

GENERAL AMERICAN INVESTORS CO INC  
Form N-CSR  
February 06, 2009

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

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

GENERAL AMERICAN INVESTORS COMPANY, INC.  
-----

(Exact name of registrant as specified in charter)

100 Park Avenue, 35th Floor, New York, New York 10017  
-----

(Address of principal executive offices) (Zip code)

Eugene S. Stark  
General American Investors Company, Inc.  
100 Park Avenue  
35th Floor  
New York, New York 10017  
(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, 2008

2

ITEM 1. REPORTS TO STOCKHOLDERS.

GENERAL  
AMERICAN  
INVESTORS

2008  
ANNUAL  
REPORT

3

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

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

through investment in companies with above average growth potential.

### FINANCIAL SUMMARY (unaudited)

	2008	2007
Net assets applicable to Common Stock - December 31	\$674,597,801	\$1,202,922,969
Net investment income	13,446,046	9,782,623
Net realized gain	16,414,799	175,785,885
Net decrease in unrealized appreciation	(523,757,542)	(71,533,458)
Distributions to Preferred Stockholders	(11,899,613)	( 11,900,000)
Per Common Share-December 31		
Net asset value	\$21.09	\$38.10
Market price	\$17.40	\$34.70
Discount from net asset value	-17.5%	- 8.9%
Common Shares outstanding-Dec. 31	31,980,872	31,573,058
Common Stockholders of record-Dec. 31	3,806	3,891
Market price range* (high-low)	\$34.76-\$13.01	\$43.87-\$32.69
Market volume-shares	10,131,229	7,110,734

\*Unadjusted for dividend payments.

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

Record Date	Payment Date	Ordinary Income	Long-Term Capital Gain	Total
Common Stock				
Nov. 14, 2008	Dec. 26, 2008	\$.185594	\$.254406	\$.440000
Total from 2008 earnings		=====	=====	=====
Nov. 16, 2007	Dec. 27, 2007	\$.709475 (a)	\$5.040525	\$5.750000
Jan. 28, 2008	Feb. 11, 2008	.005815	.209479	.215294
Total from 2007 earnings		\$.715290	\$5.250004	\$5.965294
		=====	=====	=====
(a) Includes short-term gains in the amount of \$.009262 per share.				
Preferred Stock				
Mar. 7, 2008	Mar. 24, 2008	\$.108585	\$.263290	\$.371875
Jun. 6, 2008	Jun. 24, 2008	.108585	.263290	.371875
Sept. 8, 2008	Sept. 24, 2008	.108585	.263290	.371875
Dec. 8, 2008	Dec. 24, 2008	.108585	.263290	.371875
Total for 2008		\$.434340	\$1.053160	\$1.487500
		=====	=====	=====
Mar. 7, 2007	Mar. 26, 2007	\$.045885	\$.325990	\$.371875
Jun. 7, 2007	Jun. 25, 2007	.045885	.325990	.371875
Sept. 7, 2007	Sept. 24, 2007	.045885	.325990	.371875

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

Dec. 7, 2007	Dec. 24, 2007	.045885	.325990	.371875
		-----	-----	-----
Total for 2007		\$.183540 (b)	\$1.303960	\$1.487500
		=====	=====	=====

(b) Includes short-term gains in the amount of \$.002396 (\$.000599 per quarter).

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

4

1 TO THE STOCKHOLDERS

-----  
 General American Investors

The U.S. stock market was down 37.1% for the year ended December 31, 2008, 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) decreased 43.0%. The return to our Common Stockholders was negative by 48.2% because the discount at which our shares traded to their NAV widened to 17.5% at this year end from 8.9% a year ago.

In order to provide a more comprehensive presentation of our performance, return on NAV has been added to the table that follows. Stockholder return reflects widening in the discount to NAV to the very high end of its historic range, and may not fully illustrate that over many years General American has produced superior investment results.

Years	(Market Value)	NAV Return	S&P 500
-----			
3	-13.0%	-11.6%	-8.5%
5	-3.4	-2.4	-2.3
10	3.0	3.3	-1.5
20	11.8	11.3	8.4
30	14.2	13.5	11.0
40	10.4	11.3	9.0
50	10.4	11.0	9.2

Last year, the world economy ended a remarkable half-decade of strong growth and robust profitability in dramatic fashion. As the credit crisis, whose origins lay in inflated real estate prices that were fueled by easy money and lax lending standards, played out, liquidity evaporated. The concept of decoupling was thus discredited as virtually all markets-major, emerging and commodity-became correlated and plunged precipitously. It was the worst market for U.S. equities in seven decades, with most of the damage occurring in the fourth quarter. The recession, hinted at earlier in the year, was well entrenched by year's end, while relentlessly bleak economic reports reflected accelerating lay-offs and continuing declines in house prices, with one in ten mortgages at least a month in arrears or in foreclosure. Credit problems, which manifested first in housing, before spreading to autos and retail, seem likely to reach other sectors of the global economy as the new year unfolds.

In the short-run, consumer demand, for durables in particular, appears to be sated and consequently savings are on the rise. While the benefits of increased

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

saving, which include the provision of funds for productivity-enhancing research and development, and an improved trade balance, may seem obvious, they run into the paradox of thrift. That is to say, the benefits tend to be long-term and are offset by more severe economic contraction in the short-term as consumers retrench. Since the demand for American exports is likely to remain constrained, increased government spending appears to be a logical response to this problem, with emphasis on defense and infrastructure. The former must be requisitioned from U.S. manufacturers, by law, and the latter is mostly supplied by domestic producers of cement and structural steel, et.al.

Government intervention in the financial system, initially piecemeal but more comprehensive of late, is beginning to have a thawing effect on the markets. Improvement is notably visible in those areas receiving state support, such as the interbank money and top rated commercial paper markets. Although banks remain reluctant lenders in the face of still mounting loan losses, and the path back to normalization is almost certain to be long and bumpy, easier financial conditions are likely to stabilize economic activity. Once the financial markets are functioning normally, confidence should slowly return. Massive monetary easing and the stimulating effect of declining energy costs should enable the recovery of the global economy.

Credit creation may not return to boom-year levels and it may well remain more of a Wal-Mart world than one favoring aspirational goods and services. But we've owned Wal-Mart for twenty-five years and the experience has been salutary. In general, stocks typically bottom before the economy does, since money is created faster than the economy's ability to employ it. Investors then use the excess liquidity to seek high returns by purchasing riskier assets like equities. With the yield on the S&P 500 currently more than 100 basis points, or 1%, above that on ten-year Treasury bonds for the first time since 1962, equity markets may have discounted the preponderance of bad news. Our portfolio continues to feature companies with strong financial characteristics, reasonable earnings visibility and powerful positions in their respective industries. We retain abundant cash reserves and look forward to their selective employment as opportunities present themselves.

