

For the nine months ended September 30, 2011, the net asset value per Common Share decreased 14.7%, while the investment return to our stockholders decreased by 14.4%. By comparison, our benchmark, the Standard & Poor's 500 Stock Index (including income), decreased 8.7%. For the twelve months ended September 30, 2011, the return on the net asset value per Common Share decreased by 6.2%, and the return to our stockholders decreased by 4.3%; these compare with an increase of 1.1% for the S&P 500. During both periods, the discount at which our shares traded continued to fluctuate and on September 30, 2011, it was 13.9%.

As detailed in the accompanying financial statements (unaudited), as of September 30, 2011, the net assets applicable to the Company's Common Stock were \$795,682,693 equal to \$26.66 per Common Share.

The decrease in net assets resulting from operations for the nine months ended September 30, 2011 was \$139,818,926. During this period, the net realized gain on investments sold was \$15,448,006, and the decrease in net unrealized appreciation was \$149,590,734. Net investment income for the nine months was \$2,807,781, and distributions to Preferred Stockholders amounted to \$8,483,979.

During the nine months, 579,019 shares of the Company's Common Stock were repurchased for \$15,439,317 at an average discount from net asset value of 13.9%.

Referencing our last commentary, the crisis in Europe surrounding the sustainability of sovereign debt appears to be affecting global trade, as evidenced by lower commodity prices and slowing Asian demand. It seems clear that the scope of the problem is such that conventional remedies like austerity-based lending together with some structural reforms are inadequate. We believe that European leaders will ultimately summon the will to create a framework that allows for access to capital at reasonable rates and restores investor confidence, but, because the cost must be born by taxpayers from 17 different countries, the time to reach consensus may be protracted.

The U.S. is not currently on a path that is fiscally sustainable. Our debts are excessive, our benefits too great, and our revenues inadequate. There are policy solutions that allow for the burden sharing that must take place and it remains probable that they will be found. Meanwhile, the past few months have seen a deterioration in financial conditions. Extraordinarily, the yield on the stocks in the S&P 500 Index now exceeds that of 10-year treasury bonds, which demonstrates that easy money may be a necessary, but not sufficient, condition for higher equity values. While there are similarities to the environment leading up to the 2008 financial crisis, including problem assets in the banking system and spiking market volatility, differences predominate. By most measures, valuations are conservative, earnings have held up, companies are behaving cautiously by holding cash at record levels, and the prospect of a double-dip recession is receding. Recent data suggest an economy that continues to expand modestly.

While our results have suffered, largely due to weakness in energy-related securities, and mindful of the slowdown in the global economy and the prospect for a prolonged subpar recovery from the past recession, the case for equities, on a longer-term basis continues intact. Although the investment climate may remain volatile our portfolio should be supported by low interest rates and compelling valuations.

Information about the Company, including our investment objectives, operating policies and procedures, investment results, record of dividend and distribution payments, financial reports and press releases, is on our website and has been updated through September 30, 2011. It can be accessed on the internet at [www.generalamericaninvestors.com](http://www.generalamericaninvestors.com).

By Order of the Board of Directors,

GENERAL AMERICAN INVESTORS COMPANY, INC.

