

GENERAL AMERICAN INVESTORS CO INC  
Form N-CSR  
February 09, 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  
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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: December 31, 2005

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ITEM 1. REPORTS TO STOCKHOLDERS.

GENERAL  
AMERICAN  
INVESTORS

2005  
ANNUAL  
REPORT

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GENERAL AMERICAN INVESTORS COMPANY, INC.

Established in 1927, the Company is a closed-end investment company listed on the New York Stock Exchange. Its objective is long-term capital appreciation

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through investment in companies with above average growth potential.

### FINANCIAL SUMMARY (unaudited)

|   | 2005            | 2004            |
|---|-----------------|-----------------|
| Net assets applicable to Common Stock - |                 |                 |
| December 31                             | \$1,132,941,654 | \$1,036,393,093 |
| Net investment income                   | 5,408,018       | 9,253,481       |
| Net realized gain                       | 63,024,095      | 36,774,029      |
| Net increase in unrealized appreciation | 103,638,830     | 62,361,773      |
| Distributions to Preferred Stockholders | (11,900,000)    | (11,900,000)    |
| <br>                                    |                 |                 |
| Per Common Share-December 31            |                 |                 |
| Net asset value                         | \$39.00         | \$35.49         |
| Market price                            | \$34.54         | \$31.32         |
| Discount from net asset value           | -11.4%          | -11.7%          |
| <br>                                    |                 |                 |
| Common Shares outstanding-Dec. 31       | 29,050,399      | 29,205,312      |
| Common Stockholders of record-Dec. 31   | 4,100           | 4,300           |
| Market price range* (high-low)          | \$35.45-\$29.37 | \$31.74-\$27.88 |
| Market volume-shares                    | 7,242,000       | 6,206,400       |
| *Unadjusted for dividend payments.      |                 |                 |

### DIVIDEND SUMMARY (per share) (unaudited)

| Record Date  | Payment Date  | Ordinary<br>Income     | Long-Term<br>Capital Gain | Total               |
|--|---------------|------------------------|---------------------------|---------------------|
| Common Stock   |               |                        |                           |                     |
| Nov. 11, 2005  | Dec. 22, 2005 | \$.587543 (a)          | \$1.260182                | \$1.847725          |
| Jan. 30, 2006  | Feb. 13, 2006 | -                      | .138000                   | .138000             |
| Total from 2005 earnings   |               | \$.587543<br>=====     | \$1.398182<br>=====       | \$1.985725<br>===== |
| <br>   |               |                        |                           |                     |
| Nov. 12, 2004  | Dec. 23, 2004 | \$.215327              | \$.684673                 | \$.900000           |
| Jan. 31, 2005  | Mar. 10, 2005 | .002000                | .272000                   | .274000             |
| Total from 2004 earnings   |               | \$.217327<br>=====     | \$.956673<br>=====        | \$1.174000<br>===== |
| (a) Includes short-term gain in the amount of \$.041294 per share. |               |                        |                           |                     |
| <br>   |               |                        |                           |                     |
| Preferred Stock  |               |                        |                           |                     |
| Mar. 7, 2005   | Mar. 24, 2005 | \$.102969              | \$.268906                 | \$.371875           |
| Jun. 7, 2005   | Jun. 24, 2005 | .102969                | .268906                   | .371875             |
| Sep. 7, 2005   | Sep. 26, 2005 | .102969                | .268906                   | .371875             |
| Dec. 7, 2005   | Dec. 27, 2005 | .102969                | .268906                   | .371875             |
| Total for 2005   |               | \$.411876 (b)<br>===== | \$1.075624<br>=====       | \$1.487500<br>===== |
| <br>   |               |                        |                           |                     |
| Mar. 8, 2004   | Mar. 24, 2004 | \$.083947              | \$.287928                 | \$.371875           |
| Jun. 7, 2004   | Jun. 24, 2004 | .083947                | .287928                   | .371875             |
| Sep. 7, 2004   | Sep. 24, 2004 | .083947                | .287928                   | .371875             |

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|                |               |           |            |            |
|----------------|---------------|-----------|------------|------------|
| Dec. 7, 2004   | Dec. 27, 2004 | .083947   | .287928    | .371875    |
|                |               | -----     | -----      | -----      |
| Total for 2004 |               | \$.335788 | \$1.151712 | \$1.487500 |
|                |               | =====     | =====      | =====      |

(b) Includes short-term gain in the amount of \$.028844 (\$.007211 per quarter).

General American Investors Company, Inc.  
 450 Lexington Avenue, New York, NY 10017  
 (212) 916-8400 (800) 436-8401  
 E-mail: InvestorRelations@gainv.com  
 www.generalamericaninvestors.com

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### 1 TO THE STOCKHOLDERS

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#### General American Investors

The U.S. stock market rose for the third consecutive year, gaining 4.8% in the 12 months ended December 31, 2005, as measured by our benchmark, the Standard & Poor's 500 Stock Index (including income). General American Investors' net asset value (NAV) per Common Share (assuming reinvestment of all dividends) increased 16.2%. The return to our Common Stockholders was 17.4%, reflecting a slight narrowing in the discount at which our shares trade, which, at year end, was 11.4%.

The table that follows, which compares our returns on an annualized basis with the S&P 500, illustrates that over many years General American has produced superior investment results.

| Years | Stockholder Return | S&P 500 |
|-------|--------------------|---------|
| 3     | 17.5%              | 14.3%   |
| 5     | 4.3                | 0.5     |
| 10    | 16.4               | 9.0     |
| 20    | 14.8               | 11.9    |
| 30    | 17.4               | 12.7    |
| 40    | 12.9               | 10.3    |

The share repurchase program, a part of our continuing effort to maximize NAV, continues apace. During 2005, the Company purchased 1,222,404 of its Common Shares in the open market at an average discount to NAV of 12.4%. The Board of Directors has authorized repurchases of Common Shares when they are trading at a discount in excess of 8% of NAV.

Markets rallied again last year, continuing the trend that began in 2003. Earnings rose meaningfully, and interest rates remained at relatively modest levels by historic standards, notwithstanding the Federal Reserve's ongoing tightening campaign. While mirroring economic trends, the relatively muted performance of stocks reflected the compression in valuation multiples (price to earnings ratios) that generally attends a maturing business cycle.

Our performance last year benefited importantly from the portfolio's exposure to the shares of oil and natural gas producers and their service providers. Other contributors included financial services, biotech and cement companies. As in the past, our investments were focused on companies with strong financial characteristics and powerful positions in growing industries. Both operating costs relative to average net assets and portfolio turnover remained well below the equity mutual fund industry norm.

We enter 2006 with cautious optimism, encouraged by robust global growth and the resiliency of our economy in the face of rising interest rates and higher energy

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costs. While there is currently little evidence of decelerating spending, we fear that consumer demand for durables like cars and housing is unlikely to rise appreciably. It would appear that consumers have been spending more than they make for some time, while other sources of liquidity, like home equity loans, will probably contract, even assuming that the Fed stops raising rates this year. With the unemployment rate below 5% and labor shortages, especially among skilled workers, increasingly common, corporations may well supplement flagging consumer demand with increased expenditure on productivity-enhancing capital goods. They have been reluctant spenders in this business cycle, continuing to cut costs and rationalize facilities in the face of lower-cost Asian competition.

As corporate earnings have continued to grow, market valuations have become more reasonable, but not generally compelling. Inflation appears to be rising steadily, if not spectacularly, which together with an aging economic expansion may continue to pressure the multiple awarded earnings and, consequently, market prices. We remain encouraged, however, by the earnings and cash flow characteristics of our portfolio companies and highly confident that our staff will continue to perform to its customary high standard.

As mentioned in the mid-year report, Eugene L. DeStaebler, Jr., who had been an officer of the Company for thirty years, retired as Vice-President, Administration, on June 30, 2005. Mr. DeStaebler continued to serve as Chief Compliance Officer, under a consultancy arrangement, through December 31, 2005. Effective January 1, 2006, Eugene S. Stark, Vice-President, Administration, assumed the additional responsibilities of Chief Compliance Officer.

We are pleased to report that on December 14, 2005, Dr. Sally Lynch, who has been employed as a securities analyst at the Company since 1997, and Mr. Jesse Stuart, CFA, who has also been employed as a securities analyst since 2003, were appointed Vice-Presidents of the Company, both effective January 1, 2006.

We are saddened to report that Dr. William O. Baker, our esteemed colleague and Director Emeritus, died on October 31, 2005. Dr. Baker, a prominent scientist, former Chairman of the Board of Bell Laboratories, and an adviser to five presidents on scientific affairs, served as a director of the Company for 13 years, and as Director Emeritus since 1996. His counsel and support will be missed.

Information about the Company, including our investment objectives, operating policies and procedures, investment results, record of dividend payments, financial reports and press releases, etc., is available on our website, which can be accessed at [www.generalamericaninvestors.com](http://www.generalamericaninvestors.com).

By Order of the Board of Directors,

Spencer Davidson  
President and Chief Executive Officer  
January 18, 2006

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## 2 THE COMPANY

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General American Investors

### CORPORATE OVERVIEW

General American Investors, established in 1927, is one of the nation's oldest closed-end investment companies. It is an independent organization, internally managed. For regulatory purposes, the Company is classified as a diversified, closed-end management investment company; it is registered under and subject to

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the regulatory provisions of the Investment Company Act of 1940.