The share repurchase program, a part of our ongoing effort to maximize NAV, continues. In 2008, the Company purchased 102,047 of its Common Shares on the open market at an average discount to NAV of 19.8%. The Board of Directors has authorized repurchases of Common Shares when they are trading at a discount to NAV in excess of 8%.

In December 2008, the Board of Directors authorized the repurchase of 1 million outstanding shares of its 5.95% Cumulative Preferred Stock when the shares are trading at a market price below the liquidation price of \$25.00 per share. In 2008, the Company purchased 15,300 of its Preferred Shares at an average price of \$21.12 per share.

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  
Chairman of the Board  
President and Chief Executive Officer  
January 21, 2009

5

2 THE COMPANY

---

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

## 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 that is internally managed. For regulatory purposes, the Company is classified as a diversified, closed-end management investment company; it is registered under and subject to the Investment Company Act of 1940 and Sub-Chapter M of the Internal Revenue Code.

### 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. The directors have a broad range of experience in business and financial affairs.

### Portfolio Manager

Mr. Spencer Davidson, Chairman of the Board, President and Chief Executive Officer, has been responsible for the management of General American since 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 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 also furnished upon request. It is also available on most electronic quotation services using the symbol "XGAMX." Net asset value per share (NAV), market price, and the discount or premium from NAV as of the close of each week, is published in Barron's and The Wall Street Journal, Monday edition.

While shares of GAM usually sell at a discount to NAV, as do the shares of most other domestic equity closed-end investment companies, they occasionally sell at a premium over NAV. During 2008, the stock sold at discounts to NAV which ranged from 7.3% (February 12) to 25.2% (November 21). At December 31, the price of the stock was at a discount of 17.5%.

Since March 1995, the Board of Directors has authorized the repurchase of Common Stock in the open market when the shares trade at a discount to net asset value of at least 8%.

### "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 rated "Aaa" by Moody's Investors Service, Inc. and are listed and traded on The New York Stock Exchange (symbol, GAM Pr B). The

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

Preferred Shares are available to leverage the investment performance of the Common Stockholders, it may also result in higher market volatility for the Common Stockholders.

6

3 THE COMPANY

-----  
General American Investors

On December 10, 2008, the Board of Directors authorized the repurchase of 1 million Preferred Shares in the open market at prices below \$25 per share.

### 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. 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 1943-2008 (except for the year 1974). (A table listing dividends and distributions paid during the 20-year period 1989-2008 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.

### 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, 2008 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 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 Distribution & 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

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

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 in "street name" registration.

We do not disclose any nonpublic personal information about our current or former stockholders to anyone, except as permitted by law. We also restrict access to nonpublic personal information about our stockholders to those few employees who need to know that information to perform their responsibilities. We maintain safeguards that comply with federal standards to guard our stockholders' personal information.

7

### 4 INVESTMENT RESULTS (UNAUDITED)

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

"Total return on \$10,000 investment for 20 years ended December 31, 2008"

The investment return for a Common Stockholder of General American Investors (GAM) over the 20 years ended December 31, 2008 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 1989.

STOCKHOLDER RETURN is the return a Common Stockholder 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.

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 at the reinvestment prices indicated above.

STANDARD & POOR'S 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.

Past performance reported below may not be indicative of future results.

	GENERAL AMERICAN INVESTORS				STANDARD & POOR'S 500	
	STOCKHOLDER RETURN		NET ASSET VALUE RETURN		RETURN	
	CUMULATIVE INVESTMENT	ANNUAL RETURN	CUMULATIVE INVESTMENT	ANNUAL RETURN	CUMULATIVE INVESTMENT	ANNUAL RETURN
1989	\$14,860	48.60%	\$13,786	37.86%	\$13,162	31.6
1990	15,454	4.00	14,708	6.69	12,755	-3.0
1991	28,591	85.00	23,694	61.09	16,633	30.4
1992	32,816	14.78	24,535	3.55	17,895	7.5
1993	27,592	-15.92	24,105	-1.75	19,706	10.1
1994	25,423	-7.86	23,445	-2.74	19,957	1.2
1995	30,818	21.22	28,973	23.58	27,440	37.5
1996	36,821	19.48	34,759	19.97	33,727	22.9
1997	52,500	42.58	45,899	32.05	44,968	33.3

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

1998	68,938	31.31	62,028	35.14	57,807	28.5
1999	95,975	39.22	84,607	36.40	69,923	20.9
2000	114,306	19.10	99,531	17.64	63,567	-9.0
2001	119,256	4.33	98,337	-1.20	56,009	-11.8
2002	86,806	-27.21	75,700	-23.02	43,608	-22.1
2003	110,253	27.01	96,442	27.40	56,063	28.5
2004	119,944	8.79	106,443	10.37	62,112	10.7
2005	140,814	17.40	123,686	16.20	65,112	4.8
2006	164,443	16.78	138,825	12.24	75,309	15.6
2007	178,782	8.72	149,945	8.01	79,383	5.4
2008	92,609	-48.20	85,439	-43.02	49,953	-37.0

8

5 INVESTMENT RESULTS (UNAUDITED)

-----  
 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 \$200,000 in \$20,000 increments. The horizontal axis, on the bottom of the page, consists of the years 1989 through 2008 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 DECEMBER 31, 2008	STOCKHOLDER RETURN	GAM NET ASSET VALUE	S&P 500 STOCK INDEX
1 year	-48.2 %	-43.0 %	-37.1 %
5 years	-3.4	-2.4	-2.3
10 years	3.0	3.3	-1.5
15 years	8.4	8.8	6.4
20 years	11.8	11.3	8.4

9

6 MAJOR STOCK CHANGES\*: THREE MONTHS ENDED DECEMBER 31, 2008 (UNAUDITED)

-----  
 General American Investors

INCREASES	SHARES OR PRINCIPAL AMOUNT TRANSACTIONED	SHARES HELD DECEMBER 31,
-----		

ADDITIONS

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

ABB Ltd. ADR	200,000	1,200,000
American Express Company	25,000	400,000
AXIS Capital Holdings Limited	140,000	440,000
Cisco Systems, Inc.	45,000	960,000
Lamar Advertising Company Class A	50,000	374,100
MetroPCS Communications, Inc.	190,000	1,400,000
PartnerRe Ltd.	10,000	285,000
PepsiCo, Inc.	15,000	255,000
Republic Services, Inc.	67,500	949,000
 DECREASES		
-----		
ELIMINATIONS		
Biogen Idec Inc.	70,000	-
General Motors Nova Scotia Finance Company 6.85% Guaranteed Notes Due 10/15/08	\$13,750,000	-
 REDUCTIONS		
The Allstate Corporation	225,000	100,000
Apache Corporation	40,000	459,800
Arch Capital Group Ltd.	15,000	300,000
Berkshire Hathaway Inc. Class A	50	150
The Boeing Company	300,000	300,000
CEMEX, S.A. de C.V. ADR	430,727	1,875,862
Dell Inc.	75,000	1,480,000
Everest Re Group, Ltd.	50,000	250,000
Fidelity National Financial, Inc.	150,000	800,000
Heineken N.V.	50,000	375,000
Leap Wireless International, Inc.	74,500	68,000
McDermott International, Inc.	100,000	250,000
M&T Bank Corporation	20,000	195,000
MetLife, Inc.	15,000	235,000
Nelnet, Inc.	300,000	550,000
Nintendo Co., Ltd.	2,900	67,100
QUALCOMM Incorporated	100,000	700,000
Teradata Corporation	125,000	565,000
Textron Inc.	182,000	418,700
Transatlantic Holdings, Inc.	5,000	83,000
Waste Management, Inc.	50,000	630,000
Weatherford International Ltd.	420,000	2,050,000