Spencer Davidson  
Chairman of the Board  
President and Chief Executive Officer

October 12, 2011

## STATEMENT OF INVESTMENTS September 30, 2011 (Unaudited)

## General American Investors

| Shares   | COMMON STOCKS                                     |                      | Value<br>(note 1a) |
|--|---|----------------------|--------------------|
| <b>AEROSPACE/DEFENSE (2.9%)</b>                          |   |                      |                    |
| 325,000  | United Technologies Corporation                   | (Cost \$22,957,205)  | \$22,867,000       |
| <b>COMMUNICATIONS AND INFORMATION SERVICES (7.1%)</b>    |   |                      |                    |
| 960,000  | Cisco Systems, Inc.                               |                      | 14,880,000         |
| 255,000  | MSCI Inc. Class A (a)                             |                      | 7,734,150          |
| 700,000  | QUALCOMM Incorporated                             |                      | 34,041,000         |
|  |   | (Cost \$46,083,491)  | 56,655,150         |
| <b>COMPUTER SOFTWARE AND SYSTEMS (9.5%)</b>              |   |                      |                    |
| 60,000   | Apple Inc. (a)                                    |                      | 22,879,200         |
| 1,015,000  | Dell Inc. (a)                                     |                      | 14,352,100         |
| 770,000  | Microsoft Corporation                             |                      | 19,165,300         |
| 360,000  | Teradata Corporation                              |                      | 19,270,800         |
|  |   | (Cost \$65,058,433)  | 75,667,400         |
| <b>CONSUMER PRODUCTS AND SERVICES (13.4%)</b>            |   |                      |                    |
| 350,000  | Diageo plc ADR*                                   |                      | 26,575,500         |
| 450,000  | Nestle S.A.                                       |                      | 24,673,325         |
| 325,000  | PepsiCo, Inc.                                     |                      | 20,117,500         |
| 206,000  | Towers Watson & Co. Class A                       |                      | 12,314,680         |
| 712,288  | Unilever N.V.                                     |                      | 22,467,957         |
|  |   | (Cost \$81,355,585)  | 106,148,962        |
| <b>ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (6.0%)</b> |   |                      |                    |
| 957,100  | Republic Services, Inc.                           |                      | 26,856,226         |
| 630,000  | Waste Management, Inc.                            |                      | 20,512,800         |
|  |   | (Cost \$39,190,474)  | 47,369,026         |
| <b>FINANCE AND INSURANCE (26.6%)</b>                     |   |                      |                    |
| <b>BANKING (4.2%)</b>                                    |   |                      |                    |
| 500,000  | Bond Street Holdings LLC (a) (b)                  |                      | 10,250,000         |
| 520,000  | JPMorgan Chase & Co.                              |                      | 15,662,400         |
| 110,000  | M&T Bank Corporation                              |                      | 7,689,000          |
|  |   | (Cost \$31,140,007)  | 33,601,400         |
| <b>INSURANCE (13.0%)</b>                                 |   |                      |                    |
| 875,000  | Arch Capital Group Ltd. (a)                       |                      | 28,590,625         |
| 245,000  | Everest Re Group, Ltd.                            |                      | 19,448,100         |
| 53,500   | Forethought Financial Group, Inc. Class A (a) (c) |                      | 10,860,500         |
| 325,000  | MetLife, Inc.                                     |                      | 9,103,250          |
| 275,000  | PartnerRe Ltd.                                    |                      | 14,374,250         |
| 400,000  | Platinum Underwriters Holdings, Ltd.              |                      | 12,300,000         |
| 180,000  | The Travelers Companies, Inc.                     |                      | 8,771,400          |
|  |   | (Cost \$65,172,570)  | 103,448,125        |
| <b>OTHER (9.4%)</b>                                      |   |                      |                    |
| 315,000  | American Express Company                          |                      | 14,143,500         |
| 330,492  | Aon Corporation                                   |                      | 13,874,054         |
| 110  | Berkshire Hathaway Inc. Class A (a)               |                      | 11,748,000         |
| 1,666,667  | Epoch Holding Corporation                         |                      | 22,616,671         |
| 645,000  | Nelnet, Inc.                                      |                      | 12,113,100         |
|  |   | (Cost \$37,619,544)  | 74,495,325         |
|  |   | (Cost \$133,932,121) | 211,544,850        |

## General American Investors

| Shares  | COMMON STOCKS (continued)                    | Value<br>(note 1a)   |
|---|--|----------------------|
| <b>HEALTH CARE / PHARMACEUTICALS (6.1%)</b>             |  |                      |
| 40,000  | Amgen Inc.                                   | \$2,198,400          |
| 170,000   | Celgene Corporation (a)                      | 10,524,700           |
| 529,900   | Cytokinetics, Incorporated (a)               | 619,983              |
| 564,500   | Gilead Sciences, Inc. (a)                    | 21,902,600           |
| 755,808   | Pfizer Inc.                                  | 13,362,685           |
| 195,344   | Poniard Pharmaceuticals, Inc. (a)            | 24,418               |
|   | (Cost \$50,609,652)                          | <u>48,632,786</u>    |
| <b>MACHINERY AND EQUIPMENT (3.3%)</b>                   |  |                      |
| 1,200,000   | ABB Ltd. ADR*                                | 20,496,000           |
| 900,000   | The Manitowoc Company, Inc.                  | 6,039,000            |
|   | (Cost \$23,703,922)                          | <u>26,535,000</u>    |
| <b>METALS AND MINING (1.6%)</b>                         |  |                      |
| 467,700   | Alpha Natural Resources, Inc. (a)            | 8,273,613            |
| 150,000   | Nucor Corporation                            | 4,746,000            |
|   | (Cost \$25,756,342)                          | <u>13,019,613</u>    |
| <b>MISCELLANEOUS (5.5%)</b>                             |  |                      |
|   | Other (d)                                    | (Cost \$67,119,289)  |
|   |  | <u>43,487,727</u>    |
| <b>OIL AND NATURAL GAS (INCLUDING SERVICES) (11.0%)</b> |  |                      |
| 296,478   | Apache Corporation                           | 23,789,395           |
| 300,000   | Canadian Natural Resources Limited           | 8,781,000            |
| 130,062   | Devon Energy Corporation                     | 7,210,637            |
| 750,000   | Halliburton Company                          | 22,890,000           |
| 2,050,000   | Weatherford International Ltd. (a)           | 25,030,500           |
|   | (Cost \$74,984,196)                          | <u>87,701,532</u>    |
| <b>RETAIL TRADE (19.6%)</b>                             |  |                      |
| 394,500   | Costco Wholesale Corporation                 | 32,400,285           |
| 460,000   | Target Corporation                           | 22,558,400           |
| 1,512,400   | The TJX Companies, Inc.                      | 83,892,828           |
| 333,000   | Wal-Mart Stores, Inc.                        | 17,282,700           |
|   | (Cost \$60,947,765)                          | <u>156,134,213</u>   |
| <b>SEMICONDUCTORS (2.5%)</b>                            |  |                      |
| 575,000   | ASML Holding N.V.                            | (Cost \$13,463,950)  |
|   |  | <u>19,860,500</u>    |
| <b>TECHNOLOGY (3.0%)</b>                                |  |                      |
| 750,000   | International Game Technology                | 10,897,500           |
| 1,900,000   | Xerox Corporation                            | 13,243,000           |
|   | (Cost \$34,368,474)                          | <u>24,140,500</u>    |
| <b>TOTAL COMMON STOCKS (118.1%)</b>                     |  | (Cost \$739,530,899) |
|   |  | <u>939,764,259</u>   |
| <b>WARRANTS</b>   |  |                      |
| <b>WARRANT</b>  |  |                      |
| <b>BANKING (0.3%)</b>                                   |  |                      |
| 225,000   | JPMorgan Chase & Co., expires 10/28/2018 (a) | (Cost \$2,865,853)   |
|   |  | <u>2,094,750</u>     |

