTMENTS, AT VALUE (NOTE 1a)

Common stocks (cost \$412,268,295) \$
Corporate discount notes (cost \$329,147,345) -

Total investments (cost \$741,415,640) 1,

CASH, RECEIVABLES AND OTHER ASSETS

Cash, including margin account balance of \$11,512 \$ 135,419
Receivable for securities sold 1,325,742
Receivable from broker for proceeds on securities sold short 18,244,019
Dividends, interest and other receivables 692,006
Prepaid expenses 6,000,862
Other 482,516

TOTAL ASSETS

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LIABILITIES

Payable for securities purchased	2,615,200
Preferred dividend accrued but not yet declared	240,000
Securities sold short, at value (proceeds \$18,244,019) (note 1a)	12,972,260
Accrued expenses and other liabilities	6,657,979

TOTAL LIABILITIES

NET ASSETS

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 - 31,231,563 shares (note 2)

NET ASSET VALUE PER COMMON SHARE

NET ASSETS APPLICABLE TO COMMON STOCK

Common Stock, 31,231,563 shares at par value (note 2)	\$31,231,563
Additional paid-in capital (note 2)	579,414,981
Accumulated realized loss on investments	(17,731,769)
Undistributed net income	564,231
Unallocated distributions on Preferred Stock	(2,940,000)
Unrealized appreciation on investments and securities sold short (including aggregate gross unrealized appreciation of \$506,368,087)	472,434,773

NET ASSETS APPLICABLE TO COMMON STOCK

(see notes to financial statements)

3 STATEMENT OF OPERATIONS Three Months Ended March 31, 2002 (Unaudited)

General American Investors

INCOME

Dividends (net of foreign withholding taxes of \$21,770)	\$ 1,617,430
Interest	1,636,026
Other Income	135,281

EXPENSES

Investment research	1,849,082
Administration and operations	691,867
Office space and general	126,256
Transfer agent, custodian and registrar fees and expenses	86,284
Auditing and legal fees	40,500
Directors' fees and expenses	33,599
Stockholders' meeting and reports	29,144
Miscellaneous taxes	20,511

NET INVESTMENT INCOME

REALIZED LOSS AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS (NOTES 1d AND 4)

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Net realized gain (loss) on investments:	
Long transactions	(19,141,520)
Short sale transactions (note 1b)	1,180,781

Net realized loss on investments	(17,960,739)
Net decrease in unrealized appreciation	(5,037,227)

NET LOSS ON INVESTMENTS

DECREASE IN NET ASSETS RESULTING FROM OPERATIONS

(see notes to financial statements)

4 STATEMENT OF CHANGES IN NET ASSETS

General American Investors

	Three Months Ended March 31, 2002 (Unaudited)	

OPERATIONS		

Net investment income	\$ 511,494	\$
Net realized gain (loss) on investments	(17,960,739)	
Net decrease in unrealized appreciation	(5,037,227)	(

DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	(22,486,472)	

DISTRIBUTIONS TO PREFERRED STOCKHOLDERS		

From net income, including short-term capital gain	--	
From long-term capital gain	--	
Unallocated distributions on Preferred Stock	(2,700,000)	

DECREASE IN NET ASSETS FROM PREFERRED DISTRIBUTIONS	(2,700,000)	(

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)	(1

CAPITAL SHARE TRANSACTIONS		

Value of Common Shares issued in payment of dividends (note 2)	--	
Cost of Common Shares purchased (note 2)	--	

INCREASE IN NET ASSETS - CAPITAL TRANSACTIONS	--	

NET DECREASE IN NET ASSETS	(34,555,941)	(
NET ASSETS		

BEGINNING OF PERIOD	1,247,529,720	1,3

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END OF PERIOD (including undistributed net income of \$564,231
and \$52,737, respectively)

\$1,212,973,779

\$1,2

(see notes to financial statements)

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FINANCIAL HIGHLIGHTS

General American Investors

The following table shows per share operating performance data, total investment return, ratios and supplemental data for the three months ended March 31, 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.

	Three Months Ended March 31, 2002 (Unaudited)	2001	2000	1999	19
PER SHARE OPERATING PERFORMANCE					
Net asset value, beginning of period	\$35.14	\$39.91	\$41.74	\$34.87	
Net investment income	.02	.41	.53	.45	
Net gain (loss) on securities - realized and unrealized	(.73)	(.66)	6.12	11.32	
Total from investment operations	(.71)	(.25)	6.65	11.77	
Less distributions on:					
Common Stock:					
Dividends from investment income	(.19) (a)	(.88) (b)	(2.30) (c)	(.71) (d)	
Distributions from capital gains	(.11)	(3.28)	(5.78)	(3.77)	
	(.30)	(4.16)	(8.08)	(4.48)	
Preferred Stock:					
Dividends from investment income	--	(.07) (f)	(.11) (g)	(.07) (h)	
Distributions from capital gains	--	(.29)	(.29)	(.35)	
Unallocated	(.09)	--	--	--	
	(.09)	(.36)	(.40)	(.42)	
Total distributions	(.39)	(4.52)	(8.48)	(4.90)	
Capital Stock transaction - effect of Preferred Stock offering	--	--	--	--	
Net asset value, end of period	\$34.04	\$35.14	\$39.91	\$41.74	
Per share market value, end of period	\$31.55	\$33.47	\$36.00	\$37.19	
TOTAL INVESTMENT RETURN - Stockholder Return, based on market price per share	(0.59)%*	4.33%	19.10%	39.22%	

