

GENERAL AMERICAN INVESTORS CO INC
Form N-CSR
February 06, 2012

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, 2011

Item 1: Report to Shareholders

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 through investment in companies with above average growth potential.

FINANCIAL SUMMARY (unaudited)

| | 2011 | 2010 |
|--|-----------------|-----------------|
| Net assets applicable to Common Stock - | | |
| December 31 | \$886,537,370 | \$950,940,936 |
| Net investment income | 5,295,369 | 5,626,730 |
| Net realized gain | 19,507,647 | 19,636,107 |
| Net increase (decrease) in unrealized appreciation | (42,899,858) | 109,245,534 |
| Distributions to Preferred Stockholders | (11,311,972) | (11,311,972) |
| Per Common Share-December 31 | | |
| Net asset value | \$29.78 | \$31.26 |
| Market price | \$24.91 | \$26.82 |
| Discount from net asset value | -16.4% | -14.2% |
| Common Shares outstanding-Dec. 31 | 29,766,389 | 30,423,294 |
| Market price range* (high-low) | \$28.68-\$21.80 | \$26.85-\$21.01 |
| Market volume-shares | 10,308,012 | 13,189,863 |

*Unadjusted for dividend payments.

DIVIDEND SUMMARY (per share) (unaudited)

| Record Date | Payment Date | Ordinary Income | Long-Term Capital Gain | Total |
|---|----------------|--------------------|---------------------------|-----------|
| Common Stock | | | | |
| Nov. 14, 2011 | Dec. 23, 2011 | \$.158060 (a) | \$.341940 | \$.500000 |
| <i>Total from 2011 earnings</i> | | | | |
| (a) Includes short-term gains in the amount of \$.011020 per share. | | | | |
| Nov. 12, 2010 | Dec. 23, 2010 | \$.113718 (b) | \$.316282 | \$.430000 |
| <i>Total from 2010 earnings</i> | | | | |
| (b) Includes short-term gains in the amount of \$.033411 per share. | | | | |
| Preferred Stock | | | | |
| Mar. 7, 2011 | Mar. 24, 2011 | \$.117557 | \$.254318 | \$.371875 |
| Jun. 7, 2011 | Jun. 24, 2011 | .117557 | .254318 | .371875 |
| Sept. 7, 2011 | Sept. 26, 2011 | .117557 | .254318 | .371875 |
| Dec. 7, 2011 | Dec. 27, 2011 | .117557 | .254318 | .371875 |

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| | | | | |
|---|----------------|----------------|-------------|-------------|
| <i>Total for 2011</i> | | \$.470228 (c) | \$ 1.017272 | \$ 1.487500 |
| (c) Includes short-term gains in the amount of \$.032784 per share (\$.008196 per quarter). | | | | |
| Mar. 8, 2010 | Mar. 24, 2010 | \$.098348 | \$.273527 | \$.371875 |
| Jun. 7, 2010 | Jun. 24, 2010 | .098348 | .273527 | .371875 |
| Sept. 7, 2010 | Sept. 24, 2010 | .098348 | .273527 | .371875 |
| Dec. 7, 2010 | Dec. 27, 2010 | .098348 | .273527 | .371875 |
| <i>Total for 2010</i> | | \$.393392 (d) | \$ 1.094108 | \$ 1.487500 |
| (d) Includes short-term gains in the amount of \$.115577 per share (\$.02889425 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

General American Investors' net asset value (NAV) per Common Share (assuming reinvestment of all dividends) decreased 2.9% for the year ended December 31, 2011. The U.S. stock market was up 2.1% for the year, as measured by our benchmark, the Standard & Poor's 500 Stock Index (including income). The return to our Common Stockholders decreased by 5.3% and the discount at which our shares traded to their NAV continued to fluctuate and on December 31, 2011, it was 16.4%.

The table that follows provides a comprehensive presentation of our performance and compares our returns on an annualized basis with the S&P 500 Stockholder

tal investment in support of exports, resulting in a large current account surplus. It is argued, further real estate in particular is overbuilt and that China go the way of all state-directed abusers of credit. W this scenario may eventually come to pass, China appears to be succeeding in its rebalancing effort, with consumption on the rise and the demand for mid- and high-quality goods and services rising along with it. Many of the problems associated with slower economic growth appear to be already reflected in security prices. While it is not likely that interest rates will continue to decline in concert with increased borrowing, the current levels suggest a compelling case for equities

return reflects widening in the discount to NAV to the high end of its historic range, and may not fully illustrate that over many years General American Investors has produced superior investment results.

| Years | Stockholder Return | | |
|-------|--------------------|------------|---------|
| | (Market Value) | NAV Return | S&P 500 |
| 3 | 14.6% | 13.9% | 14.1% |
| 5 | -3.3 | -1.9 | -0.3 |
| 10 | 1.6 | 2.5 | 2.9 |
| 20 | 8.3 | 8.7 | 7.8 |
| 30 | 11.4 | 12.1 | 11.0 |
| 40 | 12.1 | 12.1 | 9.8 |
| 50 | 11.2 | 11.5 | 9.2 |

2011, like the previous ten years, was challenging, with virtually all gains in the indices coming from dividend income. It was characterized by extreme volatility, which was manifested in a series of sharp rallies followed by equally pronounced selloffs in response, presumably, to a succession of exogenous events. These included the natural disasters in the Far East, the political chaos in the Middle East and North Africa, the sovereign debt and bank crisis in Europe, and, domestically, the loss of our AAA credit rating. While U.S. markets performed better than the rest of the world,

Whether the metric is price to earnings ratio, free cash flow, or dividend yield, stocks appear to be priced at undemanding valuations. With a firm dollar, the U.S. may well remain the destination of choice for capital and our portfolio, focused on well-managed companies with strong financial characteristics, should benefit.

As part of an ongoing effort to maximize shareholder value, over 3% of the Company's shares were repurchased in 2011 at an average discount to NAV of 14.1%. The Board of Directors has authorized repurchases of Common Shares when they are trading at a discount to NAV of at least 8%.

In December 2012, the Board of Directors renewed its authority originally granted in 2008 to repurchase up to 1 million outstanding shares of its 5.95% Cumulative Preferred Stock when the shares are trading at a market price below the liquidation preference of \$25.00 per share.

We are pleased to announce that as of today, Mr. John W. Priest was appointed President of the Company. Mr. Priest joined the Company in October 2010 and has spent his entire 26-year business career in the investment management and financial services industry.

Information about the Company, including our investment objectives, operating policies and procedures

equity prices ended the year twelve percent lower than their 2006 peak, when measured in inflation adjusted terms. Similarly, efforts to stimulate employment and stabilize the housing market met with mixed results.

As the year unfolds, it seems reasonable to assume that the U.S. will continue to experience sub-par growth relative to past recoveries from deep recessions. Efforts to reduce public debt, which has reached almost 100% of GDP, together with higher private savings, necessitated by unsustainable growth in entitlement spending, are likely to have a direct impact on economic activity. European growth will almost certainly be depressed as its banks deleverage and the Euro zone's existential crisis continues. Much has been written about the imbalances in the Chinese economy; critics note that consumption has been sacrificed in favor of high capi-

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.

By Order of the Board of Directors,

Spencer Davidson

Chairman of the Board

and Chief Executive Officer

February 1, 2012

Corporate Overview

General American Investors, established in 1927, is one of the nation's oldest closed-end investment companies. It is an independent organi-

zation that is internally managed. For regulatory purposes, the Company is classified as a diversified, closed-end management

"GAM" Common Stock

As a closed-end investment company, the Company 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

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 and Chief Executive Officer, has been responsible for the management of the Company 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.