## General American Investors

| Shares     | SHORT-TERM SECURITY AND OTHER ASSETS                                | Value<br>(note 1a)   |
|------------|---|----------------------|
| 49,153,165 | SSgA U.S. Treasury Money Market Fund (6.2%) (Cost \$49,153,165)     | \$49,153,165         |
|            | TOTAL INVESTMENTS (e) (124.6%) (Cost \$791,549,917)                 | 991,012,174          |
|            | Liabilities in excess of cash, receivables and other assets (-0.7%) | (5,212,306)          |
|            | PREFERRED STOCK (-23.9%)  | (190,117,175)        |
|            | NET ASSETS APPLICABLE TO COMMON STOCK (100%)                        | <u>\$795,682,693</u> |

\* 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 per share and fair value is \$20.50 per share, note 2. Fair value is based upon bid and/or transaction prices provided via the NASDAQ OMX Group, Inc. PORTAL Alliance trading and transfer system for privately placed equity securities traded in the over-the-counter market among qualified investors.

(c) Level 3 fair value measurement, restricted security acquired 11/3/09, aggregate cost \$10,748,000, unit cost is \$200.90 per share and fair value is \$203 per share, note 2. Fair valuation is based upon recent transactions and, secondarily, 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.

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

(e) At September 30, 2011: the cost of investments for Federal income tax purposes was the same as the cost for financial reporting purposes, aggregate gross unrealized appreciation was \$289,908,884, aggregate gross unrealized depreciation was \$90,446,627, and net unrealized appreciation was \$199,462,257.

(see notes to financial statements)

MAJOR SECURITY CHANGES(a): Three Months Ended September 30, 2011  
(Unaudited)

General American Investors

| INCREASES                                 | SHARES<br>TRANSACTIONED | SHARES<br>HELD |
|---|-------------------------|----------------|
| <b>NEW POSITION</b>                       |                         |                |
| Platinum Underwriters Holdings, Ltd.      | 25,000                  | 400,000 (b)    |
| <b>ADDITIONS</b>                          |                         |                |
| Alpha Natural Resources, Inc.             | 100,000                 | 467,700        |
| Forethought Financial Group, Inc. Class A | 16,000                  | 53,500         |
| Halliburton Company                       | 35,000                  | 750,000        |
| JPMorgan Chase & Co.                      | 45,000                  | 520,000        |
| Nelnet, Inc.                              | 40,000                  | 645,000        |
| PartnerRe Ltd.                            | 15,000                  | 275,000        |
| Target Corporation                        | 129,000                 | 460,000        |
| Unilever N.V.                             | 5,809                   | 712,288        |
| <b>DECREASES</b>                          |                         |                |
| <b>ELIMINATIONS</b>                       |                         |                |
| CEMEX, S.A. de C.V. ADR                   | 1,516,755               | —              |
| Cephalon, Inc.                            | 122,600                 | —              |
| J.C. Penney Company, Inc.                 | 400,000                 | —              |
| Nintendo Co., Ltd.                        | 55,000                  | —              |
| <b>REDUCTIONS</b>                         |                         |                |
| American Express Company                  | 35,000                  | 315,000        |
| Arch Capital Group Ltd.                   | 40,000                  | 875,000        |
| Celgene Corporation                       | 30,000                  | 170,000        |
| Costco Wholesale Corporation              | 180,500                 | 394,500        |
| MSCI Inc. Class A                         | 45,000                  | 255,000        |
| The Travelers Companies, Inc.             | 10,000                  | 180,000        |

(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.