### INVESTMENT POLICY

The primary objective of the Company is long-term capital appreciation. Lesser emphasis is placed on current income. In seeking to achieve its primary objective, the Company invests principally in common stocks believed by its management to have better than average growth potential.

The Company's investment approach focuses on the selection of individual stocks, each of which is expected to meet a clearly defined portfolio objective. A continuous investment research program, which stresses fundamental security analysis, is carried on by the officers and staff of the Company under the oversight of the Board of Directors. A listing of the directors with their principal affiliations, showing a broad range of experience in business and financial affairs, is on page 20.

### PORTFOLIO MANAGER

Mr. Spencer Davidson has been responsible for the management of General American's portfolio since he was elected President and Chief Executive Officer of the Company in August 1995. Mr. Davidson, who joined the Company in 1994 as senior investment counselor, has spent his entire business career on Wall Street since first joining an investment and banking firm in 1966.

### "GAM" Common Stock

As a closed-end investment company, General American Investors does not offer its shares continuously. The Common Stock is listed on The New York Stock Exchange (symbol, GAM) and can be bought or sold with commissions determined in the same manner as all listed stocks. Net asset value is computed and published on the Company's website daily (on an unaudited basis) and is furnished upon request. It is also available on most electronic quotation services using the symbol "XGAMX." The figure for net asset value per share, together with the market price and the percentage discount or premium from net asset value as of the close of each week, is published in The New York Times, The Wall Street Journal and Barron's.

The ratio of market price to net asset value has shown considerable variation over a long period of time. While shares of GAM usually sell at a discount from their underlying net asset value, as do the shares of most other domestic equity closed-end investment companies, they, occasionally, sell at a premium over net asset value. During 2005, the stock sold at discounts from net asset value which ranged from 9.8% (November 9) to 14.9% (July 5). At December 31, the price of the stock was at a discount of 11.4% as compared with a discount of 11.7% a year earlier.

### "GAM Pr B" Preferred Stock

On September 24, 2003, the Company issued and sold in an underwritten offering 8,000,000 shares of its 5.95% Cumulative Preferred Stock, Series B with a liquidation preference of \$25 per share (\$200,000,000 in the aggregate).

The Preferred Shares are noncallable for 5 years, are rated "aaa" by Moody's Investors Service, Inc. and are listed and traded on The New York Stock Exchange (symbol, GAM Pr B). preferred capital is available to leverage the investment

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### 3 THE COMPANY

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General American Investors

performance of the Common Stockholders. As is the case for leverage in general,

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it may also result in higher market volatility for the Common Stockholders.

### DIVIDEND AND DISTRIBUTION POLICY

The Company's dividend and distribution policy is to distribute to stockholders before year-end substantially all ordinary income estimated for the full year and capital gains realized during the ten-month period ended October 31 of that year. If any additional capital gains are realized or ordinary income is earned during the last two months of the year, a "spill-over" distribution of these amounts will be paid early in the following year to Common Stockholders. Dividends and distributions on shares of Preferred Stock are paid quarterly. Distributions from capital gains and dividends from ordinary income are allocated proportionately among holders of shares of Common Stock and Preferred Stock.

Dividends from income have been paid continuously on the Common Stock since 1939 and capital gain distributions in varying amounts have been paid for each of the years 1943-2005 (except for the year 1974). (A table listing dividends and distributions paid during the 20-year period 1986-2005 is shown at the bottom of page 6.) To the extent that shares can be issued, dividends and distributions are paid to Common Stockholders in additional shares of Common Stock unless the stockholder specifically requests payment in cash. Spill-over dividends and distributions of nominal amounts may be paid in cash only.

### PROXY VOTING POLICIES, PROCEDURES AND RECORD

The policies and procedures used by General American Investors to determine how to vote proxies relating to portfolio securities and the Company's proxy voting record for the 12-month period ended June 30, 2005 are available: (1) without charge, upon request, by calling the Company at its toll-free 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).

### DIRECT REGISTRATION

The Company makes available direct registration for its Common Shareholders. Direct registration, which is an element of the Investors Choice Plan administered by our transfer agent, is a system that allows for book-entry ownership and the electronic transfer of our Common Shares. Accordingly, when Common Shareholders, who hold their shares directly, receive new shares resulting from a purchase, transfer or dividend payment, they will receive a statement showing the credit of the new shares as well as their Plan account and certificated share balances. A brochure which describes the features and benefits of the Investors Choice Plan, including the ability of shareholders to deposit certificates with our transfer agent, can be obtained by calling American Stock Transfer & Trust Company at 1-800-413-5499, calling the Company at 1-800-436-8401 or visiting our website: [www.generalamericaninvestors.com](http://www.generalamericaninvestors.com) - click on Dividends & Reports, then Report Downloads.

### PRIVACY POLICY AND PRACTICES

General American Investors collects nonpublic personal information about its customers (stockholders) with respect to their transactions in shares of the Company's securities but only for those stockholders whose shares are registered in their names. This information includes the stockholder's address, tax identification or Social Security number and dividend elections. We do not have knowledge of, nor do we collect personal information about, stockholders who hold the Company's securities at financial institutions such as brokers or banks in "street name" registration.

We do not disclose any nonpublic personal information about our stockholders or

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former stockholders to anyone, except as permitted by law.

We restrict access to nonpublic personal information about our stockholders to those employees who need to know that information to provide services to our stockholders. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard our stockholders' nonpublic personal information.

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### 4 INVESTMENT RESULTS (UNAUDITED)

#### ----- General American Investors

"Total return on \$10,000 investment 20 years ended December 31, 2005"

The investment return for a Common Stockholder of General American Investors (GAM) over the 20 years ended December 31, 2005 is shown in the table below and in the accompanying chart. The return based on GAM's net asset value (NAV) per Common Share in comparison to the change in the Standard & Poor's 500 Stock Index (S&P 500) is also displayed. Each illustration assumes an investment of \$10,000 at the beginning of 1986.

THE STOCKHOLDER RETURN is the return a Common Stock holder of GAM would have achieved assuming reinvestment of all dividends and distributions at the actual reinvestment price and of all cash dividends at the average (mean between high and low) market price on the ex-dividend date.

THE GAM NET ASSET VALUE (NAV) RETURN is the return on shares of the Company's Common Stock based on the NAV per share, including the reinvestment of all dividends and distributions.

THE S&P 500 RETURN is the time-weighted total rate of return on this widely-recognized, unmanaged index which is a measure of general stock market performance, including dividend income.

The results illustrated are a record of past performance and may not be indicative of future results.

|      | GENERAL AMERICAN INVESTORS |                  |                          |                  | STANDARD & POOR'S 500    |                  |
|------|----------------------------|------------------|--------------------------|------------------|--------------------------|------------------|
|      | STOCKHOLDER RETURN         |                  | NET ASSET VALUE RETURN   |                  | RETURN                   |                  |
|      | CUMULATIVE<br>INVESTMENT   | ANNUAL<br>RETURN | CUMULATIVE<br>INVESTMENT | ANNUAL<br>RETURN | CUMULATIVE<br>INVESTMENT | ANNUAL<br>RETURN |
| 1986 | \$11,117                   | 11.17%           | \$11,117                 | 11.17%           | \$11,869                 | 18.              |
| 1987 | 9,326                      | -16.11           | 11,398                   | 2.53             | 12,491                   | 5.               |
| 1988 | 11,309                     | 21.26            | 13,401                   | 17.57            | 14,556                   | 16.              |
| 1989 | 16,805                     | 48.60            | 18,475                   | 37.86            | 19,158                   | 31.              |
| 1990 | 17,477                     | 4.00             | 19,710                   | 6.69             | 18,566                   | -3.              |
| 1991 | 32,332                     | 85.00            | 31,752                   | 61.09            | 24,210                   | 30.              |
| 1992 | 37,111                     | 14.78            | 32,879                   | 3.55             | 26,048                   | 7.               |
| 1993 | 31,203                     | -15.92           | 32,303                   | -1.75            | 28,684                   | 10.              |
| 1994 | 28,751                     | -7.86            | 31,418                   | -2.74            | 29,048                   | 1.               |
| 1995 | 34,851                     | 21.22            | 38,827                   | 23.58            | 39,941                   | 37.              |
| 1996 | 41,640                     | 19.48            | 46,580                   | 19.97            | 49,092                   | 22.              |
| 1997 | 59,371                     | 42.58            | 61,509                   | 32.05            | 65,454                   | 33.              |
| 1998 | 77,960                     | 31.31            | 83,124                   | 35.14            | 84,141                   | 28.              |
| 1999 | 108,536                    | 39.22            | 113,381                  | 36.40            | 101,777                  | 20.              |

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|      |         |        |         |        |        |      |
|------|---------|--------|---------|--------|--------|------|
| 2000 | 129,266 | 19.10  | 133,381 | 17.64  | 92,526 | -9.  |
| 2001 | 134,864 | 4.33   | 131,781 | -1.20  | 81,525 | -11. |
| 2002 | 98,167  | -27.21 | 101,445 | -23.02 | 63,475 | -22. |
| 2003 | 124,682 | 27.01  | 129,241 | 27.40  | 81,603 | 28.  |
| 2004 | 135,642 | 8.79   | 142,643 | 10.37  | 90,408 | 10.  |
| 2005 | 159,243 | 17.40  | 165,751 | 16.20  | 94,775 | 4.   |