"This table shows dividends and distributions on the Company's Common Stock for the prior 20-year period. Amounts shown are based upon the year in which the income was earned, not the year paid. Spill-over payments made after year-end are attributable to income and gain earned in the prior year."

### DIVIDENDS AND DISTRIBUTIONS PER COMMON SHARE (1989-2008) (UNAUDITED)

EARNINGS SOURCE			
-----			
YEAR	SHORT-TERM	LONG-TERM	
	INCOME	CAPITAL GAINS	CAPITAL GAINS
-----			

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

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
2005	.547	.041	1.398
2006	.334	-	2.666
2007	.706	.009	5.250
2008	.186	-	.254

10

7 TEN LARGEST INVESTMENT HOLDINGS (UNAUDITED)

-----  
 General American Investors

"The statement of investments as of December 31, 2008, shown on pages 12 and 13 includes 52 security issues. Listed here are the ten largest holdings on that date."

	SHARES	VALUE
-----		
THE TJX COMPANIES, INC. Through its T.J. Maxx and Marshalls divisions, TJX is the 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.	1,675,000	\$34,454,75
-----		
APACHE CORPORATION Apache is a large independent oil and gas company with a long history of growing production and creating value for shareholders. The company's operations are primarily focused in North America, Egypt, Australia, and the North Sea.	459,800	34,268,89
-----		
COSTCO WHOLESALE CORPORATION Costco is the world's largest wholesale club with a record of steady growth in sales and profits as it continues to gain share of the consumer dollar.	575,000	30,187,50
-----		
WAL-MART STORES, INC. Wal-Mart is the world's largest retailer offering value to consumers in the U.S. and thirteen foreign countries.	470,000	26,348,20
-----		
QUALCOMM INCORPORATED QUALCOMM is a leading developer of intellectual property and	700,000	25,081,00

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

semiconductors for the mobile communications industry. The company stands to benefit greatly from the global adoption of mobile data applications.

---

NINTENDO CO., LTD.	67,100	24,951,79
--------------------	--------	-----------

Nintendo is one of the world's leading developers of video game platforms and software. Its innovative approach to product development and customer segmentation should lead to further market share gains.

---

REPUBLIC SERVICES, INC.	949,000	23,525,71
-------------------------	---------	-----------

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.

---

WEATHERFORD INTERNATIONAL LTD.	2,050,000	22,181,00
--------------------------------	-----------	-----------

Weatherford supplies a broad range of oil field services and equipment on a worldwide basis. Its focus on helping customers increase production from existing fields and enhance recovery from new wells should lead to earnings growth.

---

ARCH CAPITAL GROUP LTD.	300,000	21,030,00
-------------------------	---------	-----------

Arch Capital, a Bermuda-based insurer/reinsurer, generates premiums of approximately \$3.5 billion and has a high quality, well-reserved A-rated balance sheet. This company has a strong management team that exercises prudent underwriting discipline and efficient expense control, resulting in above-average earnings and book value growth.

---

WASTE MANAGEMENT, INC.	630,000	20,878,20
------------------------	---------	-----------

Waste Management provides waste collection and disposal services to over 20 million customers in the U.S. The company also operates waste-to-energy plants, provides recycling services, and captures landfill gases for beneficial uses. The company has a strong record of returning excess cash flow to shareholders through dividends and stock repurchases.

---

\$262,907,05

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

11

8 PORTFOLIO DIVERSIFICATION (unaudited)

---

General American Investors

"The diversification of the Company's net assets applicable to its Common Stock by industry group as of December 31, 2008 and 2007 is shown in the following table."

INDUSTRY CATEGORY	DECEMBER 31, 2008		PERCENT COMMON NET A DECEMBER 31	
	COST (000)	VALUE (000)	2008	2007
Finance and Insurance				

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

Banking	\$995	\$11,195	1.7%	4.
Insurance	63,102	116,673	17.3	17.
Other	34,617	27,952	4.1	3.
	-----	-----	----	----
	98,714	155,820	23.1	24.
	-----	-----	----	----
Retail Trade	54,015	102,492	15.2	14.
Oil and Natural Gas (Including Services)	74,054	79,219	11.8	19.
Consumer Products and Services	75,989	75,062	11.1	10.
Computer Software and Systems	91,648	69,404	10.3	10.
Communications and Information Services	85,027	68,046	10.1	6.
Environmental Control (Including Services)	38,960	44,404	6.6	4.
Aerospace/Defense	62,254	36,028	5.3	5.
Miscellaneous**	37,553	32,261	4.8	4.
Health Care/Pharmaceuticals	11,168	24,203	3.6	2.
Machinery and Equipment	13,364	18,012	2.7	2.
Building and Real Estate	24,457	17,145	2.5	4.
Technology	25,690	15,143	2.2	2.
Semiconductors	16,353	12,649	1.9	
Transportation	11,005	5,917	0.9	1.
Metals	-	-	-	2.
	-----	-----	----	----
	720,251	755,805	112.1	115.
Short-Term Securities	118,897	118,897	17.6	0.
	-----	-----	----	----
Total Investments	\$839,148	874,702	129.7	116.
	=====			
Other Assets and Liabilities - Net		(487)	(0.1)	0.
Preferred Stock		(199,617)	(29.6)	(16.)
		-----	----	----
Net Assets Applicable to Common Stock		\$674,598	100.0%	100.
		=====	=====	=====

12

9 STATEMENT OF ASSETS AND LIABILITIES

	DECEMBER 31,	
ASSETS	2008	2007
-----		
INVESTMENTS, AT VALUE (NOTE 1a)		
Common and preferred stocks (cost \$710,373,320 and \$816,594,960, respectively)	\$745,830,202	\$1,374,250,000
Corporate note (cost \$9,877,906 and \$19,053,293, respectively)	9,975,000	19,180,000
Money market fund (cost \$118,896,974 and \$9,165,709, respectively)	118,896,974	9,165,709
	-----	-----
Total investments (cost \$839,148,200 and \$844,813,962, respectively)	874,702,176	1,402,600,000
RECEIVABLES AND OTHER ASSETS		