PORTFOLIO DIVERSIFICATION September 30, 2011 (Unaudited)

The diversification of the Company's net assets applicable to its Common Stock by industry group as of September 30, 2011 is shown in the following table.

| INDUSTRY CATEGORY                          | COST(000)        | VALUE(000)       | PERCENT COMMON NET ASSETS* |
|--|------------------|------------------|----------------------------|
| <b>Finance and Insurance</b>               |                  |                  |                            |
| Banking                                    | \$34,006         | \$35,696         | 4.5%                       |
| Insurance                                  | 65,173           | 103,448          | 13.0                       |
| Other                                      | 37,620           | 74,495           | 9.4                        |
|  | <u>136,799</u>   | <u>213,639</u>   | <u>26.9</u>                |
| Retail Trade                               | 60,948           | 156,134          | 19.6                       |
| Consumer Products and Services             | 81,356           | 106,149          | 13.4                       |
| Oil and Natural Gas (Including Services)   | 74,984           | 87,702           | 11.0                       |
| Computer Software and Systems              | 65,058           | 75,667           | 9.5                        |
| Communications and Information Services    | 46,083           | 56,655           | 7.1                        |
| Health Care/Pharmaceuticals                | 50,610           | 48,633           | 6.1                        |
| Environmental Control (Including Services) | 39,191           | 47,369           | 6.0                        |
| Miscellaneous**                            | 67,119           | 43,488           | 5.5                        |
| Machinery and Equipment                    | 23,704           | 26,535           | 3.3                        |
| Technology                                 | 34,368           | 24,140           | 3.0                        |
| Aerospace/Defense                          | 22,957           | 22,867           | 2.9                        |
| Semiconductors                             | 13,464           | 19,861           | 2.5                        |
| Metals and Mining                          | 25,756           | 13,020           | 1.6                        |
|  | <u>742,397</u>   | <u>941,859</u>   | <u>118.4</u>               |
| Short-Term Securities                      | 49,153           | 49,153           | 6.2                        |
| Total Investments                          | <u>\$791,550</u> | <u>991,012</u>   | <u>124.6</u>               |
| Other Assets and Liabilities - Net         |                  | (5,212)          | (0.7)                      |
| Preferred Stock                            |                  | (190,117)        | (23.9)                     |
| Net Assets Applicable to Common Stock      |                  | <u>\$795,683</u> | <u>100.0%</u>              |

\* 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)

## STATEMENT OF ASSETS AND LIABILITIES September 30, 2011 (Unaudited)

## General American Investors

## ASSETS

|  |  |                    |
|--|--|--------------------|
| INVESTMENTS, AT VALUE (NOTE 1a)        |  |                    |
| Common stocks (cost \$739,530,899)     |  | \$939,764,259      |
| Warrant (cost \$2,865,853)             |  | 2,094,750          |
| Money market fund (cost \$49,153,165)  |  | 49,153,165         |
| Total investments (cost \$791,549,917) |  | <u>991,012,174</u> |

## RECEIVABLES AND OTHER ASSETS

|  |                  |                    |
|--|------------------|--------------------|
| Dividends, interest and other receivables                | \$1,117,733      |                    |
| Qualified pension plan asset, net excess funded (note 7) | 3,671,440        |                    |
| Prepaid expenses and other assets                        | <u>2,229,314</u> | <u>7,018,487</u>   |
| TOTAL ASSETS   |                  | <u>998,030,661</u> |

## LIABILITIES

|  |                  |  |
|--|------------------|--|
| Payable for securities purchased                     | 1,087,915        |  |
| Accrued preferred stock dividend not yet declared    | 219,955          |  |
| Accrued supplemental pension plan liability (note 7) | 3,845,670        |  |
| Accrued supplemental thrift plan liability (note 7)  | 3,133,044        |  |
| Accrued expenses and other liabilities               | <u>3,944,209</u> |  |

|                   |  |            |
|-------------------|--|------------|
| TOTAL LIABILITIES |  | 12,230,793 |
|-------------------|--|------------|