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 the Company 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 2011, the stock sold at discounts to NAV which ranged from 11.4% (March 7) to 16.8% (December 22). At December 31, the price of the stock was at a discount of 16.4%.

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 currently 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 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.

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

The Company makes available direct registration for its Common Shareholders.

Direct registration, which is an

Dividend

The Company's dividend and distribution policy is to distribute to stockholders before year-end substantially all ordinary income estimated for

Distribution

the full year and capital gains realized during the ten-month period ended October 31 of that year. Ordinarily, if any additional capital gains are realized and available or ordinary income is earned during the last two months of the year, a "spill-over" distribution of these amounts may 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 1943-2011 (except for the year 1974). (A table listing dividends and distributions paid during the 20-year period 1992-2011 is shown at the bottom of page 4.) 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 the Company 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, 2011 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 and (3)

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 - click on Distribution & Reports, then Report Downloads.

Policy and Practices

The Company collects non-public 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 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 infor-

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on the Securities and Exchange Commission's website at www.sec.gov.

mation to perform their responsibilities. We maintain safeguards that comply with federal standards to guard our stockholders' personal information.

Total return on \$10,000 investment for 20 years ended December 31, 2011 The investment return for a Common Stockholder of General American Investors (GAM) over the 20 years ended December 31, 2011 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 1992.

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 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 |
| 1992 | \$11,478 | 14.78 % | \$10,355 | 3.55 % | \$10,759 | 7.59 % |
| 1993 | 9,651 | -15.92 | 10,174 | -1.75 | 11,848 | 10.12 |
| 1994 | 8,892 | -7.86 | 9,895 | -2.74 | 11,998 | 1.27 |
| 1995 | 10,779 | 21.22 | 12,228 | 23.58 | 16,498 | 37.50 |
| 1996 | 12,879 | 19.48 | 14,670 | 19.97 | 20,277 | 22.91 |
| 1997 | 18,363 | 42.58 | 19,372 | 32.05 | 27,036 | 33.33 |
| 1998 | 24,112 | 31.31 | 26,179 | 35.14 | 34,754 | 28.55 |
| 1999 | 33,569 | 39.22 | 35,709 | 36.40 | 42,039 | 20.96 |
| 2000 | 39,980 | 19.10 | 42,008 | 17.64 | 38,217 | -9.09 |
| 2001 | 41,711 | 4.33 | 41,504 | -1.20 | 33,673 | -11.89 |
| 2002 | 30,362 | -27.21 | 31,950 | -23.02 | 26,218 | -22.14 |

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| | | | | | | |
|------|--------|--------|--------|--------|--------|--------|
| 2003 | 38,563 | 27.01 | 40,704 | 27.40 | 33,706 | 28.56 |
| 2004 | 41,952 | 8.79 | 44,925 | 10.37 | 37,343 | 10.79 |
| 2005 | 49,252 | 17.40 | 52,202 | 16.20 | 39,147 | 4.83 |
| 2006 | 57,516 | 16.78 | 58,592 | 12.24 | 45,277 | 15.66 |
| 2007 | 62,532 | 8.72 | 63,285 | 8.01 | 47,726 | 5.41 |
| 2008 | 32,391 | -48.20 | 36,060 | -43.02 | 30,034 | -37.07 |
| 2009 | 44,331 | 36.86 | 47,628 | 32.08 | 37,979 | 26.45 |
| 2010 | 51,530 | 16.24 | 54,920 | 15.31 | 43,699 | 15.06 |
| 2011 | 48,804 | -5.29 | 53,344 | -2.87 | 44,631 | 2.13 |

DIVIDENDS AND DISTRIBUTIONS PER COMMON SHARE (1992-2011) (UNAUDITED)

| <i>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 gains earned in the prior year.</i> | YEAR | EARNINGS SOURCE | | | | YEAR | EARNINGS SOURCE | | | |
|---|------|-----------------|--------------------------|-------------------------|-------------------|------|-----------------|--------------------------|-------------------------|--|
| | | INCOME | SHORT-TERM CAPITAL GAINS | LONG-TERM CAPITAL GAINS | RETURN OF CAPITAL | | INCOME | SHORT-TERM CAPITAL GAINS | LONG-TERM CAPITAL GAINS | |
| | 1992 | \$.03 | — | \$2.93 | — | 2002 | \$.03 | — | — | |
| | 1993 | .06 | — | 2.34 | — | 2003 | .02 | — | — | |
| | 1994 | .06 | — | 1.59 | — | 2004 | .217 | — | — | |
| | 1995 | .10 | \$.03 | 2.77 | — | 2005 | .547 | \$.041 | 1.3 | |
| | 1996 | .20 | .05 | 2.71 | — | 2006 | .334 | — | 2.6 | |
| | 1997 | .21 | — | 2.95 | — | 2007 | .706 | .009 | 5. | |
| | 1998 | .47 | — | 4.40 | — | 2008 | .186 | — | .2 | |
| | 1999 | .42 | .62 | 4.05 | — | 2009 | .103 | .051 | .1 | |
| | 2000 | .48 | 1.55 | 6.16 | — | 2010 | .081 | .033 | .3 | |
| | 2001 | .37 | .64 | 1.37 | — | 2011 | .147 | .011 | .3 | |

| | INCREASES | SHARES TRANSACTED | SHARES HELD |
|---------------|--------------------------------------|-------------------|-------------|
| NEW POSITIONS | Freeport-McMoRan Copper & Gold Inc. | — | 200,000 (b) |
| | Intercell AG | — | 413,800 (b) |
| | Visteon Corporation | — | 275,713 (b) |
| ADDITIONS | PartnerRe Ltd. | 10,000 | 285,000 |
| | Platinum Underwriters Holdings, Ltd. | 35,000 | 435,000 |
| | DECREASES | | |

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| | | | |
|--------------|--|---------|-----------|
| ELIMINATIONS | Amgen Inc. | 40,000 | — |
| | MSCI Inc. Class A | 255,000 | — |
| REDUCTIONS | Dell Inc. | 190,000 | 825,000 |
| | Teradata Corporation | 130,000 | 230,000 |
| | The Travelers Companies, Inc. | 30,000 | 150,000 |
| | Wal-Mart Stores, Inc. | 20,000 | 313,000 |
| | Xerox Corporation | 250,000 | 1,650,000 |
| | (a) Common shares unless otherwise noted; excludes transactions in Common Stocks -Miscellaneous - Other. | | |
| | (b) Shares purchased in prior period and previously carried under Common Stocks - Miscellaneous - Other. | | |

DECEMBER 31, 2011

| | INDUSTRY CATEGORY | COST(000) | VALUE(000) | PERCENT COMMON NET ASSETS* |
|--|--|-----------|------------|----------------------------|
| <i>The diversification of the Company's net assets applicable to its Common Stock by industry group as of December 31, 2011 is shown in the table.</i> | Finance and Insurance | | | |
| | Banking | \$34,006 | \$36,600 | 4.1% |
| | Insurance | 65,666 | 116,186 | 13.1 |
| | Other | 36,369 | 83,159 | 9.4 |
| | | 136,041 | 235,945 | 26.6 |
| | Retail Trade | 60,926 | 172,761 | 19.5 |
| | Consumer Products and Services | 98,715 | 128,796 | 14.5 |
| | Oil and Natural Gas (Including Services) | 74,984 | 102,024 | 11.5 |
| | Computer Software and Systems | 57,635 | 67,516 | 7.6 |
| | Communications and Information Services | 38,582 | 55,647 | 6.3 |
| | Health Care/Pharmaceuticals | 58,451 | 52,493 | 5.9 |
| | Environmental Control (Including Services) | 39,191 | 46,976 | 5.3 |
| | Machinery and Equipment | 23,704 | 30,867 | 3.5 |
| | Miscellaneous** | 31,292 | 29,134 | 3.3 |
| | Technology | 30,967 | 26,034 | 2.9 |
| | Aerospace/Defense | 22,957 | 23,754 | 2.7 |
| | Semiconductors | 13,464 | 24,029 | 2.7 |
| | Metals and Mining | 37,135 | 22,849 | 2.6 |
| | Diversified | 1,251 | 12,623 | 1.4 |
| | | 725,295 | 1,031,448 | 116.3 |