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

Receivable for securities sold	2,638,460	
Premium deposited with brokers for options written	-	3,711
Dividends, interest and other receivables	1,461,811	1,333
Qualified pension plan asset, net excess funded (note 5)	1,899,294	9,244
Prepaid expenses and other assets	3,245,437	2,544
<b>TOTAL ASSETS</b>	<b>883,947,178</b>	<b>1,419,444</b>
<b>LIABILITIES</b>		
Payable for securities purchased	1,347,832	
Accrued preferred stock dividend not yet declared	231,002	231
Accrued supplemental pension plan liability (note 5)	3,195,179	3,171
Outstanding options written at value (premiums deposited with brokers \$3,712,458 for 2007) (notes 1a and 6)	-	2,191
Accrued supplemental thrift plan liability	1,747,234	3,391
Accrued expenses and other liabilities	3,210,630	7,531
<b>TOTAL LIABILITIES</b>	<b>9,731,877</b>	<b>16,521</b>
5.95% CUMULATIVE PREFERRED STOCK, SERIES B - 7,984,700 and 8,000,000 shares, respectively, at a liquidation value of \$25 per share (note 2)	199,617,500	200,000
NET ASSETS APPLICABLE TO COMMON STOCK - 31,980,872 and 31,573,058 shares, respectively (note 2)	\$674,597,801	\$1,202,921
NET ASSET VALUE PER COMMON SHARE	\$21.09	\$
<b>NET ASSETS APPLICABLE TO COMMON STOCK</b>		
Common Stock, 31,980,872 and 31,573,058 shares at par value, respectively (note 2)	\$31,980,872	\$31,573,058
Additional paid-in capital (note 2)	608,328,298	602,731
Undistributed realized gain (loss) on investments (note 2)	(16,916)	6,711
Undistributed net investment income (note 2)	5,759,182	1,711
Accumulated other comprehensive income (loss) (note 5)	(6,776,609)	1,101
Unallocated distributions on Preferred Stock	(231,002)	(231)
Unrealized appreciation on investments and options	35,553,976	559,311
<b>NET ASSETS APPLICABLE TO COMMON STOCK</b>	<b>\$674,597,801</b>	<b>\$1,202,921</b>

(see notes to financial statements)

13

10 STATEMENT OF OPERATIONS

General American Investors

	YEAR ENDED DECEMBER 31,	
	2008	2007
<b>INCOME</b>		

Dividends (net of foreign withholding taxes)

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

of \$413,817 and \$353,438, respectively)	\$19,355,826	\$20,925,5
Interest	3,037,848	2,809,7
TOTAL INCOME	22,393,674	23,735,3
EXPENSES		
Investment research	3,868,008	9,312,1
Administration and operations	2,597,320	3,104,8
Office space and general	1,579,448	562,7
Directors' fees and expenses	275,634	266,0
Auditing and legal fees	215,601	307,8
Transfer agent, custodian and registrar fees and expenses	170,542	169,8
Stockholders' meeting and reports	126,838	131,8
Miscellaneous taxes	114,237	97,2
TOTAL EXPENSES	8,947,628	13,952,7
NET INVESTMENT INCOME	13,446,046	9,782,6
Realized Gain (Loss) And Change In Unrealized Appreciation On Investments (Notes 1, 4 and 6)		
Net realized gain on investments:		
Long transactions	8,649,744	176,058,6
Written option transactions (notes 1b and 6)	7,765,055	(272,7
Net realized gain on investments (long-term except \$3,224,498 for 2007)	16,414,799	175,785,8
Net decrease in unrealized appreciation	(523,757,542)	(71,533,4
NET INVESTMENT INCOME AND GAIN (LOSS) ON INVESTMENTS	(493,896,697)	114,035,0
DISTRIBUTIONS TO PREFERRED STOCKHOLDERS	(11,899,613)	(11,900,0
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(\$505,796,310)	\$102,135,0

(see notes to financial statements)

14

11 STATEMENT OF CHANGES IN NET ASSETS

General American Investors	YEAR ENDED DECEMBER 31	
	2008	2007
OPERATIONS		
Net investment income	\$13,446,046	\$9,782,6
Net realized gain on investments	16,414,799	175,785,8
Net decrease in unrealized appreciation	(523,757,542)	(71,533,4
	(493,896,697)	114,035,0
Distributions to Preferred Stockholders:		
From net investment income	(3,474,724)	(689,4

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

From short-term capital gains	-	(778,8
From long-term capital gains	(8,425,276)	(10,431,6
Unallocated distributions	387	
	-----	-----
Decrease in net assets from Preferred distributions	(11,899,613)	(11,900,0
	-----	-----
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(505,796,310)	102,135,0
	-----	-----
OTHER COMPREHENSIVE INCOME		
Adjustment to apply FAS 158 (note 5)	(7,885,172)	456,0
	-----	-----
DISTRIBUTIONS TO COMMON STOCKHOLDERS		
	-----	-----
From net investment income	(6,024,428)	(9,603,8
From short-term capital gains	-	(10,847,8
From long-term capital gains	(14,620,307)	(145,301,1
	-----	-----
DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS	(20,644,735)	(165,752,9
	-----	-----
CAPITAL SHARE TRANSACTIONS (NOTE 2)		
	-----	-----
Value of Common Shares issued in payment of dividends and distributions	7,928,339	96,902,9
Cost of Common Shares purchased	(1,986,688)	(30,271,1
Benefit to Common Shareholders resulting from Preferred Shares purchased	59,398	
	-----	-----
INCREASE IN NET ASSETS - CAPITAL TRANSACTIONS	6,001,049	66,631,7
	-----	-----
NET INCREASE (DECREASE) IN NET ASSETS	(528,325,168)	3,469,8
	-----	-----
NET ASSETS APPLICABLE TO COMMON STOCK		
	-----	-----
BEGINNING OF YEAR	1,202,922,969	1,199,453,0
	-----	-----
END OF YEAR (including undistributed net investment income of \$5,759,182 and \$1,711,821, respectively)	\$674,597,801	\$1,202,922,9
	=====	=====

(see notes to financial statements)

15

12 STATEMENT OF INVESTMENTS DECEMBER 31, 2008

-----  
General American Investors

	SHARES	COMMON AND PREFERRED STOCKS	
-----			
AEROSPACE/DEFENSE	300,000	The Boeing Company	
(5.3%)	418,700	Textron Inc.	
	325,000	United Technologies Corporation	
			(COST \$62,253,609)
-----			