## 5.95% CUMULATIVE PREFERRED STOCK, SERIES B -

|  |  |                    |
|--|--|--------------------|
| 7,604,687 shares at a liquidation value of \$25 per share (note 5) |  | <u>190,117,175</u> |
|--|--|--------------------|

|  |  |                      |
|--|--|----------------------|
| NET ASSETS APPLICABLE TO COMMON STOCK - 29,844,275 shares (note 5) |  | <u>\$795,682,693</u> |
|--|--|----------------------|

|                                  |  |                |
|----------------------------------|--|----------------|
| NET ASSET VALUE PER COMMON SHARE |  | <u>\$26.66</u> |
|----------------------------------|--|----------------|

## NET ASSETS APPLICABLE TO COMMON STOCK

|   |                    |  |
|---|--------------------|--|
| Common Stock, 29,844,275 shares at par value (note 5) | \$29,844,275       |  |
| Additional paid-in capital (note 5)                   | 558,059,097        |  |
| Undistributed net investment income (note 5)          | 6,529,285          |  |
| Undistributed realized gain on investments            | 15,312,694         |  |
| Accumulated other comprehensive income (note 7)       | (4,820,981)        |  |
| Unallocated distributions on Preferred Stock          | (8,703,934)        |  |
| Unrealized appreciation on investments                | <u>199,462,257</u> |  |

|                                       |  |                      |
|---------------------------------------|--|----------------------|
| NET ASSETS APPLICABLE TO COMMON STOCK |  | <u>\$795,682,693</u> |
|---------------------------------------|--|----------------------|

(see notes to financial statements)

## STATEMENT OF OPERATIONS Nine Months Ended September 30, 2011 (Unaudited)

## General American Investors

| INCOME  |               |                        |
|---|---------------|------------------------|
| Dividends (net of foreign withholding taxes of \$528,642)                             | \$12,966,589  |                        |
| Interest  | 16,430        | \$12,983,019           |
| EXPENSES  |               |                        |
| Investment research   | 5,786,525     |                        |
| Administration and operations   | 2,313,160     |                        |
| Office space and general  | 1,241,444     |                        |
| Directors' fees and expenses  | 213,421       |                        |
| Auditing and legal fees   | 206,987       |                        |
| Miscellaneous taxes   | 156,164       |                        |
| Transfer agent, custodian and registrar fees and expenses                             | 153,661       |                        |
| Stockholders' meeting and reports   | 103,876       | 10,175,238             |
| NET INVESTMENT INCOME   |               | 2,807,781              |
| 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)                             | 15,341,265    |                        |
| Written option transactions (note 1b and 4)   | 106,741       |                        |
|   | 15,448,006    |                        |
| Net decrease in unrealized appreciation on investments                                | (149,590,734) |                        |
| NET LOSS ON INVESTMENTS   |               | (134,142,728)          |
| DISTRIBUTIONS TO PREFERRED STOCKHOLDERS   |               | (8,483,979)            |
| DECREASE IN NET ASSETS RESULTING FROM OPERATIONS                                      |               | <u>(\$139,818,926)</u> |

## STATEMENT OF CHANGES IN NET ASSETS

| OPERATIONS   | Nine Months Ended                 |                                 |
|--|-----------------------------------|---------------------------------|
|  | September 30, 2011<br>(Unaudited) | Year Ended<br>December 31, 2010 |
| Net investment income  | \$2,807,781                       | \$5,626,730                     |
| Net realized gain on investments   | 15,448,006                        | 19,636,107                      |
| Net increase (decrease) in unrealized appreciation   | (149,590,734)                     | 109,245,534                     |
|  | <u>(131,334,947)</u>              | <u>134,508,371</u>              |
| Distributions to Preferred Stockholders:   |                                   |                                 |
| From net investment income   | —                                 | (2,112,684)                     |
| From short-term capital gains  | —                                 | (878,926)                       |
| From long-term capital gains   | —                                 | (8,320,362)                     |
| Unallocated distributions  | (8,483,979)                       | —                               |
| Decrease in net assets from Preferred distributions  | (8,483,979)                       | (11,311,972)                    |
| INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS  | <u>(139,818,926)</u>              | <u>123,196,399</u>              |
| OTHER COMPREHENSIVE INCOME - Funded status of defined benefit plans (note 7)                               | —                                 | 44,177                          |
| DISTRIBUTIONS TO COMMON STOCKHOLDERS   |                                   |                                 |
| From net investment income   | —                                 | (2,427,967)                     |
| From short-term capital gains  | —                                 | (1,010,091)                     |
| From long-term capital gains   | —                                 | (9,562,040)                     |
| DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS   | <u>—</u>                          | <u>(13,000,098)</u>             |
| CAPITAL SHARE TRANSACTIONS (NOTE 5)  |                                   |                                 |
| Value of Common Shares issued in payment of dividends and distributions                                    | —                                 | 7,219,220                       |
| Cost of Common Shares purchased  | (15,439,317)                      | (30,842,134)                    |
| DECREASE IN NET ASSETS - CAPITAL TRANSACTIONS  | <u>(15,439,317)</u>               | <u>(23,622,914)</u>             |
| NET INCREASE (DECREASE) IN NET ASSETS  | <u>(155,258,243)</u>              | <u>86,617,564</u>               |
| NET ASSETS APPLICABLE TO COMMON STOCK  |                                   |                                 |
| BEGINNING OF PERIOD  | 950,940,936                       | 864,323,372                     |
| END OF PERIOD (including undistributed net investment income of \$6,529,285 and \$3,721,504, respectively) | <u>\$795,682,693</u>              | <u>\$950,940,936</u>            |