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| | | | |
|------------------------------------|-----------|-----------|--------|
| Short-Term Securities | 52,634 | 52,634 | 5.9 |
| Total Investments | \$777,929 | 1,084,082 | 122.2 |
| Other Assets and Liabilities - Net | | (7,428) | (0.8) |
| Preferred Stock | | (190,117) | (21.4) |
| Net Assets Applicable to | | | |
| Common Stock | | \$886,537 | 100.0% |

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

** Securities which have been held for less than one year, not previously disclosed and not restricted.

(see notes to financial statements)

| | | SHARES | VALUE | % of NET |
|---|---|-----------|--------------|----------|
| <i>The statement of investments as of December 31, 2011, shown on pages 8 and 9 includes 55 security issues. Listed here are the ten largest holdings on that date.</i> | 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 in the U.S. and Europe, along with expansion of related U.S. and foreign off-price formats, provide ongoing growth opportunities. | 1,512,400 | \$97,625,420 | |
| | QUALCOMM INCORPORATED QUALCOMM is a leading developer of intellectual property and semiconductors for the mobile communications industry. The company stands to benefit greatly from the global adoption of mobile data applications. | 700,000 | 38,290,000 | |
| | EPOCH HOLDING CORPORATION Epoch is a mid-size global asset management firm serving institutions, wealthy individuals and as sub-advisor to a number of mutual funds. The company has a culture of business owner operators with broad and deep experience in security analysis, investment portfolio structuring and business management. Epoch has a very successful history increasing assets under management with a compound annual growth rate of 56.5% over the last seven years. | 1,666,667 | 37,050,007 | |
| | 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 | 394,500 | 32,869,740 | |

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dollar.

| | | |
|--------------------------------|---------|------------|
| ARCH CAPITAL GROUP LTD. | 875,000 | 32,576,250 |
|--------------------------------|---------|------------|

Arch Capital, a Bermuda-based insurer/reinsurer, generates premiums of approximately \$3.3 billion and has a high quality, well-reserved A-rated balance sheet. This company has a strong management team that exercises prudent underwriting discipline, efficient expense control, and steady capital management resulting in above-average earnings and book value growth.

| | | |
|-----------------------|---------|------------|
| DIAGEO PLC ADR | 350,000 | 30,597,000 |
|-----------------------|---------|------------|

Diageo produces, distills and markets alcoholic beverages worldwide. The company's portfolio includes Smirnoff, Johnnie Walker, Jose Cuervo, Captain Morgan, Tanqueray and Guinness. Additionally, Diageo markets numerous regional and local brands. The company generates excess cash flow which it uses to acquire different brands, pay dividends and buyback its stock.

| | | |
|---------------------------------------|-----------|------------|
| WEATHERFORD INTERNATIONAL LTD. | 2,050,000 | 30,012,000 |
|---------------------------------------|-----------|------------|

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

| | | |
|---------------------------|---------|------------|
| APACHE CORPORATION | 296,478 | 26,854,977 |
|---------------------------|---------|------------|

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.

| | | |
|--------------------------------|---------|------------|
| REPUBLIC SERVICES, INC. | 957,100 | 26,368,105 |
|--------------------------------|---------|------------|

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.

| | | |
|--------------------|---------|------------|
| NESTLE S.A. | 450,000 | 25,942,680 |
|--------------------|---------|------------|

Nestle is a well-managed geographically diversified global food company with a favorably-positioned product portfolio and an excellent AA-rated balance sheet. Solid volume growth, strong pricing power, expense control and steady capital management yield durable above-average long-term total return potential.

\$378,186,179

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

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| | SHARES | COMMON STOCKS | VALUE (NOTE 1a) |
|--|--------------------------|---|---------------------------|
| AEROSPACE/DEFENSE (2.7%) | 325,000 | United Technologies Corporation (COST \$22,957,205) | \$23,754,250 |
| COMMUNICATIONS AND INFORMATION SERVICES (6.3%) | 960,000 | Cisco Systems, Inc. | 17,356,800 |
| | 700,000 | QUALCOMM Incorporated (COST \$38,582,394) | 38,290,000 55,646,800 |
| COMPUTER SOFTWARE AND SYSTEMS (7.6%) | 60,000 | Apple Inc. (a) | 24,300,000 |
| | 825,000 | Dell Inc. (a) | 12,069,750 |
| | 770,000 | Microsoft Corporation | 19,989,200 |
| | 230,000 | Teradata Corporation (a) (COST \$57,634,766) | 11,157,300 67,516,250 |
| CONSUMER PRODUCTS AND SERVICES (14.5%) | 350,000 | Diageo plc ADR* | 30,597,000 |
| | 450,000 | Nestle S.A. | 25,942,680 |
| | 325,000 | PepsiCo, Inc. | 21,563,750 |
| | 206,000 | Towers Watson & Co. Class A | 12,345,580 |
| | 717,631 | Unilever N.V. | 24,578,252 |
| | 275,713 | Visteon Corporation (a) (COST \$98,714,684) | 13,769,107 128,796,369 |
| DIVERSIFIED (1.4%) | 110 | Berkshire Hathaway Inc. Class A (a) (COST \$1,250,573) | 12,623,050 |
| ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (5.3%) | 957,100 | Republic Services, Inc. | 26,368,105 |
| | 630,000 | Waste Management, Inc. (COST \$39,190,474) | 20,607,300 46,975,405 |
| FINANCE AND INSURANCE (26.4%) | BANKING (3.9%) | | |
| | 500,000 | Bond Street Holdings LLC (a) (b) | 9,000,000 |
| | 520,000 | JPMorgan Chase & Co. | 17,290,000 |
| | 110,000 | M&T Bank Corporation (COST \$31,140,007) | 8,397,400 34,687,400 |
| | INSURANCE (13.1%) | | |
| | 875,000 | Arch Capital Group Ltd. (a) | 32,576,250 |
| | 245,000 | Everest Re Group, Ltd. | 20,602,050 |
| | 53,500 | Forethought Financial Group, Inc. Class A with Warrants (a) (c) | 10,860,500 |
| | 325,000 | MetLife, Inc. | 10,133,500 |
| | 285,000 | PartnerRe Ltd. | 18,299,850 |
| | 435,000 | Platinum Underwriters Holdings, Ltd. | 14,837,850 |
| | 150,000 | The Travelers Companies, Inc. | 8,875,500 |