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RATIOS AND SUPPLEMENTAL DATA

Total net assets, end of period (000's omitted)	\$1,212,974	\$1,247,530	\$1,305,039	\$1,244,519	\$1,244,519
Net assets attributable to Common Stock, end of period (000's omitted)	\$1,062,974	\$1,097,530	\$1,155,039	\$1,094,519	
Ratio of expenses to average net assets applicable to Common Stock	0.27%*	1.02%	1.09%	1.01%	
Ratio of net income to average net assets applicable to Common Stock	0.05%*	1.15%	1.24%	1.23%	
Portfolio turnover rate	3.13%*	23.81%	40.61%	33.68%	
PREFERRED STOCK					
Liquidation value, end of period (000's omitted)	\$150,000	\$150,000	\$150,000	\$150,000	
Asset coverage	809%	832%	870%	830%	
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00	
Market value per share	\$25.78	\$25.90	\$24.25	\$21.75	

6 STATEMENT OF INVESTMENTS March 31, 2002 (Unaudited)

----- General American Investors

Shares	COMMON STOCKS	

AEROSPACE/DEFENSE (1.7%)		
425,000	The Boeing Company	(COST \$12,796,662)

COMMUNICATIONS AND INFORMATION SERVICES (2.5%)		
535,000	Cisco Systems, Inc. (a)	
578,700	Cox Communications, Inc. Class A (a)	
180,000	NTL Incorporated (a)	
		(COST \$9,875,444)

COMPUTER SOFTWARE AND SYSTEMS (0.6%)		
250,000	Oberthur Card Systems S.A. (a)	
226,100	Viewpoint Corporation (a)	
339,500	Wind River Systems, Inc. (a)	
		(COST \$10,435,875)

CONSUMER PRODUCTS AND SERVICES (3.9%)		
475,000	Coca-Cola Enterprises Inc.	
275,000	Ethan Allen Interiors, Inc.	
875,500	Ford Motor Company	
150,000	Newell Rubbermaid Inc.	
175,000	PepsiCo, Inc.	
		(COST \$31,660,287)

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ELECTRONICS (1.7%)

692,500 Molex Incorporated Class A (COST \$14,877,393)

ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (1.3%)

600,000 Waste Management, Inc. (COST \$11,720,621)

FINANCE AND INSURANCE (23.6%)

230,000 American International Group, Inc.
 300,000 AmerUs Group Co.
 525,000 Annaly Mortgage Management, Inc.
 700,000 Annuity and Life Re (Holdings), Ltd.
 315 Berkshire Hathaway Inc. Class A (a)
 78,912 Central Securities Corporation
 550,000 Everest Re Group, Ltd.
 525,000 Golden West Financial Corporation
 440,000 John Hancock Financial Services, Inc.
 360,000 M&T Bank Corporation
 300,000 MetLife, Inc.
 550,000 PartnerRe Ltd.
 600,000 Reinsurance Group of America, Incorporated
 260,000 SunTrust Banks, Inc.
 225,000 Transatlantic Holdings, Inc.

(COST \$115,429,459)

7 STATEMENT OF INVESTMENTS March 31, 2002 (Unaudited) - continued

General American Investors

Shares COMMON STOCKS (continued)

HEALTH CARE (13.0%)

PHARMACEUTICALS (10.8%)

220,000 Alkermes, Inc. (a)
 300,000 Bristol-Myers Squibb Company
 270,000 Genaera Corporation (a)
 325,000 Genentech, Inc. (a)
 495,000 IDEC Pharmaceuticals Corporation (a)
 155,000 Johnson & Johnson
 264,000 MedImmune, Inc. (a)
 120,000 Millennium Pharmaceuticals, Inc. (a)
 150,000 OSI Pharmaceuticals, Inc. (a)
 890,000 Pfizer Inc.

(COST \$59,271,905)

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MEDICAL INSTRUMENTS AND DEVICES (1.1%)		
290,000	Medtronic, Inc.	(COST \$862,614)
HEALTH CARE SERVICES (1.1%)		
100,000	BioReliance Corporation (a)	
400,000	Health Net, Inc. (a)	
		(COST \$7,734,076)
		(COST \$67,868,595)
MISCELLANEOUS (2.2%)		
	Other	(COST \$38,095,586)
OIL & NATURAL GAS (INCLUDING SERVICES) (2.0%)		
1,400,000	Halliburton Company	(COST \$19,393,327)
RETAIL TRADE (17.8%)		
675,000	Costco Wholesale Corporation (a)	
2,045,000	The Home Depot, Inc. (b)	
1,325,000	The TJX Companies, Inc.	
570,000	Wal-Mart Stores, Inc.	
		(COST \$49,514,414)
SEMICONDUCTORS (2.0%)		
105,000	AXT, Inc (a)	
275,000	Brooks Automation, Inc. (a)	
197,000	EMCORE Corporation (a)	
1,846,000	IQE plc (a)	
120,000	PRI Automation, Inc. (a)	
250,000	Zarlink Semiconductor Inc. (a)	
		(COST \$23,704,505)
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)
		(COST \$412,268,295)