(see notes to financial statements)

FINANCIAL HIGHLIGHTS

General American Investors

The following table shows per share operating performance data, total investment return, ratios and supplemental data for the nine months ended September 30, 2011 and for each year in the five-year period ended December 31, 2010. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

|  | Nine Months<br>Ended<br>September 30, 2011<br>(Unaudited) | Year Ended December 31, |                |                |                |                |
|--|---|-------------------------|----------------|----------------|----------------|----------------|
|  |   | 2010                    | 2009           | 2008           | 2007           | 2006           |
| <b>PER SHARE OPERATING PERFORMANCE</b>   |   |                         |                |                |                |                |
| Net asset value, beginning of period   | \$31.26   | \$27.50                 | \$21.09        | \$38.10        | \$40.54        | \$39.00        |
| Net investment income  | .10   | .19                     | .11            | .42            | .31            | .34            |
| Net gain (loss) on securities -<br>realized and unrealized                               | (4.42)  | 4.37                    | 6.94           | (16.15)        | 3.39           | 4.72           |
| Other comprehensive income   | —   | —                       | .07            | (.25)          | .02            | .03            |
|  | <u>(4.32)</u>   | <u>4.56</u>             | <u>7.12</u>    | <u>(15.98)</u> | <u>3.72</u>    | <u>5.09</u>    |
| Distributions on Preferred Stock:  |   |                         |                |                |                |                |
| Dividends from net investment income   | —   | (.07)                   | (.11)          | (.11)          | (.02)          | (.04)          |
| Distributions from net short-term capital gains  | —   | (.03)                   | (.05)          | —              | (.03)          | (.01)          |
| Distributions from net long-term capital gains   | —   | (.27)                   | (.19)          | (.27)          | (.36)          | (.36)          |
| Distributions from return of capital   | —   | —                       | (.01)          | —              | —              | —              |
| Unallocated  | (.28)   | —                       | —              | —              | —              | —              |
|  | <u>(.28)</u>  | <u>(.37)</u>            | <u>(.36)</u>   | <u>(.38)</u>   | <u>(.41)</u>   | <u>(.41)</u>   |
| Total from investment operations   | <u>(4.60)</u>   | <u>4.19</u>             | <u>6.76</u>    | <u>(16.36)</u> | <u>3.31</u>    | <u>4.68</u>    |
| Distributions on Common Stock:   |   |                         |                |                |                |                |
| Dividends from net investment income   | —   | (.08)                   | (.10)          | (.19)          | (.33)          | (.29)          |
| Distributions from net short-term capital gains  | —   | (.03)                   | (.05)          | —              | (.38)          | (.04)          |
| Distributions from net long-term capital gains   | —   | (.32)                   | (.19)          | (.46)          | (5.04)         | (2.81)         |
| Distributions from return of capital   | —   | —                       | (.01)          | —              | —              | —              |
|  | <u>—</u>  | <u>(.43)</u>            | <u>(.35)</u>   | <u>(.65)</u>   | <u>(5.75)</u>  | <u>(3.14)</u>  |
| Net asset value, end of period   | <u>\$26.66</u>  | <u>\$31.26</u>          | <u>\$27.50</u> | <u>\$21.09</u> | <u>\$38.10</u> | <u>\$40.54</u> |
| Per share market value, end of period  | <u>\$22.96</u>  | <u>\$26.82</u>          | <u>\$23.46</u> | <u>\$17.40</u> | <u>\$34.70</u> | <u>\$37.12</u> |
| <b>TOTAL INVESTMENT RETURN - Stockholder<br/>return, based on market price per share</b> | (14.39%)*   | 16.24%                  | 36.86%         | (48.20%)       | 8.72%          | 16.78%         |
| <b>RATIOS AND SUPPLEMENTAL DATA</b>  |   |                         |                |                |                |                |
| Net assets applicable to Common Stock,<br>end of period (000's omitted)                  | \$795,683   | \$950,941               | \$864,323      | \$674,598      | \$1,202,923    | \$1,199,453    |
| Ratio of expenses to average net assets<br>applicable to Common Stock                    | 1.43%**   | 1.54%                   | 1.93%          | 0.87%          | 1.11%          | 1.06%          |
| Ratio of net income to average net assets<br>applicable to Common Stock                  | 0.39%**   | 0.66%                   | 0.46%          | 1.31%          | 0.78%          | 0.86%          |
| Portfolio turnover rate  | 10.60%*   | 18.09%                  | 24.95%         | 25.52%         | 31.91%         | 19.10%         |
| <b>PREFERRED STOCK</b>   |   |                         |                |                |                |                |
| Liquidation value, end of period (000's omitted)   | \$190,117   | \$190,117               | \$190,117      | \$199,617      | \$200,000      | \$200,000      |
| Asset coverage   | 519%  | 600%                    | 555%           | 438%           | 701%           | 700%           |
| Liquidation preference per share   | \$25.00   | \$25.00                 | \$25.00        | \$25.00        | \$25.00        | \$25.00        |
| Market value per share   | \$25.57   | \$24.95                 | \$24.53        | \$21.90        | \$21.99        | \$24.44        |