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| | | | |
|--|---|----------------------|-------------|
| | | (COST \$65,665,838) | 116,185,500 |
| | OTHER (9.4%) | | |
| | 315,000 American Express Company | | 14,858,550 |
| | 330,492 Aon Corporation | | 15,467,026 |
| | 1,666,667 Epoch Holding Corporation | | 37,050,007 |
| | 645,000 Nelnet, Inc. | | 15,783,150 |
| | | (COST \$36,368,971) | 83,158,733 |
| | | (COST \$133,174,816) | 234,031,633 |
| HEALTH CARE/PHARMA- CEUTICALS (5.9%) | 170,000 Celgene Corporation (a) | | 11,492,000 |
| | 529,900 Cytokinetics, Incorporated (a) | | 508,704 |
| | 564,500 Gilead Sciences, Inc. (a) | | 23,104,985 |
| | 413,800 Intercell AG (a) | | 1,020,749 |
| | 755,808 Pfizer Inc. | | 16,355,685 |
| | 4,883 Poniard Pharmaceuticals, Inc. (a) | | 10,401 |
| | | (COST \$58,451,455) | 52,492,524 |
| MACHINERY AND EQUIP- MENT (3.5%) | 1,200,000 ABB Ltd. ADR* | | 22,596,000 |
| | 900,000 The Manitowoc Company, Inc. | | 8,271,000 |
| | | (COST \$23,703,922) | 30,867,000 |

| | SHARES | COMMON STOCKS (Continued) | VALUE (NOTE 1a) |
|---|-----------|-------------------------------------|--------------------------------|
| METALS AND MINING (2.6%) | 467,700 | Alpha Natural Resources, Inc. (a) | \$9,555,111 |
| | 200,000 | Freeport-McMoRan Copper & Gold Inc. | 7,358,000 |
| | 150,000 | Nucor Corporation | 5,935,500 |
| | | (COST \$37,134,911) | 22,848,611 |
| MISCELLANEOUS (3.3%) | | Other (d) | (COST \$31,292,109) 29,134,461 |
| OIL AND NATURAL GAS (INCLUDING SERVICES) (11.5%) | 296,478 | Apache Corporation | 26,854,977 |
| | 300,000 | Canadian Natural Resources Limited | 11,211,000 |
| | 130,062 | Devon Energy Corporation | 8,063,844 |
| | 750,000 | Halliburton Company | 25,882,500 |
| | 2,050,000 | Weatherford International Ltd. (a) | 30,012,000 |
| | | (COST \$74,984,196) | 102,024,321 |
| RETAIL TRADE (19.5%) | 394,500 | Costco Wholesale Corporation | 32,869,740 |
| | 460,000 | Target Corporation | 23,561,200 |
| | 1,512,400 | The TJX Companies, Inc. | 97,625,420 |

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| | | | | |
|---|------------|---|---|---------------|
| | 313,000 | Wal-Mart Stores, Inc. | | 18,704,880 |
| | | | (COST \$60,926,374) | 172,761,240 |
| SEMICONDUCTORS (2.7%) | 575,000 | ASML Holding N.V. | (COST \$13,463,950) | 24,029,250 |
| TECHNOLOGY (2.9%) | 750,000 | International Game Technology | | 12,900,000 |
| | 1,650,000 | Xerox Corporation | | 13,134,000 |
| | | | (COST \$30,966,849) | 26,034,000 |
| | | TOTAL COMMON STOCKS (116.1%) | (COST \$722,428,678) | 1,029,535,164 |
| | | WARRANTS | WARRANT | |
| | | JPMorgan Chase & Co. Expires 10/28/2018 (a) | (COST | |
| BANKING (0.2%) | 225,000 | \$2,865,853) | | 1,912,500 |
| | | | SHORT-TERM SECURITIES AND OTHER ASSETS | |
| | | SHARES | | |
| | | SSgA U.S. Treasury Money Market Fund (a) (5.9%) | (COST | |
| | 52,634,324 | \$52,634,324) | | 52,634,324 |
| TOTAL INVESTMENTS (e) (122.2%) | | | (COST \$777,928,855) | 1,084,081,988 |
| | | Liabilities in excess of receivables and other assets (-0.8%) | | (7,427,443) |
| | | | | 1,076,654,545 |
| PREFERRED STOCK (-21.4%) | | | | (190,117,175) |
| NET ASSETS APPLICABLE TO COMMON STOCK (100%) | | | | \$886,537,370 |

* ADR - American Depository Receipt

(a) Non-income producing security.

(b) Level 3 fair value measurement, restricted security acquired 11/4/09, aggregate cost \$10,000,000, unit cost is \$20.00 and fair value is \$18.00 per share, note 2. Fair value is based upon bid and transaction prices provided via the NASDAQ OMX PORTAL Alliance trading and transfer system for privately placed equity securities traded in the over-the-counter market among qualified investors and an evaluation of book value per share.

(c) Level 3 fair value measurement, restricted security acquired 11/3/09, aggregate cost \$10,748,000, unit cost and fair value is \$203.00 per share, note 2. Fair valuation is based upon a market approach using valuation metrics (market price-earnings and market price-book value multiples), and changes therein, relative to a peer group of companies established by the underwriters as well as actual transaction prices resulting from limited trading in the security.

(d) Securities which have been held for less than one year, not previously disclosed, and not restricted.

(e) At December 31, 2011: (1) the cost of investments for Federal income tax purposes was the same as the cost for financial reporting purposes, (2) aggregate gross unrealized appreciation was \$369,910,464, (3) aggregate gross unrealized depreciation was \$63,757,331, and (4) net unrealized appreciation was \$306,153,133.

(see notes to financial statements)

ASSETS

DECEMBER 31, 2011

INVESTMENTS, AT VALUE (NOTE 1a)

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| | |
|---|----------------------|
| Common stocks (cost \$722,428,678) | \$1,029,535,164 |
| Warrant (cost \$2,865,853) | 1,912,500 |
| Money market fund (cost \$52,634,324) | 52,634,324 |
| Total investments (cost \$777,928,855) | 1,084,081,988 |
| RECEIVABLES AND OTHER ASSETS | |
| Dividends, interest and other receivables | 2,573,402 |
| Qualified pension plan asset, net excess funded (note 7) | 1,034,920 |
| Prepaid expenses and other assets | 2,133,672 |
| TOTAL ASSETS | 1,089,823,982 |
| LIABILITIES | |
| Payables for securities purchased | 935,808 |
| Accrued preferred stock dividend not yet declared | 219,955 |
| Accrued supplemental pension plan liability (note 7) | 4,175,735 |
| Accrued supplemental thrift plan liability (note 7) | 3,246,182 |
| Accrued expenses and other liabilities | 4,591,757 |
| TOTAL LIABILITIES | 13,169,437 |
| 5.95% CUMULATIVE PREFERRED STOCK, SERIES B - 7,604,687 at a liquidation value of \$25 per share (note 5) | 190,117,175 |
| NET ASSETS APPLICABLE TO COMMON STOCK - 29,766,389 (note 5) | \$886,537,370 |
| NET ASSET VALUE PER COMMON SHARE | \$29.78 |
| NET ASSETS APPLICABLE TO COMMON STOCK | |
| Common Stock, 29,766,389 shares at par value (note 5) | \$29,766,389 |
| Additional paid-in capital (note 5) | 556,383,685 |
| Undistributed realized gain on securities sold | 853,165 |
| Undistributed net investment income (note 5) | 1,286,147 |
| Accumulated other comprehensive income (loss) (note 7) | (7,685,194) |
| Unallocated distributions on Preferred Stock | (219,955) |
| Unrealized appreciation on investments | 306,153,133 |
| NET ASSETS APPLICABLE TO COMMON STOCK | \$886,537,370 |