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

BUILDING AND REAL ESTATE (2.5%)	1,875,862 CEMEX, S.A.B. de C.V. ADR (a)	(COST \$24,456,722)
<hr style="border-top: 1px dashed #000;"/>		
COMMUNICATIONS AND INFORMATION SERVICES (10.1%)	960,000 Cisco Systems, Inc. (a) 374,100 Lamar Advertising Company Class A (a) 68,000 Leap Wireless International, Inc. (a) 1,400,000 MetroPCS Communications, Inc. (a) 700,000 QUALCOMM Incorporated	(COST \$85,026,705)
<hr style="border-top: 1px dashed #000;"/>		
COMPUTER SOFTWARE AND SYSTEMS (10.3%)	1,480,000 Dell Inc. (a) 570,000 Microsoft Corporation 445,100 NetEase.com, Inc. (a) 67,100 Nintendo Co., Ltd. 565,000 Teradata Corporation (a)	(COST \$91,647,625)
<hr style="border-top: 1px dashed #000;"/>		
CONSUMER PRODUCTS AND SERVICES (11.1%)	350,000 Diageo plc ADR 375,000 Heineken N.V. 466,100 Hewitt Associates, Inc. Class A (a) 425,000 Nestle S.A. 255,000 PepsiCo, Inc.	(COST \$75,988,936)
<hr style="border-top: 1px dashed #000;"/>		
ENVIRONMENTAL CONTROL (INCLUDING SERVICES)	949,000 Republic Services, Inc. 630,000 Waste Management, Inc.	(COST \$38,960,134)
<hr style="border-top: 1px dashed #000;"/>		
FINANCE AND INSURANCE (23.1%)	BANKING (1.7%) <hr style="border-top: 1px dashed #000;"/> 195,000 M&T Bank Corporation <span style="float: right;">(COST \$994,686)</span>	
	INSURANCE (17.3%) <hr style="border-top: 1px dashed #000;"/> 100,000 The Allstate Corporation 300,000 Arch Capital Group Ltd. (a) 440,000 AXIS Capital Holdings Limited 150 Berkshire Hathaway Inc. Class A (a) 250,000 Everest Re Group, Ltd. 800,000 Fidelity National Financial, Inc. 235,000 MetLife, Inc. 285,000 PartnerRe Ltd. 83,000 Transatlantic Holdings, Inc.	(COST \$63,101,799)
	OTHER (4.1%) <hr style="border-top: 1px dashed #000;"/> 400,000 American Express Company 1,666,667 Epoch Holding Corporation 550,000 Nelnet, Inc. (a)	(COST \$34,617,385)

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

(COST \$98,713,870)

HEALTH CARE/ 529,900 Cytokinetics, Incorporated (a)  
 PHARMACEUTICALS 200,000 Genentech, Inc. (a)  
 (3.6%) 119,500 Gilead Sciences, Inc. (a)

(COST \$11,167,600)

16

13 STATEMENT OF INVESTMENTS DECEMBER 31, 2008 - continued

General American Investors

SHARES COMMON AND PREFERRED STOCKS (continued)

MACHINERY & EQUIPMENT 1,200,000 ABB Ltd. ADR (COST \$13,364,456)  
 (2.7%)

MISCELLANEOUS (3.3%) Other (b) (COST \$27,675,427)

OIL AND NATURAL GAS 459,800 Apache Corporation  
 (INCLUDING SERVICES) 800,000 Halliburton Company  
 (11.8%) 250,000 McDermott International, Inc. (a)  
 500,000 Patterson-UTI Energy, Inc.  
 2,050,000 Weatherford International Ltd. (a)  
 (COST \$74,054,171)

RETAIL TRADE (15.2%) 575,000 Costco Wholesale Corporation  
 333,100 Target Corporation  
 1,675,000 The TJX Companies, Inc. (c)  
 470,000 Wal-Mart Stores, Inc.  
 (COST \$54,015,566)

SEMICONDUCTORS (1.9%) 700,000 ASML Holding N.V. (COST \$16,353,613)

TECHNOLOGY (2.2%) 1,900,000 Xerox Corporation (COST \$25,689,854)

TRANSPORTATION (0.9%) 236,100 Alexander & Baldwin, Inc. (COST \$11,005,032)

TOTAL COMMON STOCKS (110.6%) (COST \$710,373,320)

CORPORATE NOTE

MISCELLANEOUS (1.5%) Other (b) (e) (COST \$9,877,906)

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

---

## SHORT-TERM SECURITIES AND OTHER ASSETS

---

### SHARES

---

118,896,974	SSgA Prime Money Market Fund (17.6%)	(COST \$118,896,974)
TOTAL INVESTMENTS (d) (129.7%)		(COST \$839,148,200)
Liabilities in excess of receivables and other assets (-0.1%)		
PREFERRED STOCK (-29.6%)		
NET ASSETS APPLICABLE TO COMMON STOCK (100%)		

17

## 14 NOTES TO FINANCIAL STATEMENTS

---

### General American Investors

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### 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 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. Investments in money market funds are valued at their net asset value.

b. 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

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

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.

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

The Company is subject to the provisions of FASB Interpretation No. 48, Accounting for Uncertainties in Income Taxes (FIN 48). As of and during the period ended December 31, 2008, the Company did not have any liabilities for any unrecognized tax positions. The Company recognizes interest and penalties, if any, related to unrecognized tax positions as income tax expense in the Statement of Operations. During the period, the Company did not incur any interest or penalties.

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

e. OTHER As customary in the investment company industry, securities transactions are recorded as of the trade date. Dividend income and distributions to stockholders are recorded as of the ex-dividend dates. Interest income, adjusted for amortization of discount and premium on investments, is earned from settlement date and is recognized on the accrual basis. Cost of short-term investments represents amortized cost.

## 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. With respect to the Common Stock, 31,980,872 shares were issued and outstanding; 8,000,000 Preferred Shares were originally issued and 7,984,700 were outstanding on December 31, 2008.

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 were noncallable for the 5 year period ended September 24, 2008 and have a liquidation preference of \$25.00 per share plus an amount equal to accumulated and unpaid dividends to the date of redemption. On December 10, 2008, the Board of Directors authorized the repurchase of 1 million Preferred Shares in the open market at prices below \$25.00 per share. A total of 15,300 Preferred Shares were repurchased at an average cost per share of \$21.12 during the year ended December 31, 2008. The average discount of \$3.88 per Preferred Share, \$59,398 in the aggregate, was credited to additional paid-in capital of the Common Stock.