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5 INVESTMENT RESULTS (UNAUDITED)

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 General American Investors

[CAPTION]

[Line graph with heading "20-YEAR INVESTMENT RESULTS ASSUMING AN INITIAL INVESTMENT OF \$10,000" at top left hand side. The vertical axis is to the right side of the page and is labeled "CUMULATIVE VALUE OF INVESTMENT." The axis range is from \$0 to \$180,000 in \$20,000 increments. The horizontal axis, on the bottom of the page, consists of the years 1986 through 2005 in one year increments. Within the graph are three lines. The first line represents GAM Stockholder Return. The second line represents GAM Net Asset Value Return, and the third line represents the return of the S&P 500 Stock Index. The data points for the lines are derived from the columns labeled "Cumulative Investment" from the table on the preceding page. Also, embedded in upper left portion of the graph is a table which appears as follows:]

COMPARATIVE ANNUALIZED INVESTMENT RESULTS

| YEARS ENDED<br>DECEMBER 31, 2005 | STOCKHOLDER<br>RETURN | GAM NET<br>ASSET VALUE | S&P 500<br>STOCK INDEX |
|----------------------------------|-----------------------|------------------------|------------------------|
| 1 year                           | 17.4%                 | 16.2%                  | 4.8%                   |
| 5 years                          | 4.3                   | 4.4                    | 0.5                    |
| 10 years                         | 16.4                  | 15.6                   | 9.0                    |
| 15 years                         | 15.9                  | 15.3                   | 11.5                   |
| 20 years                         | 14.8                  | 15.1                   | 11.9                   |

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6 MAJOR STOCK CHANGES\*: THREE MONTHS ENDED DECEMBER 31, 2005 (UNAUDITED)

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 General American Investors

| INCREASES                      | SHARES  | SHARES HELD<br>DECEMBER 31, 2005 |
|--------------------------------|---------|----------------------------------|
| -----                          |         |                                  |
| ADDITIONS                      |         |                                  |
| Cytokinetics, Incorporated     | 54,900  | 604,900                          |
| MFA Mortgage Investments, Inc. | 375,000 | 1,300,000                        |
| Patterson-UTI Energy, Inc.     | 250,000 | 1,000,000                        |
| Talisman Energy Inc.           | 208,700 | 1,000,000                        |
| Weatherford International Ltd. | 185,000 | 1,220,000 (a)                    |

DECREASES



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ELIMINATIONS

|  |             |   |
|--|-------------|---|
| Central Securities Corporation             | 102,809 (b) | - |
| CIENA Corporation                          | 550,000     | - |
| Millenium Pharmaceuticals, Inc.            | 120,000     | - |
| Reinsurance Group of America, Incorporated | 200,000     | - |
| Silicon Genesis Corporation                | 144,000     | - |

REDUCTIONS

|                                    |         |           |
|------------------------------------|---------|-----------|
| American International Group, Inc. | 5,000   | 345,000   |
| Annaly Mortgage Management, Inc.   | 175,000 | 500,000   |
| Bank of America Corporation        | 35,000  | 280,000   |
| Brooks Automation, Inc.            | 168,500 | 323,000   |
| Devon Energy Corporation           | 582,000 | 758,000   |
| Everest Re Group, Ltd.             | 10,000  | 540,000   |
| Genentech, Inc.                    | 35,000  | 330,000   |
| The Home Depot, Inc.               | 225,000 | 1,695,000 |
| Microsoft Corporation              | 125,000 | 1,400,000 |
| PartnerRe Ltd.                     | 25,000  | 375,000   |
| Pfizer Inc                         | 50,000  | 1,250,000 |

"The following table shows aggregate dividends and distributions paid per share on the Company's Common Stock for each year during the 20-year period 1986-2005. Amounts shown include payments made after year-end attributable to income and gain in each respective year."

DIVIDENDS AND DISTRIBUTIONS PER COMMON SHARE (1986-2005) (UNAUDITED)

| YEAR | EARNINGS SOURCE |                          |                         |
|------|-----------------|--------------------------|-------------------------|
|      | INCOME          | SHORT-TERM CAPITAL GAINS | LONG-TERM CAPITAL GAINS |
| 1986 | \$.36           | -                        | \$2.15                  |
| 1987 | .35             | -                        | 1.54                    |
| 1988 | .29             | -                        | 1.69                    |
| 1989 | .21             | \$.02                    | 1.56                    |
| 1990 | .21             | -                        | 1.65                    |
| 1991 | .09             | -                        | 3.07                    |
| 1992 | .03             | -                        | 2.93                    |
| 1993 | .06             | -                        | 2.34                    |
| 1994 | .06             | -                        | 1.59                    |
| 1995 | .10             | .03                      | 2.77                    |
| 1996 | .20             | .05                      | 2.71                    |
| 1997 | .21             | -                        | 2.95                    |
| 1998 | .47             | -                        | 4.40                    |
| 1999 | .42             | .62                      | 4.05                    |
| 2000 | .48             | 1.55                     | 6.16                    |
| 2001 | .37             | .64                      | 1.37                    |
| 2002 | .03             | -                        | .33                     |
| 2003 | .02             | -                        | .59                     |
| 2004 | .217            | -                        | .957                    |

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7 TEN LARGEST INVESTMENT HOLDINGS (UNAUDITED)

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 General American Investors

"The statement of investments as of December 31, 2005, shown on pages 12 and 13 includes 53 security issues. Listed here are the ten largest holdings on that date."

|  | SHARES    | VALUE       |
|--|-----------|-------------|
| THE HOME DEPOT, INC.<br>The largest company in home center retailing, Home Depot's proven merchandising capabilities and strong financial structure should provide the basis for continuing growth.  | 1,695,000 | \$68,613,60 |
| CEMEX, S.A. de C.V. ADR<br>Domiciled in Mexico, CEMEX is the third largest cement producer in the world. With the expansion of its operations into related construction materials and additional geographic areas, as well as its focus on cost containment, the company's free cash flow should continue to increase, supporting a positive long-term outlook.                          | 1,143,041 | 67,816,62   |
| THE TJX COMPANIES, INC.<br>Through its T.J. Maxx and Marshalls divisions, TJX is a leading off-price retailer. The continued growth of these divisions, along with expansion into related U.S. and foreign off-price formats, provide ongoing growth opportunities.  | 2,500,000 | 58,075,00   |
| EVEREST RE GROUP, LTD.<br>The largest independent U.S. property/casualty reinsurer, which generates annual premiums of approximately \$4.7 billion and has a high quality, well-reserved AA balance sheet. This Bermuda domiciled company has a strong management team that exercises underwriting discipline and efficient expense control, resulting in above-average earnings growth. | 540,000   | 54,189,00   |
| TALISMAN ENERGY INC.<br>Talisman, headquartered in Calgary, Alberta, is an upstream oil and gas producer with global operations. The company is focusing on larger, deep gas opportunities in North America and large international projects which should lead to faster production growth and higher returns.   | 1,000,000 | 52,880,00   |
| DEVON ENERGY CORPORATION<br>One of the largest independent oil and gas exploration and production companies, Devon operates both domestically and internationally. Recent opportunistic acquisitions have enhanced production and improved the company's exploration profile.  | 758,000   | 47,405,32   |
| APACHE CORPORATION<br>Apache is a large independent oil and gas company. The   | 665,000   | 45,565,80   |

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company has a long history of growing production and creating value for shareholders. The company's operations are primarily focused in North America, the North Sea and Egypt.

|  |           |               |
|--|-----------|---------------|
| WEATHERFORD INTERNATIONAL LTD.<br>Weatherford supplies a broad range of oil field services through its Drilling Methods, Well Construction, Drilling Tools and Intervention Services divisions on a worldwide basis. Its focus on increasing production from existing fields and synergies from the acquisition of assets from Precision Drilling should lead to earnings growth.  | 1,220,000 | 44,164,000    |
| REPUBLIC SERVICES, INC.<br>Republic Services is a leading provider of non-hazardous solid waste collection and disposal services in the U.S. The efficient operation of its routes and facilities combined with appropriate pricing enable Republic Services to generate significant free cash flow. The high probability of additional contracts and the expectation that economic activity will continue to improve should result in higher waste volumes for the company. | 1,175,000 | 44,121,250    |
| EOG RESOURCES, INC.<br>EOG is rapidly growing its reserves and production of natural gas. The company's assets are primarily in North America and Trinidad. The company earns among the highest returns on capital in its industry.  | 600,000   | 44,022,000    |
|  |           | \$526,852,000 |

\*Net assets applicable to the Company's Common Stock.