\*Not annualized

\*\*Annualized

(see 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** 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 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. **SECURITY TRANSACTIONS AND INVESTMENT INCOME** Security 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.

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 the trade and settlement dates on security 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. As of and during the period ended September 30, 2011, 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.

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.

General American Investors

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 investing in those securities. The following is a summary of the inputs used to value the Company's net assets as of September 30, 2011:

| Assets            | Level 1              | Level 2  | Level 3             | Total                |
|-------------------|----------------------|----------|---------------------|----------------------|
| Common stocks     | \$918,653,759        | —        | \$21,110,500        | \$939,764,259        |
| Warrant           | 2,094,750            | —        | —                   | 2,094,750            |
| Money market fund | 49,153,165           | —        | —                   | 49,153,165           |
| Total             | <u>\$969,901,674</u> | <u>—</u> | <u>\$21,110,500</u> | <u>\$991,012,174</u> |

The aggregate value of Level 3 portfolio investments changed during the nine months ended September 30, 2011 as follows:

|  | Level 3             |
|--|---------------------|
| Change in portfolio valuations using significant unobservable inputs |                     |
| Fair value at December 31, 2010                                      | \$17,550,000        |
| Purchases  | 3,248,000           |
| Net change in unrealized appreciation on investments                 | 312,500             |
| Fair value at September 30, 2011                                     | <u>\$21,110,500</u> |

The increase in net unrealized appreciation included in the results of operations attributable to

Level 3 assets held at September 30, 2011 and reported within the caption *Net change in unrealized appreciation/depreciation* in the Statement of Operations: \$312,500

3. **PURCHASES AND SALES OF SECURITIES** - Purchases and sales of securities (other than short-term securities and options) for the nine months ended September 30, 2011 amounted to \$119,655,626 and \$157,210,065, on long transactions, respectively.

4. **WRITTEN OPTIONS** - Transaction in collateralized put options during the nine months ended September 30, 2011 was as follows:

|   | Contracts | Premiums   |
|---|-----------|------------|
| Options outstanding, December 31, 2010  | —         | —          |
| Options written                         | 409       | \$357,424  |
| Options expired                         | (200)     | (193,833)  |
| Options exercised                       | (209)     | (163,591)  |
| Options outstanding, September 30, 2011 | <u>0</u>  | <u>\$0</u> |

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, 29,844,275 shares were issued and outstanding; 8,000,000 Preferred Shares were originally issued and 7,604,687 were outstanding on September 30, 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 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 on an annual basis. To the extent that dividends on the shares of Preferred Stock are not paid from long-term capital gains, they will be paid from ordinary income or net short-term capital gains or will represent a return of capital.

Under the Investment Company Act of 1940, the Company is required to maintain an asset coverage of at least 200% 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 of the Company's Board of Directors and the holders of Preferred and Common Stock, voting as a single class, will elect the remaining directors. If the Company fails to pay dividends on the Preferred Stock in an amount equal to two full years' dividends, the holders of Preferred Stock will have the right to elect a majority of the directors. In addition, the Investment Company Act of 1940 requires that approval of the holders of a majority of any outstanding Preferred Shares, voting separately as a class, would be required to (a) adopt any plan of reorganization that would adversely affect the Preferred Stock and (b) take any action requiring a vote of security holders, including, among other things, changes in the Company's subclassification as a closed-end investment company or changes in its fundamental investment policies.