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

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

18

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 asset coverage of at least 200% of 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 to 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 2008 and 2007 were as follows:

	SHARES		AMOUNT	
	2008	2007	2008	2007
	-----	-----	-----	-----
Shares issued in payment of dividends and distributions (includes 103,047 and 2,404,965 shares issued from treasury, respectively)	509,861	2,747,460	\$509,861	\$2,747,460
Increase in paid-in capital			7,418,478	94,155,454
			-----	-----
Total increase			7,928,339	96,902,914
Shares purchased (at an average discount from net asset value of			-----	-----

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

19.8% and 10.4%, respectively)	102,047	763,600	(102,047)	(763,600)
Decrease in paid-in capital			(1,884,641)	(29,507,548)
			-----	-----
Total decrease			(1,986,688)	(30,271,148)
			-----	-----
Net increase			\$5,941,651	\$66,631,766
			=====	=====

Distributions for tax and book purposes are substantially the same.  
As of December 31, 2008, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$1,940,080
Undistributed long-term gains	(16,916)
Unrealized appreciation	35,553,976
	-----
	\$37,477,140
	=====

In accordance with U.S. Treasury Regulations, the Company has elected to defer \$16,916 of net realized capital losses arising after October 31, 2008. Such losses are treated for tax purposes as arising on January 1, 2009.

To reflect reclassification arising from permanent "book/tax" differences for tax distribution reclassification and non-deductible expenses during the year ended December 31, 2008, undistributed net investment income was increased by \$100,467, undistributed net realized gain on investments was decreased by \$97,395 and additional paid-in capital was decreased by \$3,072. Net assets were not affected by this reclassification.

### 3. OFFICERS' COMPENSATION

The aggregate compensation paid by the Company during 2008 and 2007 to its officers (identified on page 20) amounted to \$5,257,000 and \$8,874,500, respectively.

### 4. PURCHASES AND SALES OF SECURITIES

Purchases and sales of securities (other than short-term securities and options) during 2008 amounted to \$301,033,584 and \$425,080,355, on long transactions, respectively.

19

16 NOTES TO FINANCIAL STATEMENTS - continued

General American Investors

### 5. BENEFIT PLANS

The Company has funded (Qualified) and unfunded (Supplemental) defined contribution thrift plans that are available to its employees. Due to the decline in the value of the Company's shares, a net reduction in cost during 2008 of \$1,405,619 was realized. The aggregate cost of such plans for 2007 was \$633,127. The Company also has both funded (Qualified) and unfunded (Supplemental) noncontributory defined benefit pension plans that cover its employees. The pension plan provides a defined benefit based on years of service and final average salary with an offset for a portion of Social Security covered compensation.

Effective December 31, 2006, the Company adopted the recognition provisions of Financial Accounting Standards Board ("FASB") Statement of Financial

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

Accounting Standards No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("FAS158") which was released on September 2006. FAS 158 improves financial reporting by requiring employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the statement of assets and liabilities and to recognize changes in funded status in the year in which the changes occur through other comprehensive income.

### OBLIGATIONS AND FUNDED STATUS OF DEFINED BENEFIT PLANS:

	DECEMBER 31, 2008 (MEASUREMENT DATE)			DECEMBER 31, 2007	
	QUALIFIED PLAN	SUPPLEMENTAL PLAN	TOTAL	QUALIFIED PLAN	SUPPLE PLA
<b>CHANGE IN BENEFIT OBLIGATION:</b>					
Benefit obligation at beginning of year	\$9,337,068	\$3,174,022	\$12,511,090	\$9,062,488	\$3,
Service cost	214,114	101,236	315,350	206,228	
Interest cost	554,874	185,076	739,950	538,587	
Benefits paid	(538,394)	(165,253)	(703,647)	(544,838)	
Actuarial (gains)/losses	(33,128)	(99,902)	(133,030)	13,491	
Plan amendments	-	-	-	61,112	
Projected benefit obligation at end of year	9,534,534	3,195,179	12,729,713	9,337,068	3,
<b>CHANGE IN PLAN ASSETS:</b>					
Fair value of plan assets at beginning of year	18,581,595	-	18,581,595	17,719,247	
Actual return on plan assets	(6,609,373)	-	(6,609,373)	1,407,186	
Employer contributions	-	165,253	165,253	-	
Benefits paid	(538,394)	(165,253)	(703,647)	(544,838)	
Fair value of plan assets at end of year	11,433,828	-	11,433,828	18,581,595	
<b>FUNDED STATUS AT END OF YEAR</b>	<b>\$1,899,294</b>	<b>(\$3,195,179)</b>	<b>(\$1,295,885)</b>	<b>\$9,244,527</b>	<b>(\$3,</b>
Accumulated benefit obligation at end of year	\$8,912,352	\$2,997,332	\$11,909,684	\$8,726,625	\$3,
<b>INCREMENTAL EFFECT OF ADOPTING FAS 158</b>	<b>BEFORE</b>	<b>ADJUSTMENTS</b>	<b>AFTER</b>	<b>BEFORE</b>	<b>ADJ</b>
Noncurrent benefit asset	\$9,244,527	(\$7,345,233)	\$1,899,294	\$8,656,759	\$
<b>LIABILITIES</b>					
Current benefit liability	209,039	59,179	268,218	213,549	
Noncurrent benefit liability	2,964,984	(38,024)	2,926,960	3,107,178	
Accumulated other comprehensive income	(1,108,563)	7,885,172	6,776,609	(652,559)	
<b>AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME CONSIST OF:</b>					
Net actuarial gain	(\$1,445,586)	\$7,907,265	\$6,461,679	(\$1,011,676)	(\$
Prior service cost	337,023	(22,093)	314,930	359,117	
	(\$1,108,563)	\$7,885,172	\$6,776,609	(\$652,559)	(\$

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

WEIGHTED-AVERAGE ASSUMPTIONS AS OF END OF FISCAL YEAR:

Discount rate	6.00%	6.00%	6.00%
Expected return on plan assets	7.20%	N/A	8.75%
Salary scale assumption	4.25%	4.25%	4.25%

COMPONENTS OF NET PERIODIC BENEFIT COST:

Service cost	\$214,114	\$101,236	\$315,350	\$206,228
Interest cost	554,874	185,076	739,950	538,587
Expected return on plan assets	(1,430,924)	-	(1,430,924)	(1,253,375)
Amortization of:				
Prior service cost	19,309	2,784	22,093	19,309
Recognized net actuarial loss	-	-	-	96,207
Net periodic benefit cost (gain)	(\$642,627)	\$289,096	(\$353,531)	(\$393,044)

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

Discount rate	6.00%	6.00%	5.75%
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 by asset at December 31, 2008 and 2007, are as follows:

Asset Category	December 31	
	2008	2007
Equity securities	79.3%	89.6%
Debt securities	-	10.4
Other	20.7	-
Total	100.0%	100.0%

Generally, not less than 80% of plan assets are invested in investment companies that invest in equity securities.