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### 8 PORTFOLIO DIVERSIFICATION (unaudited)

#### General American Investors

"The diversification of the Company's net assets applicable to its securities by industry group as of December 31, 2005 and 2004 is shown in the following table."

|   | DECEMBER 31, 2005 | PERCENT COMMON NET ASSETS | DECEMBER 31, 2004 |
|---|-------------------|---------------------------|-------------------|
| INDUSTRY CATEGORY                           | COST (000)        | 2005                      | 2004              |
| Oil and Natural Gas<br>(Including Services) | \$207,050         | 29.7%                     | 18.5%             |
| Finance and Insurance                       |                   |                           |                   |
| Banking                                     | 18,171            | 8.8                       | 10.2              |
| Insurance                                   | 67,625            | 15.8                      | 18.5              |
| Other                                       | 16,084            | 1.1                       | 2.8               |
|   | 101,880           | 25.7                      | 30.5              |
| Retail Trade                                | 74,945            | 17.9                      | 20.5              |
| Health Care                                 |                   |                           |                   |
| Pharmaceuticals                             | 50,789            | 8.0                       | 10.2              |

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|  |           |             |        |       |
|--|-----------|-------------|--------|-------|
| Medical Instruments<br>and Devices                     | 10,484    | 25,906      | 2.3    | 2     |
|  | -----     | -----       | ----   | ----  |
|  | 61,273    | 116,762     | 10.3   | 12    |
|  | -----     | -----       | ----   | ----  |
| Communications and<br>Information Services             | 53,830    | 68,706      | 6.1    | 7     |
| Building and Real Estate                               | 30,441    | 67,817      | 6.0    | 3     |
| Consumer Products and Services                         | 62,733    | 66,602      | 5.9    | 3     |
| Environmental Control<br>(Including Services)          | 26,227    | 44,121      | 3.9    | 3     |
| Computer Software and Systems                          | 41,604    | 43,620      | 3.8    | 5     |
| Miscellaneous**  | 42,347    | 42,466      | 3.7    | 4     |
| Technology   | 25,690    | 27,835      | 2.5    |       |
| Electronics  | 12,287    | 13,525      | 1.2    | 1     |
| Semiconductors   | 4,709     | 5,509       | 0.5    | 0     |
| Special Holdings                                       | 3,003     | -           | -      | 0     |
|  | -----     | -----       | ----   | ----  |
|  | 748,019   | 1,327,668   | 117.2  | 113   |
| Short-Term securities                                  | 3,823     | 3,823       | 0.3    | 5     |
|  | -----     | -----       | ----   | ----  |
| Total investments                                      | \$751,842 | 1,331,491   | 117.5  | 119   |
|  | =====     | -----       | ----   | ----  |
| Cash, receivables and other<br>assets less liabilities |           | 1,451       | 0.1    | (0)   |
| Preferred Stock  |           | (200,000)   | (17.6) | (19)  |
|  |           | -----       | ----   | ----  |
| Net assets applicable to<br>Common Stock               |           | \$1,132,942 | 100.0% | 100   |
|  |           | =====       | =====  | ===== |

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9 STATEMENT OF ASSETS AND LIABILITIES

-----  
General American Investors

|   | DECEMBER 31,    |               |
|---|-----------------|---------------|
| ASSETS  | 2005            | 2004          |
| -----   |                 |               |
| INVESTMENTS, AT VALUE (NOTE 1a)   |                 |               |
| Common and preferred stocks<br>(cost \$714,895,565 and \$691,689,451, respectively) | \$1,301,855,069 | \$1,167,272,7 |
| Corporate note (cost \$33,123,366 and<br>\$12,326,060, respectively)                | 25,812,500      | 13,225,2      |
| Corporate discount notes (cost for 2004 \$58,487,897)                               | -               | 58,487,8      |
| Money Market Fund (cost for 2005 \$3,822,949)                                       | 3,822,949       |               |
|   | -----           | -----         |
| Total investments (cost \$751,841,880 and<br>\$762,503,408, respectively)           | 1,331,490,518   | 1,238,985,8   |
| CASH, RECEIVABLES AND OTHER ASSETS  |                 |               |
| Cash  | 13,298          | 176,9         |
| Receivable for securities sold  | 5,733,693       |               |
| Deposit with broker for securities sold short                                       | -               | 3,070,6       |
| Deposit with broker for options written   | -               | 188,5         |
| Dividends, interest and other receivables   | 1,028,867       | 1,081,1       |
| Prepaid pension cost  | 7,714,456       | 7,478,9       |
| Prepaid expenses and other assets   | 214,022         | 294,1         |
|   | -----           | -----         |

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|   |                 |               |
|---|-----------------|---------------|
| TOTAL ASSETS  | 1,346,194,854   | 1,251,276,2   |
| -----   |                 |               |
| LIABILITIES   |                 |               |
| -----   |                 |               |
| Payable for securities purchased  | 1,468,214       | 411,3         |
| Preferred dividend accrued but not yet declared   | 231,389         | 231,3         |
| Securities sold short, at value (proceeds for 2004<br>\$3,070,685) (note 1a)  | -               | 3,608,2       |
| Outstanding options written, at value (premiums<br>received \$188,519 for 2004) (note 1a)                             | -               | 123,5         |
| Accrued pension expense   | 5,699,484       | 5,484,7       |
| Accrued expenses and other liabilities  | 5,854,113       | 5,023,8       |
| TOTAL LIABILITIES   | 13,253,200      | 14,883,2      |
| -----   |                 |               |
| 5.95% CUMULATIVE PREFERRED STOCK, SERIES B -<br>8,000,000 shares at a liquidation value of<br>\$25 per share (note 2) | 200,000,000     | 200,000,0     |
| -----   |                 |               |
| NET ASSETS APPLICABLE TO COMMON STOCK - 29,050,399<br>and 29,205,312 shares, respectively (note 2)                    | \$1,132,941,654 | \$1,036,393,0 |
| =====   |                 |               |
| NET ASSET VALUE PER COMMON SHARE  | \$39.00         | \$35.         |
| =====   |                 |               |

NET ASSETS APPLICABLE TO COMMON STOCK

|   |                 |               |
|---|-----------------|---------------|
| -----   |                 |               |
| Common Stock, 29,050,399 and 29,205,312 shares at par<br>value, respectively (note 2) | \$29,050,399    | \$29,205,3    |
| Additional paid-in capital (note 2)   | 518,972,693     | 521,985,7     |
| Undistributed realized gain on investments (note 2)                                   | 3,969,333       | 7,864,4       |
| Undistributed net investment income (note 2)  | 1,531,980       | 1,559,1       |
| Unallocated distributions on Preferred Stock  | (231,389)       | (231,3        |
| Unrealized appreciation on investments, securities<br>sold short and options          | 579,648,638     | 476,009,8     |
| NET ASSETS APPLICABLE TO COMMON STOCK   | \$1,132,941,654 | \$1,036,393,0 |
| =====   |                 |               |

(see notes to financial statements)

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10 STATEMENT OF OPERATIONS

|  |                         |             |
|--|-------------------------|-------------|
| -----  |                         |             |
| General American Investors   |                         |             |
| -----  |                         |             |
|  | YEAR ENDED DECEMBER 31, |             |
|  | 2005                    | 2004        |
| -----  |                         |             |
| INCOME   |                         |             |
| -----  |                         |             |
| Dividends (net of foreign withholding taxes<br>of \$490,458 and \$222,175, respectively) | \$16,403,240            | \$18,010,29 |
| Interest   | 2,318,112               | 2,538,40    |
| TOTAL INCOME   | 18,721,352              | 20,548,69   |
| -----  |                         |             |

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| EXPENSES   |                      |                   |
|--|----------------------|-------------------|
| Investment research  | 8,695,758            | 7,257,44          |
| Administration and operations  | 3,236,737            | 2,685,81          |
| Office space and general   | 537,671              | 535,68            |
| Directors' fees and expenses   | 218,402              | 187,53            |
| Auditing and legal fees  | 216,600              | 172,20            |
| Transfer agent, custodian and registrar fees and expenses                                  | 176,854              | 179,10            |
| Stockholders' meeting and reports  | 129,857              | 169,19            |
| Miscellaneous taxes  | 101,455              | 108,23            |
| <b>TOTAL EXPENSES</b>  | <b>13,313,334</b>    | <b>11,295,21</b>  |
| <b>NET INVESTMENT INCOME</b>   | <b>5,408,018</b>     | <b>9,253,48</b>   |
| REALIZED GAIN (LOSS) AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS (NOTES 1f AND 4) |                      |                   |
| Net realized gain on investments:  |                      |                   |
| Long transactions  | 63,646,612           | 39,187,38         |
| Short sale transactions (note 1b)  | (755,114)            | (2,512,34)        |
| Option transactions (note 1c)  | 132,597              | 98,99             |
| Net realized gain on investments<br>(long-term except for \$14,501,035 for 2005)           | 63,024,095           | 36,774,02         |
| Net increase in unrealized appreciation  | 103,638,830          | 62,361,77         |
| <b>NET GAIN ON INVESTMENTS</b>   | <b>166,662,925</b>   | <b>99,135,8</b>   |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS</b>   | <b>(11,900,000)</b>  | <b>(11,900,0</b>  |
| <b>INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>                                    | <b>\$160,170,943</b> | <b>\$96,489,2</b> |

(see notes to financial statements)

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11 STATEMENT OF CHANGES IN NET ASSETS

| General American Investors               | YEAR ENDED DECEMBER 31 |                  |
|--|------------------------|------------------|
|  | 2005                   | 2004             |
| <b>OPERATIONS</b>                        |                        |                  |
| Net investment income                    | \$5,408,018            | \$9,253,4        |
| Net realized gain on investments         | 63,024,095             | 36,774,0         |
| Net increase in unrealized appreciation  | 103,638,830            | 62,361,7         |
|  | <b>172,070,943</b>     | <b>108,389,2</b> |
| Distributions to Preferred Stockholders: |                        |                  |
| From net income                          | (845,368)              | (2,686,3         |
| From short-term capital gains            | (2,449,640)            |                  |
| From long-term capital gains             | (8,604,992)            | (9,213,6         |