(see notes to financial statements)

| | YEAR ENDED |
|---|--------------------------|
| | DECEMBER 31, 2011 |
| INCOME | |
| Dividends (net of foreign withholding taxes of \$563,770) | \$18,424,311 |
| Interest | 16,431 |
| TOTAL INCOME | 18,440,742 |
| EXPENSES | |
| Investment research | 7,298,368 |

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| | |
|---|------------|
| Administration and operations | 3,219,538 |
| Office space and general | 1,674,946 |
| Directors' fees and expenses | 279,465 |
| Auditing and legal fees | 218,699 |
| Transfer agent, custodian and registrar fees and expenses | 161,203 |
| Stockholders' meeting and reports | 146,872 |
| Miscellaneous taxes | 146,282 |
| TOTAL EXPENSES | 13,145,373 |
| NET INVESTMENT INCOME | 5,295,369 |

Realized Gain And Change In Unrealized Appreciation On Investments (Notes 1, 3 and 4)

| | |
|---|----------------|
| Net realized gain on investments: | |
| Securities transactions (long-term, except for \$288,080) | 19,202,122 |
| Written option transactions (notes 1b and 4) | 305,525 |
| | 19,507,647 |
| Net decrease in unrealized appreciation | (42,899,858) |
| NET INVESTMENT INCOME AND (LOSS) ON INVESTMENTS | (18,096,842) |
| DISTRIBUTIONS TO PREFERRED STOCKHOLDERS | (11,311,972) |
| DECREASE IN NET ASSETS RESULTING FROM OPERATIONS | (\$29,408,814) |

(see notes to financial statements)

| OPERATIONS | YEAR ENDED DECEMBER 31, | |
|---|-------------------------|--------------|
| | 2011 | 2010 |
| Net investment income | \$5,295,369 | \$5,626,730 |
| Net realized gain on investments | 19,507,647 | 19,636,107 |
| Net increase (decrease) in unrealized appreciation | (42,899,858) | 109,245,534 |
| | (18,096,842) | 134,508,371 |
| Distributions to Preferred Stockholders: | | |
| From net investment income | (3,326,632) | (2,112,684) |
| From short-term capital gains | (249,312) | (878,926) |
| From long-term capital gains | (7,736,028) | (8,320,362) |
| Decrease in net assets from Preferred distributions | (11,311,972) | (11,311,972) |
| INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | (29,408,814) | 123,196,399 |
| OTHER COMPREHENSIVE INCOME | | |
| Funded status of defined benefit plans (note 7) | (2,864,213) | 44,177 |
| DISTRIBUTIONS TO COMMON STOCKHOLDERS | | |
| From net investment income | (4,388,308) | (2,427,967) |

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| | | |
|--|--------------|--------------|
| From short-term capital gains | (328,878) | (1,010,091) |
| From long-term capital gains | (10,204,952) | (9,562,040) |
| DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS | (14,922,138) | (13,000,098) |

CAPITAL SHARE TRANSACTIONS (NOTE 5)

| | | |
|---|--------------|--------------|
| Value of Common Shares issued in payment of dividends and distributions | 7,094,056 | 7,219,220 |
| Cost of Common Shares purchased | (24,302,457) | (30,842,134) |
| DECREASE IN NET ASSETS - CAPITAL TRANSACTIONS | (17,208,401) | (23,622,914) |
| NET INCREASE (DECREASE) IN NET ASSETS | (64,403,566) | 86,617,564 |

NET ASSETS APPLICABLE TO COMMON STOCK

| | | |
|--|---------------|---------------|
| BEGINNING OF YEAR | 950,940,936 | 864,323,372 |
| END OF YEAR (including undistributed net investment income of \$1,286,147 and \$3,721,504, respectively) | \$886,537,370 | \$950,940,936 |

(see notes to financial statements)

| <i>The 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, 2011. This information has been derived from information contained in the financial statements and market price data for the Company's shares.</i> | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|---------|---------|---------|---------|---------|
| PER SHARE OPERATING PERFORMANCE | | | | | |
| Net asset value, beginning of year | \$31.26 | \$27.50 | \$21.09 | \$38.10 | \$40.54 |
| Net investment income | .18 | .19 | .11 | .42 | .31 |
| Net gain (loss) on securities - realized and unrealized | (.68) | 4.37 | 6.94 | (16.15) | 3.39 |
| Other comprehensive income | (.10) | — | .07 | (.25) | .02 |
| Distributions on Preferred Stock: | (.60) | 4.56 | 7.12 | (15.98) | 3.72 |
| Dividends from net investment income | (.11) | (.07) | (.11) | (.11) | (.02) |
| Distributions from net short-term capital gains | (.01) | (.03) | (.05) | — | (.03) |
| Distributions from net long-term capital gains | (.26) | (.27) | (.19) | (.27) | (.36) |
| Distributions from return of capital | — | — | (.01) | — | — |
| Total from investment operations | (.98) | 4.19 | 6.76 | (16.36) | 3.31 |

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| | | | | | |
|--|-----------|-----------|-----------|-----------|-------------|
| Distributions on Common Stock: | | | | | |
| Dividends from net investment income | (.15) | (.08) | (.10) | (.19) | (.33) |
| Distributions from net short-term capital gains | (.01) | (.03) | (.05) | — | (.38) |
| Distributions from net long-term capital gains | (.34) | (.32) | (.19) | (.46) | (5.04) |
| Distributions from return of capital | — | — | (.01) | — | — |
| | (.50) | (.43) | (.35) | (.65) | (5.75) |
| Net asset value, end of year | \$29.78 | \$31.26 | \$27.50 | \$21.09 | \$38.10 |
| Per share market value, end of year | \$24.91 | \$26.82 | \$23.46 | \$17.40 | \$34.70 |
| TOTAL INVESTMENT RETURN - Stockholder | | | | | |
| Return, based on market price per share | (5.29%) | 16.24% | 36.86% | (48.20%) | 8.72% |
| RATIOS AND SUPPLEMENTAL DATA | | | | | |
| Net assets applicable to Common Stock, end of year (000's omitted) | \$886,537 | \$950,941 | \$864,323 | \$674,598 | \$1,202,923 |
| Ratio of expenses to average net assets applicable to Common Stock | 1.39% | 1.54% | 1.93% | 0.87% | 1.11% |
| Ratio of net income to average net assets applicable to Common Stock | 0.56% | 0.66% | 0.46% | 1.31% | 0.78% |
| Portfolio turnover rate | 11.17% | 18.09% | 24.95% | 25.52% | 31.91% |
| PREFERRED STOCK | | | | | |
| Liquidation value, end of year (000's omitted) | \$190,117 | \$190,117 | \$190,117 | \$199,617 | \$200,000 |
| Asset coverage | 566% | 600% | 555% | 438% | 701% |
| Liquidation preference per share | \$25.00 | \$25.00 | \$25.00 | \$25.00 | \$25.00 |
| Market value per share | \$25.47 | \$24.95 | \$24.53 | \$21.90 | \$21.99 |

(see notes to financial statements)

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 Equity securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the period. Equity securities reported on the NASDAQ national market are valued at the official closing price on that day. Listed and NASDAQ equity securities for which no sales are reported on that day and other