EXPECTED CASH FLOWS

	Qualified Plan	Supplemental Plan	Total
Expected Company contributions for 2008	-	\$268,218	\$268,218
Estimated benefit payments:			
2009	\$568,843	\$268,218	\$837,061
2010	594,892	317,733	912,625
2011	622,966	362,765	985,731
2012	637,288	401,266	1,038,554
2013	648,248	434,525	1,082,773
2014-2018	3,561,276	2,641,850	6,203,126

20

17 NOTES TO FINANCIAL STATEMENTS - continued

General American Investors

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

### 6. WRITTEN OPTIONS

Transactions in a written covered call and collateralized put options during the year ended December 31, 2008 were as follows:

	Covered Calls		Colla
	Contracts	Premiums	Contracts
Options outstanding, December 31, 2007	7,500	\$3,073,787	1,999
Options written	25,456	11,980,669	7,016
Options expired	(16,124)	(7,404,060)	-
Options exercised	(1,002)	(557,561)	(2,409)
Options terminated in closing purchase transaction	(15,830)	(7,092,835)	(6,606)
	-----	-----	-----
Options outstanding, December 31, 2008	0	\$0	0
	=====	=====	=====

### 7. OPERATING LEASE COMMITMENT

In June 2007, the Company entered into an operating lease agreement for office space which expires in February 2018 and provides for future rental payments in the aggregate amount of approximately \$10,755,000, net of construction credits. The lease agreement contains clauses whereby the Company receives free rent for a specified number of months and credit toward construction of office improvements, and incurs escalations annually relating to operating costs and real property taxes and to annual rent charges beginning in February 2013. The Company has the option to renew the lease after February 2018 for five years at market rates. Rental expense approximated \$988,000 for the year ended December 31, 2008. Minimum rental commitments under the operating lease are approximately \$1,075,000 per annum in 2009 through 2012, \$1,183,000 in 2013 through 2017, and \$99,000 in 2018.

### 8. FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Company adopted FASB Statement of Financial Accounting Standard No. 157 "Fair Value Measurements." Various data inputs are used in determining the value of the Company's investments. These inputs are summarized in a hierarchy consisting of the three broad levels listed below:

Level 1 - quoted prices in active markets for identical securities (including money market funds which are valued using amortized cost and which transact at net asset value, typically \$1 per share),

Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.), and

Level 3 - significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Company's net assets as of December 31, 2008:

Valuation Inputs	Investments in Securities
Level 1 - Quoted prices	\$864,727,176
Level 2 - Other significant observable inputs (see (e), page 13)	9,975,000

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

Level 3 - Unobservable inputs

Total

-----  
 \$874,702,176  
 =====

21

### 18 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, 2008. This information has been derived from information contained in the financial statements and market price data for the Company's shares."

	2008	2007	2006	2005
	-----	-----	-----	-----
<b>PER SHARE OPERATING PERFORMANCE</b>				
Net asset value, beginning of year	\$38.10	\$40.54	\$39.00	\$35.00
Net investment income	.42	.31	.34	.34
Net gain (loss) on securities - realized and unrealized	(16.15)	3.39	4.72	5.00
Other comprehensive income	(.25)	.02	.03	.03
<b>Distributions on Preferred Stock:</b>				
Dividends from net investment income	(.11)	(.02)	(.04)	(.04)
Distributions from net short-term capital gains	-	(.03)	(.01)	(.01)
Distributions from net long-term capital gains	(.27)	(.36)	(.36)	(.36)
	-----	-----	-----	-----
Total from investment operations	(16.36)	3.31	4.68	5.00
<b>Distributions on Common Stock:</b>				
Dividends from investment income	(.19)	(.33)	(.29)	(.29)
Distributions from net short-term capital gains	-	(.38)	(.04)	(.04)
Distributions from net long-term capital gains	(.46)	(5.04)	(2.81)	(1.81)
	-----	-----	-----	-----
	(.65)	(5.75)	(3.14)	(2.14)
	-----	-----	-----	-----
Net asset value, end of year	\$21.09	\$38.10	\$40.54	\$39.00
	=====	=====	=====	=====
Per share market value, end of year	\$17.40	\$34.70	\$37.12	\$34.00
	=====	=====	=====	=====
<b>TOTAL INVESTMENT RETURN - Stockholder</b>				
Return, based on market price per share	(48.20%)	8.72%	16.78%	17.00%

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

### RATIOS AND SUPPLEMENTAL DATA

Net assets applicable to Common Stock, end of year (000's omitted)	\$674,598	\$1,202,923	\$1,199,453	\$1,132
Ratio of expenses to average net assets applicable to Common Stock	0.87%	1.11%	1.06%	
Ratio of net income to average net assets applicable to Common Stock	1.31%	0.78%	0.86%	
Portfolio turnover rate	25.52%	31.91%	19.10%	2

### PREFERRED STOCK

Liquidation value, end of year (000's omitted)	\$199,617	\$200,000	\$200,000	\$200,
Asset coverage	438%	701%	700%	
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25
Market value per share	\$21.90	\$21.99	\$24.44	\$24

22

19 REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

-----  
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 statement of investments, of General American Investors Company, Inc. as of December 31, 2008, and the related statements of operations and changes in net 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 the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2008, 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, 2008, 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

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

New York, New York

February 3, 2009

23

20 OFFICERS

-----  
 General American Investors

NAME (AGE) EMPLOYEE SINCE	PRINCIPAL OCCUPATION DURING PAST 5 YEARS	NAME (AGE) EMPLOYEE SINCE	PRINCIPAL DURING
Spencer Davidson (66) 1994	Chairman of the Board since 2007 President and Chief Executive Officer of the Company since 1995	Sally A. Lynch, Ph.D. (49) 1997	Vice-Pr Comp secu (bio
Andrew V. Vindigni (49) 1988	Senior Vice-President of the Company since 2006 Vice-President 1995-2006; securities analyst (financial services and consumer non- durables industries)	Diane G. Radosti (56) 1980	Treasur Com Pri Off
Eugene S. Stark (50) 2005	Vice-President, Administration of the Company since 2005, Principal Financial Officer 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 (62) 1982	Secreta Comp shar and
Jesse Stuart (42) 2003	Vice-President of the Company since 2006 securities analyst (general industries)	Craig A. Grassi (40) 1991	Assista the info
		Maureen E. LoBello (58) 1992	Assista Comp bene

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 third 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 the inside back cover of this report.

## SERVICE ORGANIZATIONS

### COUNSEL

Sullivan & Cromwell LLP

### INDEPENDENT AUDITORS

Ernst & Young LLP

### CUSTODIAN

State Street Bank and Trust Company

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

TRANSFER AGENT AND REGISTRAR  
 American Stock Transfer & Trust Company  
 59 Maiden Lane  
 New York, NY 10038  
 1-800-413-5499  
 www.amstock.com

-----  
 In addition to purchases of the Company's Common and Preferred Stock as set forth in Note 2, on pages 14 and 15, purchases of Common and Preferred Stock may be made at such times, at such prices, in such amounts and in such manner as the Board of Directors may deem advisable.