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|  |                 |                 |
|--|-----------------|-----------------|
| Decrease in net assets from Preferred distributions  | (11,900,000)    | (11,900,000)    |
| INCREASE IN NET ASSETS RESULTING FROM OPERATIONS   | 160,170,943     | 96,489,200      |
| DISTRIBUTIONS TO COMMON STOCKHOLDERS   |                 |                 |
| From net income  | (4,333,771)     | (6,602,900)     |
| From short-term capital gains  | (12,389,129)    |                 |
| From long-term capital gains   | (43,672,026)    | (22,647,200)    |
| DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS   | (60,394,926)    | (29,250,200)    |
| CAPITAL SHARE TRANSACTIONS (NOTE 2)  |                 |                 |
| Value of Common Shares issued in payment of distributions  | 36,584,716      | 15,781,900      |
| Cost of Common Shares purchased  | (39,812,172)    | (32,963,000)    |
| DECREASE IN NET ASSETS - CAPITAL TRANSACTIONS  | (3,227,456)     | (17,181,000)    |
| NET INCREASE IN NET ASSETS   | 96,548,561      | 50,057,900      |
| NET ASSETS APPLICABLE TO COMMON STOCK  |                 |                 |
| BEGINNING OF YEAR  | 1,036,393,093   | 986,335,100     |
| end of year (including undistributed net investment income of \$1,531,980 and \$1,559,198, respectively) | \$1,132,941,654 | \$1,036,393,000 |

(see notes to financial statements)

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12 STATEMENT OF INVESTMENTS DECEMBER 31, 2005

General American Investors

|  | SHARES    | COMMON AND PREFERRED STOCKS                |                     |
|--|-----------|--|---------------------|
| BUILDING AND REAL ESTATE (6.0%)                | 1,143,041 | CEMEX, S.A. de C.V. ADR                    | (COST \$30,440,830) |
| COMMUNICATIONS AND INFORMATION SERVICES (6.1%) | 675,000   | American Tower Corporation (a)             |                     |
|  | 900,000   | Cisco Systems, Inc. (a)                    |                     |
|  | 350,000   | Lamar Advertising Company Class A (a)      |                     |
|  | 4,600,000 | Telecom Corporation of New Zealand Limited | (COST \$53,829,770) |
| COMPUTER SOFTWARE AND SYSTEMS (3.8%)           | 300,000   | EMC Corporation (a)                        |                     |
|  | 1,400,000 | Microsoft Corporation                      |                     |
|  | 133,500   | VeriSign, Inc. (a)                         |                     |

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(COST \$41,604,314)

---

CONSUMER PRODUCTS 350,000 Diageo plc ADR  
 AND SERVICES (3.6%) 275,000 Ethan Allen Interiors Inc.  
 175,000 PepsiCo, Inc.

(COST \$29,609,424)

---

ELECTRONICS (1.2%) 550,000 Molex Incorporated Class A (COST \$12,287,441)

---

ENVIRONMENTAL CONTROL 1,175,000 Republic Services, Inc. (COST \$26,227,380)  
 (INCLUDING SERVICES)  
 (3.9%)

---

FINANCE AND INSURANCE BANKING (8.8%)  
 (25.7%)

---

280,000 Bank of America Corporation  
 585,000 Golden West Financial Corporation  
 310,000 M&T Bank Corporation  
 200,000 SunTrust Banks, Inc.

(COST \$18,170,793)

INSURANCE (15.8%)

---

345,000 American International Group, Inc.  
 500,000 Annuity and Life Re (Holdings), Ltd. (a)  
 350,000 Arch Capital Group Ltd. (a)  
 300 Berkshire Hathaway Inc. Class A (a)  
 540,000 Everest Re Group, Ltd.  
 285,000 MetLife, Inc.  
 375,000 PartnerRe Ltd.  
 250,000 Transatlantic Holdings, Inc.

(COST \$67,625,042)

OTHER (1.1%)

---

500,000 Annaly Mortgage Management, Inc.  
 1,300,000 MFA Mortgage Investments, Inc.

(COST \$16,084,154)

(COST \$101,879,989)

---

HEALTH CARE (10.3%) PHARMACEUTICALS (8.0%)

---

265,000 Alkermes, Inc. (a)  
 180,000 Biogen Idec Inc. (a)  
 604,900 Cytokinetics, Incorporated (a)  
 330,000 Genentech, Inc. (a)  
 400,000 MedImmune, Inc. (a)  
 1,250,000 Pfizer Inc

(COST \$50,789,396)

MEDICAL INSTRUMENTS AND DEVICES (2.3%)

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450,000 Medtronic, Inc. (COST \$10,483,716)

(COST \$61,273,112)

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13 STATEMENT OF INVESTMENTS DECEMBER 31, 2005 - continued

-----  
General American Investors

|  | SHARES           | COMMON AND PREFERRED STOCKS                           |                      |
|--|------------------|---|----------------------|
| MISCELLANEOUS (3.7%)                                   |                  | Other (b)   | (COST \$42,346,406)  |
| OIL AND NATURAL GAS<br>(INCLUDING SERVICES)<br>(29.7%) | 665,000          | Apache Corporation                                    |                      |
|  | 758,000          | Devon Energy Corporation                              |                      |
|  | 600,000          | EOG Resources, Inc.                                   |                      |
|  | 440,000          | Halliburton Company                                   |                      |
|  | 1,000,000        | Patterson-UTI Energy, Inc.                            |                      |
|  | 1,000,000        | Talisman Energy Inc.                                  |                      |
|  | 330,000          | Total S.A. ADR  |                      |
|  | 1,220,000        | Weatherford International Ltd. (a)                    | (COST \$207,050,041) |
| RETAIL TRADE (17.9%)                                   | 700,000          | Costco Wholesale Corporation                          |                      |
|  | 750,000          | Dollar General Corporation                            |                      |
|  | 1,695,000        | The Home Depot, Inc. (c)                              |                      |
|  | 2,500,000        | The TJX Companies, Inc.                               |                      |
|  | 575,000          | Wal-Mart Stores, Inc.                                 | (COST \$74,944,941)  |
| SEMICONDUCTORS (0.5%)                                  | 323,000          | Brooks Automation, Inc. (a)                           |                      |
|  | 197,000          | EMCORE Corporation (a)                                | (COST \$4,709,063)   |
| SPECIAL HOLDING<br>(a) (d) (0.0%)                      | 546,000          | Standard MEMS, Inc. Series A<br>Convertible Preferred | (COST \$3,003,000)   |
| TECHNOLOGY (2.5%)                                      | 1,900,000        | Xerox Corporation (a)                                 | (COST \$25,689,854)  |
|  |                  | TOTAL COMMON AND PREFERRED STOCKS (114.9%)            | (COST \$714,895,565) |
|  | PRINCIPAL AMOUNT | CORPORATE NOTE  |                      |
| CONSUMER PRODUCTS                                      | \$35,000,000     | General Motors Nova Scotia Finance Company            |                      |

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AND SERVICES (2.3%)

6.85% Guaranteed Notes Due 10/15/08 (COST \$33,123,366)

| SHARES   | SHORT-TERM SECURITY AND OTHER ASSETS                   |
|--|--|
|  |  |
| 3,822,949  | SSgA Prime Money Market Fund (0.3%) (COST \$3,822,949) |
| TOTAL INVESTMENTS (e) (117.5%)                             | (COST \$751,841,880)                                   |
| Cash, receivables and other assets less liabilities (0.1%) |  |
| PREFERRED STOCK (-17.6%)                                   |  |
| NET ASSETS APPLICABLE TO COMMON STOCK (100%)               |  |

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### 14 NOTES TO FINANCIAL STATEMENTS

#### 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 and options written) 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

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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. **OPTIONS** The Company may purchase and write (sell) put and call options. The risk associated with purchasing an option is that the Company pays a premium whether or not the option is exercised. Additionally, the Company bears the risk of loss of the premium and a change in market value should the counterparty not perform under the contract. Put and call options purchased are accounted for in the same manner as portfolio securities. Premiums received from writing options that expire unexercised are treated by the Company on the expiration date as realized gains from investments. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Company has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis for the securities purchased by the Company. The Company as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option.

d. **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.

e. **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.

f. **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.

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## 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 29,050,399 shares and 8,000,000 shares, respectively, were outstanding at December 31, 2005.

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

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of capital.

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15 NOTES TO FINANCIAL STATEMENTS - continued

-----  
General American Investors

2. CAPITAL STOCK AND DIVIDEND DISTRIBUTIONS -  
(Continued from previous page.)

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 requires 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.