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securities traded in the over-the-counter market are valued at the last bid price (asked price for options written) on the valuation date. Equity securities traded primarily in foreign markets are valued at the closing price of such securities on their respective exchanges or markets. Corporate debt securities, domestic and foreign, are generally traded in the over-the-counter market rather than on a securities exchange. The Company utilizes the latest bid prices provided by independent dealers and information with respect to transactions in such securities to determine current market value. If, after the close of foreign markets, 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. 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. **OPTIONS** The Company may purchase and write (sell) put and call options. The Company typically purchases put options or writes call options to hedge the value of portfolio investments while it typically purchases call options and writes put options to obtain equity market exposure under specified circumstances. 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 are reported as a liability on the Statement of Assets and Liabilities. Those that expire unexercised are treated by the Company on the expiration date as realized gains on written option transactions in the Statement of Operations. 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 on written option transactions in the Statement of Operations. 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 on investments in the Statement of Operations. If a put option is exercised, the premium reduces the cost basis for the securities purchased by the Company and is parenthetically disclosed under cost of investments on the Statement of Assets and Liabilities. 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. See Note 4 for written option activity.

c. **SECURITIES TRANSACTIONS AND INVESTMENT INCOME** 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.

d. **FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS** Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies versus U.S. dollars on the date of valuation. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Company's Board of Directors. The Company does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between

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the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. companies as a result of, among other factors, the possibility of political or economic instability or the level of governmental supervision and regulation of foreign securities markets.

e. **DIVIDENDS AND DISTRIBUTIONS** The Company expects to pay dividends of net investment income and distributions of net realized capital and currency gains, if any, annually to common shareholders and quarterly to preferred shareholders. Dividends and distributions to common and preferred shareholders, which are determined in accordance with Federal income tax regulations are recorded on the ex-dividend date. Distributions for tax and book purposes are substantially the same. Permanent book/tax differences relating to income and gains are reclassified to paid-in capital as they arise.

f. **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. In accordance with U.S. GAAP requirements regarding accounting for uncertainties in income taxes, management has analyzed the Company's tax positions taken or expected to be taken on federal and state income tax returns for all open tax years (the current and the prior three tax years) and has concluded that no provision for income tax is required in the Company's financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES - *(Continued from previous page.)*

g. **CONTINGENT LIABILITIES** Amounts related to contingent liabilities are accrued if it is probable that a liability has been incurred and an amount is reasonably estimable. Management evaluates whether there are incremental legal or other costs directly associated with the ultimate resolution of a matter that are reasonably estimable and, if so, they are included in the accrual.

h. **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.

2. 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 invest-

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ing in those securities. The following is a summary of the inputs used to value the Company's net assets as of December 31, 2011:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|-------------------|-----------------|---------|--------------|-----------------|
| Common stocks | \$1,009,674,664 | — | \$19,860,500 | \$1,029,535,164 |
| Warrant | 1,912,500 | — | — | 1,912,500 |
| Money market fund | 52,634,324 | — | — | 52,634,324 |
| Total | \$1,064,221,488 | — | \$19,860,500 | \$1,084,081,988 |

The aggregate value of Level 3 portfolio investments changed during the year ended December 31, 2011 as follows:

| Change in portfolio valuations using significant unobservable inputs | Level 3 |
|--|--------------|
| Fair value at December 31, 2010 | \$17,550,000 |
| Purchases | 3,248,000 |
| Net change in unrealized appreciation on investments | (937,500) |
| Fair value at December 31, 2011 | \$19,860,500 |

The amount of net unrealized loss included in the results of operations attributable to Level 3 assets held at December 31, 2011 and reported within the caption

Net decrease in unrealized appreciation in the Statement of Operations: (\$937,500)

3. PURCHASES AND SALES OF SECURITIES

Purchases and sales of securities (other than short-term securities and options) during 2011 amounted to \$124,125,286 and \$182,642,803, on long transactions, respectively.

4. WRITTEN OPTIONS

Transactions in collateralized put options during the year ended December 31, 2011 were as follows:

| | Contracts | Premiums |
|--|-----------|-----------|
| Options outstanding, December 31, 2010 | 0 | \$0 |
| Options written | 609 | 566,800 |
| Options expired | (400) | (403,209) |
| Options exercised | (209) | (163,591) |
| Options outstanding, December 31, 2011 | 0 | \$0 |

5. 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, 29,766,389 shares were issued

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and outstanding; 8,000,000 Preferred Shares were originally issued and 7,604,687 were outstanding on December 31, 2011.

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 accumulated and unpaid dividends to the date of redemption. On December 10, 2008, the Board of Directors authorized the repurchase of up to 1 million Preferred Shares in the open market at prices below \$25.00 per share.

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.

5. 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% of the Preferred Stock. In addition, pursuant to Moody's Investor Service, Inc. Rating Agency Guidelines, the Company is required to maintain a certain discounted asset coverage for its portfolio that equals or exceeds a Basic Maintenance Amount. 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. In addition, failure to meet the foregoing asset coverage requirements could restrict the Company's 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.

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 presents its Preferred Stock, for which its redemption is outside of the Company's control, outside of the net assets applicable to Common Stock in the Statement of Assets and Liabilities.

Transactions in Common Stock during 2011 and 2010 were as follows:

| | SHARES | | AMOUNT | |
|---|--------|------|--------|------|
| | 2011 | 2010 | 2011 | 2010 |
| Shares issued in payment of dividends and distributions (includes 278,416 and | | | | |

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| | | | | |
|---|---------|-----------|----------------|----------------|
| 277,555 shares issued from treasury, respectively) | 278,416 | 277,555 | \$278,416 | \$277,555 |
| Increase in paid-in capital | | | 6,815,640 | 6,941,665 |
| Total increase | | | 7,094,056 | 7,219,220 |
| Shares purchased (at an average discount from net asset value of 14.6% and 14.6%, respectively) | 935,321 | 1,279,476 | (935,321) | (1,279,476) |
| Decrease in paid-in capital | | | (23,367,136) | (29,562,658) |
| Total decrease | | | (24,302,457) | (30,842,134) |
| Net decrease | | | (\$17,208,401) | (\$23,622,914) |

At December 31, 2011, the Company held in its treasury 2,214,483 shares of Common Stock with an aggregate cost in the amount of \$55,137,135.

Distributions for tax and book purposes are substantially the same. As of December 31, 2011, distributable earnings on a tax basis included \$853,165 from undistributed net long-term capital gains and \$306,153,133 from net unrealized appreciation on investments if realized in future years. Reclassifications arising from permanent "book/tax" differences reflect non-tax deductible expenses incurred during the year ended December 31, 2011. As a result, undistributed net investment income was decreased by \$15,786 and additional paid-in capital was increased by \$15,786. Net assets were not affected by this reclassification.

6. OFFICERS' COMPENSATION-The aggregate compensation accrued and paid by the Company during the year ended December 31, 2011 to its officers (identified on page 20) amounted to \$6,192,500.

7. BENEFIT PLANS

The Company has funded (Qualified) and unfunded (Supplemental) defined contribution thrift plans that are available to its employees. The aggregate cost of such plans for 2011 was \$520,723. The qualified thrift plan acquired 31,015 shares and sold 3,306 shares of the Company's Common Stock during the year ended December 31, 2011 and held 579,844 shares of the Company's Common Stock at December 31, 2011. 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.

The Company recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the Statement of Assets and Liabilities and recognizes changes in funded status in the year in which the changes occur through other comprehensive income.