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Principal Amount	SHORT-TERM SECURITIES AND OTHER ASSETS	
\$94,000,000	American Express Credit Corporation notes due 4/9-4/30/02; 1.79%-1.82%	
44,400,000	Ford Motor Credit Company notes due 4/16-4/22/02; 2.26%-2.28%	
83,300,000	General Electric Capital Corp. notes due 4/2-4/29/02; 1.78%-1.80%	
68,800,000	General Motors Acceptance Corp. notes due 4/4-5/2/02; 2.10%-2.29%	
39,400,000	Sears Roebuck Acceptance Corp. notes due 4/1-5/6/02; 1.25%-2.25%	
		(COST \$329,147,345)
Cash, receivables and other assets, less liabilities		
TOTAL SHORT-TERM SECURITIES AND OTHER ASSETS, NET (27.5%)		(COST \$333,542,470)
NET ASSETS		(COST \$745,810,765) \$1

STATEMENT OF SECURITIES SOLD SHORT March 31, 2002 (Unaudited)

General American Investors

Shares	COMMON STOCKS	
278,000	Molex Incorporated	
100,000	Southwest Bancorporation of Texas Inc.	
TOTAL SECURITIES SOLD SHORT		(PROCEEDS \$18,244,019)

(see notes to financial statements)

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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.

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

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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 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 31,231,563 shares and 6,000,000 shares, respectively, were outstanding at March 31, 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

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Short sale transactions	3,909,654	-	
	-----	-----	
Total	\$29,978,517	\$55,789,463	
	=====	=====	

At March 31, 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	546,000
		-----	-----
Total		\$ 6,896,127	\$2,051,860
		=====	=====

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 \$71,400 for the three months ended March 31, 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 such amounts and in such manner as the Board of Directors may deem advisable.

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INCREASES	SHARES	SHARES HELD MARCH 31, 2002

ADDITIONS		
American International Group, Inc.	35,000	230,000
Annuity and Life Re (Holdings), Ltd.	140,000	700,000
Cox Communications, Inc. Class A	58,700	578,700
Halliburton Company	100,000	1,400,000 (a)
Waste Management, Inc.	320,000	600,000
DECREASES		
ELIMINATIONS		
First Midwest Bancorp, Inc.	200,000	--
Repsol, S.A. - ADR	700,000	--
Uniroyal Technology Corporation	250,000	--
Wolters Kluwer NV - ADR	144,500	--
REDUCTIONS		
AXT, Inc.	108,500	105,000
The Boeing Company	50,000	425,000
Bristol-Myers Squibb Company	125,000	300,000
Coca-Cola Enterprises Inc.	25,000	475,000
Everest Re Group, Ltd.	25,000	550,000
Ford Motor Company	825,000	875,500
IDEC Pharmaceuticals Corporation	25,000	495,000
IQE plc	800,000	1,846,000
Oberthur Card Systems S.A.	234,500	250,000
Zarlink Semiconductor Inc.	130,000	250,000

DIRECTORS

Lawrence B. Battenwieser, Chairman	
Arthur G. Altschul, Jr.	Bill Green
Lewis B. Cullman	Sidney R. Knafel
Spencer Davidson	Richard R. Pivirotto
Gerald M. Edelman	Joseph T. Stewart, Jr.
John D. Gordan, III	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

Bankers Trust Company

TRANSFER AGENT AND REGISTRAR

Mellon Investor Services LLC

P.O. Box 3315

South Hackensack, NJ 07606-1915

1-800-413-5499

www.mellon-investor.com

RESULTS OF THE ANNUAL MEETING
OF STOCKHOLDERS

The votes cast by stockholders at the Company's annual meeting held on April 10, 2002 were as follows: Election of Directors:

	FOR	WITHHELD
Arthur G. Altschul, Jr.	31,533,425	263,318
Lawrence B. Bittenwieser	31,511,566	285,177
Lewis B. Cullman	31,384,971	411,772
Spencer Davidson	31,529,748	266,995
Gerald M. Edelman	31,432,056	364,687
John D. Gordan, III	31,531,772	264,971
Richard R. Pivirotto	31,438,830	357,913
Joseph T. Stewart, Jr.	31,498,541	298,202
Raymond S. Troubh	31,346,613	450,130

Elected by holders of Preferred Stock:

Bill Green	5,478,745	37,760
Sidney R. Knafel	5,481,753	34,752

Ratification of the selection of Ernst & Young LLP as auditors of the Company for the year 2002: For - 31,453,316; Against - 166,114; Abstain - 177,313