Transactions in Common Stock during 2005 and 2004 were as follows:

|  | SHARES    |         | AMOUNT      |            |
|--|-----------|---------|-------------|------------|
|  | 2005      | 2004    | 2005        | 2004       |
| Shares issued in payment of dividends<br>(includes 1,067,491 and 508,849 shares<br>issued from treasury, respectively) | 1,067,491 | 508,849 | \$1,067,491 | \$508,849  |
| Increase in paid-in capital  |           |         | 35,517,225  | 15,273,103 |
| Total increase   |           |         | 36,584,716  | 15,781,952 |

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|   |           |           |               |                |
|---|-----------|-----------|---------------|----------------|
| Shares purchased (at an average discount from net asset value of 12.4% and 10.3%, respectively) | 1,222,404 | 1,092,800 | (1,222,404)   | (1,092,800)    |
| Decrease in paid-in capital   |           |           | (38,589,768)  | (31,870,232)   |
|   |           |           | -----         | -----          |
| Total decrease  |           |           | (39,812,172)  | (32,963,032)   |
|   |           |           | -----         | -----          |
| Net decrease  |           |           | (\$3,227,456) | (\$17,181,080) |
|   |           |           | =====         | =====          |

Distributions for tax and book purposes are substantially the same. As of December 31, 2005, the components of distributable earnings on a tax basis were as follows:

|                               |               |
|-------------------------------|---------------|
| Undistributed long-term gains | \$3,969,333   |
| Unrealized appreciation       | 579,648,638   |
|                               | -----         |
|                               | \$583,617,971 |
|                               | =====         |

To reflect reclassification arising from permanent "book/tax" differences for the year ended December 31, 2004 undistributed net investment income was decreased by \$96,483, undistributed realized gain on investments was increased by \$32,883, and additional paid-in capital was increased by \$63,600. These differences are primarily due to reclassification of dividends for tax purposes and non-deductible expenses. Net assets were not affected by this reclassification.

To reflect reclassification arising from permanent "book/tax" differences for the year ended December 31, 2005 undistributed net investment income was decreased by \$159,614, undistributed realized gain on investments was increased by \$163,692, and additional paid-in capital was decreased by \$4,078. These differences are primarily due to reclassification of dividends for tax purposes and non-deductible expenses. Net assets were not affected by this reclassification.

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### 3. OFFICERS' COMPENSATION

The aggregate compensation paid by the Company during 2005 and 2004 to its officers amounted to \$5,881,000 and \$4,872,000, respectively.

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### 4. PURCHASES AND SALES OF SECURITIES

Purchases and sales of securities and securities sold short (other than short-term securities and options) during 2005 amounted to \$254,596,163 and \$274,239,355, on long transactions, respectively, and \$3,825,799, with respect to short sale purchase transactions.

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### 5. PENSION BENEFIT PLANS

The Company has both a funded (Qualified) and an 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 Company also has funded and unfunded defined contribution thrift plans that cover substantially all employees. The aggregate cost of such plans for 2005 and 2004 was \$815,088 and \$626,307, respectively. The unfunded liability included in other liabilities at December 31, 2005 and 2004 was \$2,598,357 and \$2,541,127,

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respectively.

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16 NOTES TO FINANCIAL STATEMENTS - continued

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General American Investors

5. PENSION BENEFIT PLANS - (Continued from previous page.)  
OBLIGATIONS AND FUNDED STATUS OF DEFINED BENEFIT PLANS:

|   | 2005              |                      |              | 2004              |               |
|---|-------------------|----------------------|--------------|-------------------|---------------|
|   | QUALIFIED<br>PLAN | SUPPLEMENTAL<br>PLAN | TOTAL        | QUALIFIED<br>PLAN | SUPPLE<br>PLA |
| CHANGE IN BENEFIT OBLIGATION  |                   |                      |              |                   |               |
| Benefit obligation at beginning of year                                   | \$7,487,615       | \$2,690,636          | \$10,178,251 | \$6,793,866       | \$2,4         |
| Service cost  | 194,771           | 112,956              | 307,727      | 151,059           |               |
| Interest cost   | 481,413           | 166,597              | 648,010      | 420,507           | 1             |
| Benefits Paid   | (514,291)         | (146,513)            | (660,804)    | (427,238)         | (1            |
| Actuarial (gains)/losses  | 1,071,753         | 298,925              | 1,370,678    | 395,684           | 1             |
| Plan amendments   | 180,895           | 16,433               | 197,328      | 153,737           |               |
| Benefit obligation at end of year   | 8,902,156         | 3,139,034            | 12,041,190   | 7,487,615         | 2,6           |
| CHANGE IN PLAN ASSETS   |                   |                      |              |                   |               |
| Fair value of plan assets at beginning of year                            | 14,625,572        | -                    | 14,625,572   | 13,029,458        |               |
| Miscellaneous Adjustment  | 64,946            | -                    | 64,946       | -                 |               |
| Actual return on plan assets  | 1,730,760         | -                    | 1,730,760    | 2,023,352         |               |
| Employer contributions  | -                 | 146,513              | 146,513      | -                 | 1             |
| Benefits paid   | (514,291)         | (146,513)            | (660,804)    | (427,238)         | (1            |
| Fair value of plan assets at end of year                                  | 15,906,987        | -                    | 15,906,987   | 14,625,572        |               |
| FUNDED STATUS   |                   |                      |              |                   |               |
| Unrecognized actuarial (gains)/losses                                     | 7,004,831         | (3,139,034)          | 3,865,797    | 7,137,957         | (2,6          |
| Unrecognized prior service cost   | 407,303           | (53,983)             | 353,320      | 206,316           | (3            |
| Net amount recognized   | 302,322           | 91,890               | 394,212      | 134,662           |               |
| Net amount recognized   | \$7,714,456       | (\$3,101,127)        | \$4,613,329  | \$7,478,935       | (\$2,9        |
| AMOUNTS RECOGNIZED IN THE STATEMENT OF ASSETS AND LIABILITIES CONSIST OF: |                   |                      |              |                   |               |
| Prepaid benefit cost  | \$7,714,456       | -                    | \$7,714,456  | \$7,478,935       |               |
| Accrued benefit liability   | -                 | (\$3,101,127)        | (3,101,127)  | -                 | (\$2,9        |
| Net amount recognized   | \$7,714,456       | (\$3,101,127)        | \$4,613,329  | \$7,478,935       | (\$2,9        |
| Accumulated Benefit Obligation  | \$8,322,164       | \$2,725,423          | \$11,047,587 | \$6,882,288       | \$2,2         |
| Projected Benefit Obligation  | 8,902,156         | 3,139,034            | 12,041,190   | 7,487,615         | 2,6           |
| Fair value of plan assets   | 15,906,987        | -                    | 15,906,987   | 14,625,572        |               |
| WEIGHTED-AVERAGE ASSUMPTIONS AS OF END OF FISCAL YEAR                     |                   |                      |              |                   |               |
| Discount rate   | 5.50%             | 5.50%                |              | 5.75%             |               |
| Expected return on plan assets  | 8.75%             | N/A                  |              | 8.75%             |               |
| Salary scale assumption   | 4.25%             | 4.25%                |              | 4.25%             |               |
| COMPONENTS OF NET PERIODIC BENEFIT COST                                   |                   |                      |              |                   |               |
| Service cost  | \$194,771         | \$112,956            | \$307,727    | \$151,059         | \$            |
| Interest cost   | 481,413           | 166,597              | 648,010      | 420,507           | 1             |

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|                                      |             |           |             |             |
|--------------------------------------|-------------|-----------|-------------|-------------|
| Expected return on plan assets       | (1,077,936) | -         | (1,077,936) | (1,080,350) |
| Amortization of:                     |             |           |             |             |
| Prior service cost                   | 13,235      | 24,439    | 37,674      | (16,245)    |
| Recognized net actuarial loss (gain) | 152,996     | -         | 152,996     | -           |
| Net periodic benefit cost            | (\$235,521) | \$303,992 | \$68,471    | (\$525,029) |

WEIGHTED-AVERAGE ASSUMPTIONS FOR DETERMINING NET PERIODIC BENEFIT COST FOR YEARS ENDED DECEMBER 31

|  |       |       |       |
|--|-------|-------|-------|
| Discount rate                                    | 5.75% | 5.75% | 6.25% |
| Expected long-term rate of return on plan assets | 8.75% | N/A   | 8.75% |
| Rate of salary increase                          | 4.25% | 4.25% | 4.25% |

PLAN ASSETS

The Company's qualified pension plan asset allocations at December 31, 2005 and 2004, by asset category, are as follows:

| Asset Category    | December 31 |        |
|-------------------|-------------|--------|
|                   | 2005        | 2004   |
| Equity securities | 97.3%       | 96.6%  |
| Debt securities   | 2.7         | 3.4    |
| Total             | 100.0%      | 100.0% |

CASH FLOWS

|  | Qualified Plan | Supplemental Plan | Total     |
|--|----------------|-------------------|-----------|
| Expected Company Contributions for 2006 to Plan Participants/Total Contributions | -              | \$227,632         | \$227,632 |
| Estimated Future Benefit Payments:   |                |                   |           |
| 2006   | \$512,297      | \$227,632         | \$739,929 |
| 2007   | 528,066        | 280,922           | 808,988   |
| 2008   | 540,389        | 329,335           | 869,724   |
| 2009   | 549,326        | 364,876           | 914,202   |
| 2010   | 567,641        | 396,499           | 964,140   |
| 2011-2015  | 3,069,125      | 2,393,245         | 5,462,370 |

6. CALL AND PUT OPTIONS

Transactions in written covered call and collateralized put options during the year ended December 31, 2005 were as follows:

|  | Covered Calls | Collateralized |
|--|---------------|----------------|
|  | Contracts     | Premiums       |

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|   |         |             |         |
|---|---------|-------------|---------|
| Options outstanding, December 31, 2004              | 539     | \$90,021    | 500     |
| Options written                                     | 4,067   | 2,188,984   | 1,000   |
| Options terminated in closing purchase transactions | (4,606) | (2,279,005) | (500)   |
| Options exercised                                   | -       | -           | (1,000) |
| Options outstanding, December 31, 2005              | -       | \$0         | -       |

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17 NOTES TO FINANCIAL STATEMENTS - continued

General American Investors

7. 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 \$298,200 for 2005. 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.