7. BENEFIT PLANS - (Continued from previous page.)

| | | |
|---|---------------------------------|----------------------|
| | DECEMBER 31, 2011 (MEASUREMENT) | |
| OBLIGATIONS AND FUNDED STATUS OF DEFINED BENEFIT PLANS: | | |
| | QUALIFIED PLAN | SUPPLEMENTAL PLAN |
| CHANGE IN BENEFIT OBLIGATION: | | |

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| | | |
|---|--------------|---------------|
| Benefit obligation at beginning of year | \$11,643,397 | \$3,757,450 |
| Service cost | 308,442 | 115,721 |
| Interest cost | 591,227 | 189,188 |
| Benefits paid | (608,666) | (188,040) |
| Actuarial (gains)/losses | 1,192,445 | 296,455 |
| Plan amendments | — | 4,961 |
| Projected benefit obligation at end of year | 13,126,845 | 4,175,735 |
| CHANGE IN PLAN ASSETS: | | |
| Fair value of plan assets at beginning of year | 15,533,745 | — |
| Actual return on plan assets | (763,314) | — |
| Employer contributions | — | 188,040 |
| Benefits paid | (608,666) | (188,040) |
| Fair value of plan assets at end of year | 14,161,765 | — |
| FUNDED STATUS AT END OF YEAR | | |
| Accumulated benefit obligation at end of year | \$11,958,306 | \$3,718,102 |
| CHANGE IN FUNDED STATUS: | | |
| Noncurrent benefit asset | \$3,890,348 | (\$2,855,428) |
| LIABILITIES | | |
| Current benefit liability | (219,784) | (29,876) |
| Noncurrent benefit liability | (3,537,666) | (388,409) |
| ACCUMULATED OTHER COMPREHENSIVE INCOME | | |
| | 4,820,981 | 2,864,213 |
| AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME CONSIST OF: | | |
| Net actuarial gain | \$4,578,987 | \$2,905,847 |
| Prior service cost | 241,994 | (41,634) |
| | \$4,820,981 | \$2,864,213 |
| WEIGHTED-AVERAGE ASSUMPTIONS AS OF DECEMBER 31, 2011 AND FOR DETERMINING NET PERIODIC BENEFIT COST FOR THE YEAR ENDED DECEMBER 31, 2011: | | |
| Discount rate | 5.00% | 5.00% |
| Expected return on plan assets | 7.50% | N/A |
| Salary scale assumption | 4.25% | 4.25% |
| COMPONENTS OF NET PERIODIC BENEFIT COST: | | |
| Service cost | \$308,442 | \$115,721 |
| Interest cost | 591,227 | 189,188 |
| Expected return on plan assets | (1,100,722) | — |
| Amortization of: | | |
| Prior service cost | 45,837 | 758 |
| Recognized net actuarial loss | 447,090 | — |
| Net periodic benefit cost | \$291,874 | \$305,667 |

PLAN ASSETS

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The Company's qualified pension plan asset allocation by asset class at December 31, 2011, is as follows:

| ASSET CATEGORY | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|-------------------|--------------|-------------|---------|--------------|
| Equity securities | \$11,081,056 | \$2,106,449 | — | \$13,187,505 |
| Debt securities | 525,661 | — | — | 525,661 |
| Money market fund | 419,879 | — | — | 419,879 |
| Total | \$12,026,596 | \$2,106,449 | — | \$14,133,045 |

| EXPECTED CASH FLOWS | QUALIFIED PLAN | SUPPLEMENTAL PLAN | TOTAL |
|---|----------------|-------------------|-----------|
| Expected Company contributions for 2012 | — | \$249,660 | \$249,660 |
| Expected benefit payments: | | | |
| 2012 | \$680,359 | \$249,660 | \$930,019 |
| 2013 | 705,385 | 267,219 | 972,603 |
| 2014 | 729,907 | 260,476 | 990,384 |
| 2015 | 764,612 | 260,116 | 1,024,728 |
| 2016 | 777,217 | 259,066 | 1,036,283 |
| 2017-2021 | 3,970,016 | 1,195,969 | 5,165,985 |

8. OPERATING LEASE COMMITMENT

In September 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 towards 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 \$1,104,200 for the year ended December 31, 2011. Minimum rental commitments under the operating lease are approximately \$1,075,000 per annum in 2012, \$1,183,000 in 2013 through 2017, and \$99,000 in 2018.

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, 2011, and the related statement of operations for the year then

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, 2011, by correspondence with the custodian and brokers. An audit

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ended, the statement of 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

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, 2011, the results of its operations for the year then ended, 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 LLP

New York, New York

February 3, 2012

| NAME (AGE) EMPLOYEE SINCE | PRINCIPAL OCCUPATION DURING PAST 5 YEARS | NAME (AGE) EMPLOYEE SINCE | PRINCIPAL OCCUPATION DURING PAST 5 YEARS |
|--------------------------------|--|------------------------------------|---|
| Spencer Davidson (69) 1994 | <i>Chairman of the Board since 2007, Chief Executive Officer of the Company since 1995</i> | Sally A. Lynch, Ph.D. (52) 1997 | <i>Vice-President of the Company since 2006 securities analyst (biotechnology industry)</i> |
| Jeffrey W. Priest (49) 2010 | <i>President of the Company effective February 1, 2012 Managing Member and President, Amajac Capital Management, LLC (1999-2010)</i> | Michael W. Robinson (39) 2006 | <i>Vice-President of the Company since 2010 securities analyst (general industries)</i> |
| Andrew V. Vindigni (52) | <i>Senior Vice-President of the</i> | Diane G. Radosti (59) 1980 | <i>Treasurer of the Company since 1990 Principal Accounting</i> |

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| | | | |
|-------------------------------------|--|--|--|
| 1988 | <i>Company since 2006</i> Vice-President 1995-2006 securities analyst (financial services and consumer non-durables industries) | Carole Anne Clementi (65) 1982 | Officer since 2003 <i>Secretary of the Company since 1994</i> shareholder relations and office management |
| Eugene S. Stark (53) 2005 | <i>Vice-President, Administration of the Company and Principal Financial Officer since 2005, Chief Compliance Officer since 2006</i> | Craig A. Grassi (43) 1991 | <i>Assistant Vice-President of the Company since 2005</i> information technology |
| Jesse Stuart (45) 2003 | <i>Vice-President of the Company since 2006</i> securities analyst (general industries) | Maureen E. LoBello (61) 1992 | <i>Assistant Secretary of the the Company since 2005</i> benefits administration |

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 the inside back cover of this report.

SERVICE ORGANIZATIONS

| | |
|---|---|
| COUNSEL Sullivan & Cromwell LLP | TRANSFER AGENT AND REGISTRAR American Stock Transfer & Trust Company, LLC 59 Maiden Lane New York, NY 10038 1-800-413-5499 www.amstock.com |
| INDEPENDENT AUDITORS Ernst & Young LLP | |
| CUSTODIAN State Street Bank and Trust Company | |

Previous purchases of the Company's Common and Preferred Stock are set forth in Note 5, on pages 15 and 16. Prospective 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, 2011 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.generalamericaninves-

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tors.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, 2011, 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.

| NAME(AGE) | PRINCIPAL OCCUPATION | OTHER DIRECTORSHIPS AND AFFILIATIONS |
|---|---|---|
| DIRECTOR SINCE | DURING PAST 5 YEARS | |
| INDEPENDENT DIRECTORS | | |
| Arthur G. Altschul, Jr. (47) 1995 | <i>Co-Founder and Chairman</i> Kolltan Pharmaceuticals, Inc. <i>Managing Member</i> Diaz & Altschul Capital Management, LLC (private investment company) | <i>Child Mind Institute, Director</i> <i>Delta Opportunity Fund, Ltd., Director</i> <i>Medicis Pharmaceutical Corporation, Director</i> <i>Neurosciences Research Foundation, Trustee</i> <i>The Overbrook Foundation, Director</i> |
| Rodney B. Berens (66) 2007 | <i>Founding Partner</i> Berens Capital Management, LLC | <i>Alfred P. Sloan Foundation, Member of Investment Committee</i> <i>Peterson Institute for International Economics, Member of Investment Committee</i> <i>Pierpont Morgan Library, Trustee and Head of Investment Committee</i> <i>The Woods Hole Oceanographic Institute, Trustee and Member of Investment Committee</i> |
| Lewis B. Cullman (93) 1961 | <i>Philanthropist</i> | <i>Chess-in-the-Schools, Chairman Emeritus</i> <i>Metropolitan Museum of Art, Honorary Trustee</i> <i>Museum of Modern Art, Vice Chairman, International Council and Honorary Trustee</i> <i>Neurosciences Research Foundation, Vice Chairman, Board of Trustees</i> |