The policies and procedures used by the Company to determine how to vote proxies relating to portfolio securities and the Company's proxy voting record for the twelve-month period ended June 30, 2008 are available: (1) without charge, upon request, by calling us at our toll-free telephone number (1-800-436-8401), (2) on the Company's website at www.generalamericaninvestors.com and (3) on the Securities and Exchange Commission's website at www.sec.gov.

In addition to distributing financial statements as of the end of each quarter, General American Investors files a Quarterly Schedule of Portfolio Holdings (Form N-Q) with the Securities and Exchange Commission ("SEC") as of the end of the first and third calendar quarters. The Company's Forms N-Q are available at www.generalamericaninvestors.com and on the SEC's website: 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 April 30, 2008, the Company submitted a CEO annual certification to the New York Stock Exchange ("NYSE") on which the Company's principal executive officer certified that he was not aware, as of that date, of any violation by the Company of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Company's principal executive and principal financial officer made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q relating to, among other things, the Company's disclosure controls and procedures and internal control over financial reporting, as applicable.

24

DIRECTORS

-----  
 General American Investors

NAME (AGE) DIRECTOR SINCE	PRINCIPAL OCCUPATION DURING PAST 5 YEARS	OTHER DIRECTORSHIPS AND
----- INDEPENDENT DIRECTORS		
Arthur G. Altschul, Jr. (44) 1995	Co-Founder and Chairman Kolltan Pharmaceuticals, Inc.  Managing Member Diaz & Altschul Capital Management, LLC (private investment company)	Delta Opportunity Fund, L Diversified Natural Produ Medicis Pharmaceutical Co Medrium, Inc., Chairman, National Public Radio Fou Neurosciences Research Fo The Overbrook Foundation,
Rodney B. Berens (63)	Founding Partner	Agni Capital Management L

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

2007	Berens Capital Management, LLC	Alfred P. Sloan Foundation Pendragon Capital Management Peterson Institute for International Investment Committee Pierpont Morgan Library, of Investment Sub-Committee The Woods Hole Oceanographic of Investment Committee
Lewis B. Cullman (90) 1961	Philanthropist	Chess-in-the-Schools, Chairman Metropolitan Museum of Art Museum of Modern Art, Vice and Honorary Trustee Neurosciences Research Foundation of Trustees The New York Botanical Garden Board of Managers The New York Public Library
Gerald M. Edelman (79) 1976	Member, Professor and Chairman of the Department of Neurobiology The Scripps Research Institute	Neurosciences Institute of Foundation, Director and NGN Capital, Chairman, Advisor Promosome, LLC, Chairman,
John D. Gordan, III (63) 1986	Partner Morgan, Lewis & Bockius LLP (lawyers)	
Sidney R. Knafel (78) 1994	Managing Partner SRK Management Company (private investment company)	IGENE Biotechnology, Inc. Insight Communications Company Board of Directors VirtualScopics, Inc., Director Vocollect, Inc., Director
Daniel M. Neidich (59) 2007	Founding Partner and Co-Chief Executive Officer Dune Capital Management LP (since March 2005)  Co-Head, Merchant Banking Division Chairman, Whitehall Investment Committee Member, Management Committee Goldman Sachs (prior to March 2005)	Capmark, Director New York Child Study Center Prep for Prep, Director Real Estate Roundtable, Chairman Urban Land Institute, Trustee
D. Ellen Shuman (53) 2004	Vice President and Chief Investment Officer Carnegie Corporation of New York	Bowdoin College, Trustee Edna McConnell Clark Foundation The Investment Fund for Financial Services, Director
Joseph T. Stewart, Jr. (79) 1987	Lead Independent Director since July 2007 Corporate director and trustee	Foundation of the University of New Jersey, Trustee Marine Biological Laboratory United States Merchant Marine Board of Advisors United States Merchant Marine Trustee
Raymond S. Troubh (82) 1989	Financial Consultant	Diamond Offshore Drilling Gentiva Health Services, Wendy's/Arby's Group, Inc.

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

Interested Director

Spencer Davidson (66)  
1995

Chairman of the Board  
President and Chief Executive Officer  
General American Investors  
Company, Inc.

Medicis Pharmaceutical Co  
Neurosciences Research Fo

All Directors serve for a term of one year and are elected by Stockholders at the time of the annual meeting on the third Wednesday in April. The address for each Director is the Company's office.

24

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

25

### 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 2008 and 2007 were \$98,300 and \$91,000, respectively.

(b) AUDIT RELATED FEES The aggregate fees paid or accrued by the registrant for audit-related professional services rendered by Ernst & Young LLP for 2008 and 2007 were \$31,100 and \$28,800, respectively. Such services and related fees for 2008 and 2007 included: performance of agreed upon procedures relating to the preferred stock basic maintenance reports (\$7,900 and \$7,300, respectively), review of quarterly employee security transactions and issuance of report thereon (\$18,300 and \$17,000, respectively) and other audit-related services (\$4,900 and \$4,500, 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 2008 and 2007 were \$16,400 and \$15,200, respectively.

(d) ALL OTHER FEES No such fees were billed to the registrant by Ernst & Young LLP for 2008 or 2007.

(e) (1) AUDIT COMMITTEE PRE-APPROVAL POLICY All services to be performed for the

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

registrant by Ernst & Young LLP must be pre-approved by the audit committee. All services performed during 2008 and 2007 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 2008 and 2007 were \$47,500 and \$49,400, 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., Lewis B. Cullman, John D. Gordan, III and D. Ellen Shuman.

(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 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

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

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.

As of December 31, 2008 and the date of this filing, Mr. Spencer Davidson, Chairman, 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, 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

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

COMPANY AND AFFILIATED PURCHASERS.

### REGISTRANT PURCHASES OF EQUITY SECURITIES

Period 2008	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) D t
07/01-07/31	-	-	-	
08/01-08/31	-	-	-	
09/01-09/30	13,500	27.4233	13,500	
10/01-10/31	88,547	18.2555	88,547	
11/01-11/30	-	-	-	
12/01-12/31	-	-	-	
Total	----- 102,047 =====	-----	----- 102,047 =====	

#### 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 22, 2008.

#### ITEM 11. CONTROLS AND PROCEDURES.

##### Conclusions of principal officers concerning controls and procedures

(a) As of December 31, 2008, an evaluation was performed under the supervision and with the participation of the officers of General American Investors Company, Inc. (the "Registrant"), including the principal executive officer ("PEO") and principal financial officer ("PFO"), to assess the effectiveness of the Registrant's disclosure controls and procedures. Based on that evaluation, the Registrant's officers, including the PEO and PFO, concluded that, as of December 31, 2008, 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

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

- (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.

27

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 6, 2009

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  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

Date: February 6, 2009

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

Date: February 6, 2009