8. SUBSEQUENT EVENT

On January 18, 2006, the Board of Directors declared on the Common Stock a distribution of \$0.138 per share from net long-term capital gains. This distribution is payable in cash on February 13, 2006.

FINANCIAL HIGHLIGHTS

General American Investors

"The following table shows per share operating performance data, total investment return, ratios and supplemental data 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."

|  | 2005    | 2004    | 2003    | 2002    |
|--|---------|---------|---------|---------|
| PER SHARE OPERATING PERFORMANCE          |         |         |         |         |
| Net asset value, beginning of year       | \$35.49 | \$33.11 | \$26.48 | \$30.00 |
| Net investment income                    | .19     | .32     | .03     | .03     |
| Net gain (loss) on securities - realized |         |         |         |         |



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|   |             |             |           |       |
|---|-------------|-------------|-----------|-------|
| and unrealized  | 5.85        | 3.48        | 7.72      | (     |
|   | -----       | -----       | -----     | ----- |
| Distributions on Preferred Stock:   |             |             |           |       |
| Dividends from net investment income  | (.03)       | (.09)       | (.01)     |       |
| Distributions from net short-term capital gains                               | (.08)       | -           | -         |       |
| Distributions from net long-term capital gains                                | (.30)       | (.32)       | (.35)     |       |
|   | -----       | -----       | -----     | ----- |
|   | (.41)       | (.41)       | (.36)     |       |
|   | -----       | -----       | -----     | ----- |
| Total from investment operations  | 5.63        | 3.39        | 7.39      | (     |
|   | -----       | -----       | -----     | ----- |
| Less distributions on Common Stock:   |             |             |           |       |
| Dividends from investment income  | (.15)       | (.23)       | (.02)     |       |
| Distributions from net short-term capital gains                               | (.44)       | -           | -         |       |
| Distributions from net long-term capital gains                                | (1.53)      | (.78)       | (.52)     |       |
|   | -----       | -----       | -----     | ----- |
|   | (2.12)      | (1.01)      | (.54)     |       |
|   | -----       | -----       | -----     | ----- |
| Capital Stock transaction - effect of Preferred Stock offering                | -           | -           | (.22)     |       |
|   | -----       | -----       | -----     | ----- |
| Net asset value, end of year  | \$39.00     | \$35.49     | \$33.11   | \$2   |
|   | =====       | =====       | =====     | ===== |
| Per share market value, end of year   | \$34.54     | \$31.32     | \$29.73   | \$2   |
|   | =====       | =====       | =====     | ===== |
| TOTAL INVESTMENT RETURN - Stockholder Return, based on market price per share | 17.40%      | 8.79%       | 27.01%    | (2    |
| RATIOS AND SUPPLEMENTAL DATA  |             |             |           |       |
| Net assets applicable to Common Stock, end of year (000's omitted)            | \$1,132,942 | \$1,036,393 | \$986,335 | \$809 |
| Ratio of expenses to average net assets applicable to Common Stock            | 1.25%       | 1.15%       | 1.23%     |       |
| Ratio of net income to average net assets applicable to Common Stock          | 0.51%       | 0.94%       | 0.13%     |       |
| Portfolio turnover rate   | 20.41%      | 16.71%      | 18.62%    | 2     |
| PREFERRED STOCK   |             |             |           |       |
| Liquidation value, end of year (000's omitted)                                | \$200,000   | \$200,000   | \$200,000 | \$150 |
| Asset coverage  | 666%        | 618%        | 593%      |       |
| Liquidation preference per share  | \$25.00     | \$25.00     | \$25.00   | \$2   |
| Market value per share  | \$24.07     | \$24.97     | \$25.04   | \$2   |

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18 REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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General American Investors

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF GENERAL AMERICAN INVESTORS COMPANY, INC.

We have audited the accompanying statement of assets and liabilities, including the statements of investments, of General American Investors Company, Inc. as of December 31, 2005, and the related statements of operations and changes in net

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assets for each of the two years in the period then ended, and financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2005, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of General American Investors Company, Inc. at December 31, 2005, the results of its operations and the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young

New York, New York  
January 18, 2006

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19 OFFICERS

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General American Investors

| NAME (AGE)<br>EMPLOYEE SINCE    | PRINCIPAL OCCUPATION<br>DURING PAST 5 YEARS  | NAME (AGE)<br>EMPLOYEE SINCE       | PRINCIPAL<br>DURING                      |
|---------------------------------|--|------------------------------------|--|
| Spencer Davidson (63)<br>1994   | President and Chief<br>Executive Officer of the<br>Company since 1995                              | Sally A. Lynch, Ph.D. (46)<br>1997 | Vice-Pr<br>since 2<br>securit<br>(biotec |
| Andrew V. Vindigni (46)<br>1988 | Vice-President of the<br>Company since 1995<br>securities analyst (financial<br>services industry) | Peter P. Donnelly (57)<br>1974     | Vice-Pr<br>Company<br>securit            |
| Eugene S. Stark (47)<br>2005    | Vice-President, Administration<br>of the Company since 2005<br>Principal Financial Officer         | Diane G. Radosti (53)<br>1980      | Treasur<br>Company<br>Princip<br>Officer |

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|                        |  |                                |                                 |
|------------------------|--|--------------------------------|---------------------------------|
|                        | since 2005; Chief Compliance Officer since 2006; Chief Financial Officer of Prospect Energy Corporation (2005); Vice-President of Prudential Financial, Inc. (1987-2004) | Carole Anne Clementi (59) 1982 | Secreta since 1 shareho and off |
| Jesse Stuart (39) 2003 | Vice-President of the Company since 2006 securities analyst (general industries); securities analyst & portfolio manager of Scudder, Stevens and Clark (1996-2003)       | Craig A. Grassi (37) 1991      | Assista the Com employe informa |
|                        |  | Maureen E. LoBello (55) 1992   | Assista Company employe benefit |

All officers serve for a term of one year and are elected by the Board of Directors at the time of its annual organization meeting on the second Wednesday in April. The address for each officer is the Company's office. Other directorships and affiliations for Mr. Davidson are shown in the listing of Directors on page 20.

### SERVICE ORGANIZATIONS

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#### 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

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In addition to purchases of the Company's Common Stock as set forth in Note 2, on page 15, 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.

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 6, 2005, 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

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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.

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### 20 DIRECTORS

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 General American Investors

| NAME (AGE)<br>DIRECTOR SINCE   | PRINCIPAL OCCUPATION<br>DURING PAST 5 YEARS  | OTHER DIRECTORSHIPS AND  |
|--|--|--|
| -----<br>INDEPENDENT ("DISINTERESTED") DIRECTORS<br>-----                      |  |  |
| Lawrence B. Bittenwieser (74)<br>Chairman of the<br>Board of Directors<br>1967 | Counsel 2002-present<br>Partner 1966-2002<br>Katten Muchin Zavis Rosenman<br>and predecessor firms (lawyers) |  |
| Arthur G. Altschul, Jr. (41)<br>1995   | Managing Member<br>Diaz & Altschul Capital<br>Management, LLC<br>(private investment company)                | Delta Opportunity Fund, L<br>Medicis Pharmaceutical Co<br>Medrium, Inc., Chairman,<br>National Public Radio Fou<br>Neurosciences Research Fo   |
| Lewis B. Cullman (87)<br>1961  | Managing Member<br>Cullman Ventures LLC  | Chess-in-the-Schools, Cha<br>Metropolitan Museum of Ar<br>Museum of Modern Art, Vic<br>International Council a<br>Neurosciences Research Fo<br>Board of Trustees<br>The New York Botanical Ga<br>Chairman, Board of Mana |
| Gerald M. Edelman (76)<br>1976   | Member, Professor and Chairman of<br>the Department of Neurobiology<br>The Scripps Research Institute        | Neurosciences Institute o<br>Research Foundation, D  |
| John D. Gordan, III (60)<br>1986   | Partner<br>Morgan, Lewis & Bockius LLP<br>(lawyers)  |  |
| Sidney R. Knafel (75)<br>1994  | Managing Partner<br>SRK Management Company<br>(private investment company)                                   | IGENE Biotechnology, Inc.<br>Insight Communications Co<br>Chairman, Board of Dire<br>VirtualScopics, Inc., Dir<br>Vocollect, Inc., Director  |
| Richard R. Pivrotto (75)<br>1971   | President<br>Richard R. Pivrotto Co., Inc.<br>(self-employed consultant)                                     | Associated Community Banc<br>General Theological Semin<br>Greenwich Hospital Corpor<br>Immunomedics, Inc., Direc<br>Princeton University, Cha  |
| D. Ellen Shuman (50)   | Vice President and   | Bowdoin College, Trustee   |

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|                                     |   |  |
|-------------------------------------|---|--|
| 2004                                | Chief Investment Officer<br>Carnegie Corporation of New York                            | Edna McConnell Clark Foun<br>Investment Advisor<br>The Investment Fund for F<br>Meristar Hospitality Corp  |
| Joseph T. Stewart, Jr. (76)<br>1987 | Corporate director and trustee<br>Executive Consultant<br>Johnson & Johnson (1990-1999) | Foundation of the Univers<br>Medicine and Dentistry<br>Marine Biological Laborat<br>Advisory Council<br>United States Merchant Ma<br>Board of Advisors<br>United States Merchant Ma<br>Trustee |
| Raymond S. Troubh (79)<br>1989      | Financial Consultant  | Diamond Offshore Drilling<br>Gentiva Health Services,<br>Petrie Stores Liquidating<br>Portland General Electric<br>Triarc Companies, Inc., D   |

### INSIDE ("INTERESTED") DIRECTOR

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|                               |   |  |
|-------------------------------|---|--|
| Spencer Davidson (63)<br>1995 | President and Chief Executive Officer<br>General American Investors<br>Company, Inc. since 1995 | Medicis Pharmaceutical Co<br>Neurosciences Research Fo |
|-------------------------------|---|--|

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General American Investors Company, Inc.  
450 Lexington Avenue, New York, NY 10017  
(212) 916-8400 (800) 436-8401  
E-mail:InvestorRelations@gainv.com  
www.generalamericaninvestors.com

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#### ITEM 2. CODE OF ETHICS.