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The New York Botanical Garden, *Senior Vice Chairman, Board of Managers*
 The New York Public Library, *Trustee*

| | | |
|---|---|---|
| <p>Gerald M. Edelman (82) 1976</p> | <p><i>Member, Professor and Chairman of the Department of Neurobiology</i> The Scripps Research Institute</p> | <p>Neurosciences Institute of the Neurosciences Research Foundation <i>Director and President</i> NGN Capital, <i>Chairman, Advisory Board</i> Promosome, LLC, <i>Chairman, Scientific Advisory Board</i></p> |
| <p>John D. Gordan, III (66) 1986</p> | <p><i>Retired, Senior Counsel (2010-June 2011)</i> <i>Partner (1994-2010)</i> Morgan, Lewis & Bockius LLP (law firm)</p> | |
| <p>Betsy F. Gotbaum (73) 2010</p> | <p><i>New York City's Public Advocate</i> (2002-December 2009)</p> | <p>Community Service Society, <i>Trustee</i> Coro Leadership, <i>Trustee</i> Fisher Center for Alzheimer's Research Foundation, <i>Trustee</i> Learning Leaders, <i>Trustee</i> Medrium, Inc., <i>Consultant</i> Visiting Nurse Association of New York, <i>Trustee</i></p> |
| <p>Sidney R. Knafel (81) 1994</p> | <p><i>Lead Independent Director</i> <i>Managing Partner</i> SRK Management Company (private investment company)</p> | <p>IGENE Biotechnology, Inc., <i>Director</i> Insight Communications Company, Inc., <i>Chairman, Board of Directors</i> VirtualScopics, Inc., <i>Director</i> Vocollect, Inc., <i>Director</i> (term expired 2011)</p> |
| <p>Daniel M. Neidich (62) 2007</p> | <p><i>Chief Executive Officer</i> Dune Real Estate Partners LP (since December 2009) <i>Founding Partner and Co-Chief Executive Officer</i> DuneCapital Management LP (2005-December 2009)</p> | <p>Capmark, <i>Director</i> (term expired 2011) Child Mind Institute, <i>Director</i> NY Child Study Center, <i>Director</i> (term expired 2009) Prep for Prep, <i>Director</i> Real Estate Roundtable, <i>Chairman, Board of Directors</i> Urban Land Institute, <i>Trustee</i></p> |
| <p>D. Ellen Shuman (56) 2004</p> | <p><i>Vice President and Chief Investment Officer</i> Carnegie Corporation of New York (1999-July 2011)</p> | <p>American Academy of Arts and Letters, <i>Investment Advisor</i> Bowdoin College, <i>Trustee</i> Community Foundation of Greater New Haven, <i>Investment Advisor</i> Edna McConnell Clark Foundation, <i>Trustee</i> The Investment Fund for Foundations, <i>Trustee</i> (term expired 2008)</p> |
| <p>Raymond S. Troubh (85) 1989</p> | <p><i>Financial Consultant</i></p> | <p>Diamond Offshore Drilling, Inc., <i>Director</i> Gentiva Health Services, Inc., <i>Director</i> Sun Times Media Group, <i>Director</i> (term expired 2007)</p> |

The Wendy's Company, *Director*

INTERESTED DIRECTOR

Spencer Davidson (69)
1995

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

Medicis Pharmaceutical Corporation, *Director*
Neurosciences Research Foundation, *Trustee*

All Directors serve for a term of one year and are elected by Stockholders at the time of the annual meeting on the second Wednesday in April. The address

for each Director is the Company's office.

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/governance/codeofethics.php>. 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 2011 and 2010 were \$106,890 and \$103,780, 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 2011 and 2010 were \$33,790 and \$32,800, respectively. Such services and related fees for 2011 and 2010 included: performance of agreed upon procedures relating to the preferred stock basic maintenance reports (\$8,550 and \$8,300, respectively), review of quarterly employee security transactions and issuance of report thereon (\$19,900 and \$19,320, respectively) and other audit-related services (\$5,340 and \$5,180, 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 2011 and 2010 were \$17,840 and \$17,320, respectively.

(d) ALL OTHER FEES No such fees were billed to the registrant by Ernst & Young LLP for 2011 or 2010.

(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 2010 and 2009 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 2011 and 2010 were \$51,630 and \$50,120, 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: D. Ellen Shuman, chairman, Arthur G. Altschul, Jr., Rodney B. Berens, 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 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.

As of December 31, 2011 and the date of this filing, Mr. Spencer Davidson, Chairman 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 COMPANY AND AFFILIATED PURCHASERS.

(a) General American Investors Company, Inc. Common Stock (GAM)

| Period | (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) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|-------------|---|--|--|--|
| 2011 | | | | |
| 07/01-07/31 | 14,400 | 27.5816 | 14,400 | 738,531 |
| 08/01-08/31 | 261,358 | 24.7921 | 261,358 | 477,173 |
| 09/01-09/30 | 22,053 | 24.8132 | 22,053 | 455,120 |
| 10/01-10/31 | | | | 455,120 |

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| | | | | |
|------------------|---------|---------|---------|-----------|
| 11/01-11/30 | 138,800 | 24.7895 | 138,800 | 316,320 |
| 12/01-12/31 | 217,502 | 24.9302 | 217,502 | 1,098,818 |
| Total for period | 654,113 | | 654,113 | |

Note- On December 14, 2011, the Board of Directors and the registrant announced the repurchase of an additional 1,000,000 Of the registrant's common stock when the shares are trading at a discount from the underlying net asset value of at Least 8%. This represents a continuation of the repurchase program which began in March 1995. As of the beginning of the period, July 1, 2011, there were 752,931 shares available for repurchase under such authorization. As of the end of the period, December 31, 2011, there were 1,098,818 shares available for repurchase under this program.

(b) General American Investors Company, Inc. Preferred Stock (GAMpB)

| Period | (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) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|----------------|---|--|--|--|
| 07/01-07/31 | | | | 604,687 |
| 08/01-08/31 | | | | 604,687 |
| 09/01-09/30 | | | | 604,687 |
| 10/01-10/31 | | | | 604,687 |
| 11/01-11/30 | | | | 604,687 |
| 12/01-12/31 | | | | 604,687 |
| Total for year | | | | |

Note- The Board of Directors has authorized the repurchase of the registrant's preferred stock when the shares are trading at a prices not in excess of \$25.00 per share. As of the beginning of the period, July 1, 2011, there were 604,687 shares available for repurchase under such authorization. As of the end of the period, December 31, 2011, there were 604,687 shares available for repurchase under this program.

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, 2011.

ITEM 11. CONTROLS AND PROCEDURES.

Conclusions of principal officers concerning controls and procedures

(a) As of December 31, 2011, 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, 2011, 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.

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, 2012

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 and Chief Executive Officer
(Principal Executive Officer)

Date: February 6, 2012

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

Date: February 6, 2012