## General American Investors

5. CAPITAL STOCK AND DIVIDEND DISTRIBUTIONS - (Continued from bottom of previous page.)

The Company presents its Preferred Stock, for which its redemption can be 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 the nine months ended September 30, 2011 and the year ended December 31, 2010 were as follows:

|   | Shares  |           | Amount         |                |
|---|---------|-----------|----------------|----------------|
|   | 2011    | 2010      | 2011           | 2010           |
| Increase in par value of shares issued in payment of dividends and distributions (includes 277,555 shares issued from treasury) | —       | 277,555   | —              | \$277,555      |
| Increase in paid-in capital   |         |           | —              | 6,941,665      |
| Total increase  |         |           | —              | 7,219,220      |
| Decrease in par value of shares purchased (average discount from NAV of 13.9% and 14.6%, respectively)                          | 579,019 | 1,279,476 | (\$579,019)    | (1,279,476)    |
| Decrease in paid-in capital   |         |           | (14,860,298)   | (29,562,658)   |
| Total decrease  |         |           | (15,439,317)   | (30,842,134)   |
| Net decrease  |         |           | (\$15,439,317) | (\$23,622,914) |

At September 30, 2011, the Company held in its treasury 2,136,597 shares of Common Stock with an aggregate cost in the amount of \$52,742,139.

6. OFFICERS' COMPENSATION - The aggregate compensation accrued and paid by the Company during the nine months ended September 30, 2011 to its officers (identified on back cover) amounted to \$5,135,625.

7. BENEFIT PLANS - The Company has funded (qualified) and unfunded (supplemental) noncontributory defined benefit pension plans that cover its employees. The plans provide defined benefits based on years of service and final average salary with an offset for a portion of social security covered compensation. The components of the net periodic benefit cost (income) of the plans for the nine months ended September 30, 2011 were:

|                                    |           |
|------------------------------------|-----------|
| Service cost                       | \$318,122 |
| Interest cost                      | 585,311   |
| Expected return on plan assets     | (825,541) |
| Amortization of prior service cost | 34,946    |
| Recognized net actuarial loss      | 335,318   |
| Net periodic benefit cost          | \$448,156 |

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.

The Company also has funded (qualified) and unfunded (supplemental) defined contribution thrift plans that are available to its employees. The aggregate cost of such plans for the nine months ended September 30, 2011 was \$405,834. The qualified thrift plan acquired 16,100 shares and sold 3,306 shares of the Company's Common Stock during the nine months ended September 30, 2011 and held 564,929 shares of the Company's Common Stock at September 30, 2011.

8. OPERATING LEASE COMMITMENT - In September 2007, the Company entered into an operating lease agreement for office space which expires in February 2018 and provided 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 \$815,500 for the nine months ended September 30, 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.

9. LITIGATION - The Company is subject to a legal action arising from a construction worker's personal injury that is covered under the terms of its insurance policies. Defense and legal costs are being funded by the insurer; damages of an amount that is immaterial to the Company are being negotiated at this time. No liabilities or expenses have been incurred by the Company to date.

## OTHER MATTERS (Unaudited)

Purchases of the Company's Common Stock as set forth in Note 5 on page 11, may be 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.generalamericaninvestors.com](http://www.generalamericaninvestors.com) and (3) on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

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

On April 25, 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.

## DIRECTORS

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Spencer Davidson, Chairman  
Sidney R. Knafel, Lead Independent Director

|                         |                   |
|-------------------------|-------------------|
| Arthur G. Altschul, Jr. | Betsy F. Gotbaum  |
| Rodney B. Berens        | Daniel M. Neidich |
| Lewis B. Cullman        | D. Ellen Shuman   |
| Gerald M. Edelman       | Raymond S. Troubh |
| John D. Gordan, III     |                   |

## OFFICERS

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Spencer Davidson, President & Chief Executive Officer  
Andrew V. Vindigni, Senior Vice-President  
Sally A. Lynch, Vice-President  
Michael W. Robinson, Vice-President  
Eugene S. Stark, Vice-President, Administration &  
Chief Compliance Officer  
Jesse R. Stuart, Vice-President  
Diane G. Radosti, Treasurer  
Carole Anne Clementi, Secretary  
Craig A. Grassi, Assistant Vice-President  
Maureen E. LoBello, Assistant Secretary

## SERVICE COMPANIES

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

# GENERAL AMERICAN INVESTORS COMPANY, INC.



## THIRD QUARTER REPORT September 30, 2011

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

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