On July 9, 2003, the Board of Directors adopted a code of ethics that applies to registrant's principal executive and senior financial officers. The code of ethics is available on registrant's Internet website at <http://www.generalamericaninvestors.com/corporateinfo.html>. Since the code of ethics was adopted there have been no amendments to the code nor have there been granted any waivers from any provisions of the code of ethics.

#### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The board of directors has determined that none of the members of registrant's audit committee meets the definition of "audit committee financial expert" as the term has been defined by the U.S. Securities and Exchange Commission (the "Commission"). In addition, the board of directors has determined that the members of the audit committee have sufficient financial expertise and experience to perform the duties and responsibilities of the audit committee.

#### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(a) **AUDIT FEES** The aggregate fees paid and accrued by the registrant for professional services rendered by its independent auditors, Ernst & Young LLP, for the audit of the registrant's annual financial statements and the review of the registrant's semi-annual financial statements for 2005 and 2004 were \$75,000 and \$69,600, respectively.

(b) **AUDIT RELATED FEES** The aggregate fees paid or accrued by the registrant for

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audit-related professional services rendered by Ernst & Young LLP for 2005 and 2004 were \$23,700 and \$20,500, respectively. Such services and related fees for 2005 and 2004 included: performance of agreed upon procedures relating to the preferred stock basic maintenance reports (\$6,000 and \$5,000, respectively), review of quarterly employee security transactions and issuance of report thereon (\$14,000 and \$12,000, respectively) and other audit-related services (\$3,700 and \$3,500, respectively).

(c) TAX FEES The aggregate fees paid or accrued by the registrant for professional services rendered by Ernst & Young LLP for the review of the registrant's federal, state and city income tax returns and excise tax calculations for 2005 and 2004 were \$13,000 and \$12,500, respectively.

(d) ALL OTHER FEES No such fees were billed to the registrant by Ernst & Young LLP for 2005 or 2004.

(e) (1) AUDIT COMMITTEE PRE-APPROVAL POLICY All services to be performed for the registrant by Ernst & Young LLP must be pre-approved by the audit committee. All services performed during 2005 and 2004 were pre-approved by the committee.

(2) Not applicable.

(f) Not applicable.

(g) The aggregate fees paid or accrued by the registrant for non-audit professional services rendered by Ernst & Young LLP to the registrant for 2005 and 2004 were \$36,700 and \$33,000, respectively.

(h) Not applicable.

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

(a) The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the audit committee are: Sidney R. Knafel, chairman, Arthur G. Altschul, Jr., Lawrence B. Buttenwieser, Lewis B. Cullman and John D. Gordan, III.

(b) Not applicable.

### 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.

General American Investors Company, Inc.

#### PROXY VOTING POLICIES AND PROCEDURES

General American Investors Company, Inc. (the "Company") is uniquely structured as an internally managed closed-end investment company. Our research efforts, including the receipt and analysis of proxy material, are focused on the securities in the Company's portfolio, as well as alternative investment opportunities. We vote proxies relating to our portfolio securities in the best long-term interests of the Company.

Our investment approach stresses fundamental security analysis, which includes an evaluation of the integrity, as well as the effectiveness of

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management personnel. In proxy material, we review management proposals and management recommendations relating to shareholder proposals in order to, among other things, gain assurance that management's positions are consistent with its integrity and the long-term interests of the company. We generally find this to be the case and, accordingly, give significant weight to the views of management when we vote proxies.

Proposals that may have an impact on the rights or privileges of the securities held by the Company would be reviewed very carefully. The explanation for a negative impact could justify the proposal; however, if such justification were not present, we would vote against a significant reduction in the rights or privileges associated with any of our holdings.

Proposals relating to corporate governance matters are reviewed on a case-by-case basis. When they involve changes in the state of incorporation, mergers or other restructuring, we would, if necessary, complete our review of the rationale for the proposal by contacting company representatives and, with few exceptions, vote in favor of management's recommendations. Proposals relating to anti-takeover provisions, such as staggered boards, poison pills and supermajorities could be more problematic. They would be considered in light of our assessment of the capability of current management, the duration of the proposal, the negative impact it might have on the attractiveness of the company to future "investors," among other factors. We can envision circumstances under which we would vote against an anti-takeover provision.

Generally, we would vote with management on proposals relating to changes to the company's capital structure, including increases and decreases of capital and issuances of preferred stock; however, we would review the facts and circumstances associated with each proposal before finalizing our decision.

Well-structured stock option plans and management compensation programs are essential for companies to attract and retain high caliber management personnel. We generally vote in favor of proposals relating to these issues; however, there could be an occasion on which we viewed such a proposal as over reaching on the part of management or having the potential for excessive dilution when we would vote against the proposal.

Corporations should act in a responsible manner toward their employees, the communities in which they are located, the customers they serve and the world at large. We have observed that most stockholder proposals relating to social issues focus on a narrow issue and the corporate position set forth in the proxy material provides a well-considered response demonstrating an appropriate and responsible action or position. Accordingly, we generally support management recommendations on these types of proposals; however, we would consider each proposal on a case-by-case basis.

We take voting proxies of securities held in our portfolio very seriously. As indicated above, it is an integral part of the analytical process at General American Investors. Each proposal and any competing interests are reviewed carefully on a case-by-case basis. Generally, we support and vote in accordance with the recommendations of management; however, the overriding basis for the votes we cast is the best long-term interests of the Company.

Date: July 9, 2003

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

Mr. Spencer Davidson, President and Chief Executive Officer, serves as the Portfolio Manager of the registrant and is responsible for its day-to-day management. He has served in this capacity since 1995. Mr. Davidson does not provide such services for any other registered investment companies, pooled investment vehicles, or other accounts. For performing such responsibilities,

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Mr. Davidson receives cash compensation in the form of a fixed salary and an annual performance bonus. The annual performance bonus is principally based upon the absolute performance of the registrant and its relative performance to a closed-end management investment company peer group (comprised of core equity funds) and the S&P 500 Index. Performance is evaluated in December by the Compensation Committee of the board of directors (the members of which are independent and consult with the full board of directors), based upon the registrant's net asset value return and total investment return during the twelve months ended October 31. Additional consideration is given to performance during the subsequent intervening period and to market compensation data provided by a noted industry compensation consulting firm. Mr. Davidson beneficially owns in excess of \$1 million of the registrant's outstanding equity securities.

### 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)    |
|-------------|---|--|--|--------|
| 2005        |   |  |  | D<br>t |
| 07/01-07/31 | 97700   | 33.5250  | 97700  |        |
| 08/01-08/31 | 105400  | 34.4012  | 105400   |        |
| 09/01-09/30 | 69000   | 34.6016  | 69000  |        |
| 10/01-10/31 | 82300   | 33.8024  | 82300  |        |
| 11/01-11/30 | 87100   | 34.2758  | 87100  |        |
| 12/01-12/31 | 144700  | 34.9293  | 144700   |        |
| Total       | -----<br>586200<br>=====                              | -----  | -----<br>586200<br>=====   |        |

### 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, 2005.

### ITEM 11. CONTROLS AND PROCEDURES.

Conclusions of principal officers concerning controls and procedures

(a) As of December 30, 2005, 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



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the Registrant's disclosure controls and procedures. Based on that evaluation, the Registrant's officers, including the PEO and PFO, concluded that, as of December 30, 2005, 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 and on Form N-Q 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 decisions regarding required disclosure.

(b) There have been no significant changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940 (17 CFR 270.30a-3(d)) that occurred during the Registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

### ITEM 12. EXHIBITS

- (a) (1) As indicated in Item 2., the code of ethics is posted on the registrant's Internet website.
- (a) (2) The certifications of the principal executive officer and the principal financial officer pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 are attached hereto as Exhibit 99 CERT.
- (a) (3) There were no written solicitations to purchase securities under the Rule 23c-1 under the Investment Company Act of 1940 during the period covered by the report.
- (b) The certifications of the principal executive officer and the principal financial officer pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 are attached hereto as Exhibit 99.906 CERT.

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### SIGNATURES

Pursuant to the requirements of the Securities 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.

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

Date: February 9, 2006

Pursuant to the requirements of the Securities 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: February 9, 2006

By: /s/Eugene S. Stark

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Eugene S. Stark  
Vice-President, Administration  
(Principal Financial Officer)

Date: February 9, 2006