

## TO THE STOCKHOLDERS

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For the three months ended March 31, 2006, the investment return to our stockholders was 10.0% (assuming reinvestment of all dividends and distributions). The net asset value per Common Share increased by 4.9%. By comparison, the rate of return (including income) for our benchmark, the Standard & Poor's 500 Stock Index, was 4.2%. For the twelve months ended March 31, 2006, the return to our stockholders was 29.8%, and the return on the net asset value per Common Share was 22.3%; these compare with a return of 11.6% for the S&P 500. During each period, the discount at which our shares traded fluctuated moderately and at March 31, 2006, it was 7.2%.

As set forth in the accompanying financial statements (unaudited), as of March 31, 2006, the net assets applicable to the Company's Common Stock were \$1,174,679,700, equal to \$40.76 per Common Share.

The increase in net assets resulting from operations for the three months ended March 31, 2006 was \$54,054,295. During this period, the net realized gain on securities sold was \$50,519,673, and the increase in net unrealized appreciation was \$5,049,472. Net investment income for the three months was \$1,460,150, and distributions to Preferred Stockholders amounted to \$2,975,000.

During the three months, 228,700 shares of the Company's Common Stock were repurchased for \$8,315,463 at an average discount from net asset value of 10.2%.

Equity markets continued to rally through the quarter just ended, reflecting the continuing resiliency of our economy in the face of rising interest rates and higher commodity prices. Our portfolio participated in the advance, while the return to shareholders benefited markedly by the decline in the discount to the net asset value at which our shares trade.

Corporate earnings are continuing to grow, but at a moderating pace, suggesting that further market gains, this year, may well be tempered. We remain focused on longer-term trends, confident that shareholders will be rewarded by our traditional investment practices.

We are pleased to report that on April 12, 2006, at the Company's annual meeting, the Stockholders (1) elected eleven directors, including two directors who were elected by the holders of the Company's Preferred Stock, and (2) ratified the selection of Ernst & Young LLP as auditors of the Company for the year 2006.

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 March 31, 2006. 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*  
*President and Chief Executive Officer*

April 12, 2006

**STATEMENT OF ASSETS AND LIABILITIES March 31, 2006 (Unaudited)**

*General American Investors*

ASSETS

<b>INVESTMENTS, AT VALUE (NOTE 1a)</b>		
Common and preferred stocks (cost \$703,902,460)		\$1,292,125,912
Corporate note (cost \$33,275,342)		29,750,000
Corporate discount notes (cost \$19,963,406)		19,963,406
Money market fund (cost \$28,297,721)		28,297,721
Total investments (cost \$785,438,929)		1,370,137,039

CASH, RECEIVABLES AND OTHER ASSETS

Cash	\$43,034	
Receivable for securities sold	9,579,291	
Dividends, interest and other receivables	2,440,263	
Prepaid pension cost	7,773,337	
Prepaid expenses and other assets	196,480	
		20,032,405

**TOTAL ASSETS** 1,390,169,444

LIABILITIES

Payable for securities purchased	7,776,063	
Preferred distribution accrued but not yet declared	231,389	
Accrued pension expense	5,911,460	
Accrued expenses and other liabilities	1,570,832	

**TOTAL LIABILITIES** 15,489,744

5.95% CUMULATIVE PREFERRED STOCK, SERIES B -  
8,000,000 shares at a liquidation value of \$25 per share (note 2) 200,000,000

**NET ASSETS APPLICABLE TO COMMON STOCK - 28,821,699 shares (note 2)** \$1,174,679,700

**NET ASSET VALUE PER COMMON SHARE** \$40.76

NET ASSETS APPLICABLE TO COMMON STOCK

Common Stock, 28,821,699 shares at par value (note 2)	\$28,821,699	
Additional paid-in capital (note 2)	510,885,930	
Undistributed realized gain on investments	50,488,220	
Undistributed net investment income	2,992,130	
Unallocated distributions on Preferred Stock	(3,206,389)	
Unrealized appreciation on investments	584,698,110	

**NET ASSETS APPLICABLE TO COMMON STOCK** \$1,174,679,700

(see notes to financial statements)

**STATEMENT OF OPERATIONS Three Months Ended March 31, 2006 (Unaudited)**

*General American Investors*

INCOME		
Dividends (net of foreign withholding taxes of \$75,509)	\$3,674,643	
Interest	<u>1,100,652</u>	\$4,775,295
EXPENSES		
Investment research	2,226,550	
Administration and operations	725,301	
Office space and general	132,586	
Directors' fees and expenses	72,207	
Auditing and legal fees	60,000	
Transfer agent, custodian and registrar fees and expenses	40,783	
Stockholders' meeting and reports	32,107	
Miscellaneous taxes	<u>25,611</u>	<u>3,315,145</u>
NET INVESTMENT INCOME		1,460,150
REALIZED GAIN (LOSS) AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS (NOTES 1e AND 4)		
Net realized gain on investments:		
Long transactions	51,154,677	
Short sale transaction (note 1b)	<u>(635,004)</u>	
Net realized gain on investments (long-term, except for \$458,004)	50,519,673	
Net increase in unrealized appreciation	<u>5,049,472</u>	
NET GAIN ON INVESTMENTS		55,569,145
DISTRIBUTIONS TO PREFERRED STOCKHOLDERS		<u>(2,975,000)</u>
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		<u><u>\$54,054,295</u></u>

(see notes to financial statements)

**STATEMENT OF CHANGES IN NET ASSETS**

*General American Investors*

	Three Months Ended March 31, 2006 (Unaudited)	Year Ended December 31, 2005
<b>OPERATIONS</b>		
Net investment income	\$1,460,150	\$5,408,018
Net realized gain on investments	50,519,673	63,024,095
Net increase in unrealized appreciation	<u>5,049,472</u>	<u>103,638,830</u>
	<u>57,029,295</u>	<u>172,070,943</u>
Distributions to Preferred Stockholders:		
From net investment income	—	(845,368)
From short-term capital gains	—	(2,449,640)
From long-term capital gains	—	(8,604,992)
Unallocated distributions on Preferred Stock	<u>(2,975,000)</u>	<u>—</u>
Decrease in net assets from Preferred Stock distributions	<u>(2,975,000)</u>	<u>(11,900,000)</u>
<b>INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<u>54,054,295</u>	<u>160,170,943</u>
<b>DISTRIBUTIONS TO COMMON STOCKHOLDERS</b>		
From net investment income	—	(4,333,771)
From short-term capital gains	—	(12,389,129)
From long-term capital gains	<u>(4,000,786)</u>	<u>(43,672,026)</u>
<b>DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS</b>	<u>(4,000,786)</u>	<u>(60,394,926)</u>
<b>CAPITAL SHARE TRANSACTIONS (NOTE 2)</b>		
Value of Common Shares issued in payment of distributions	—	36,584,716
Cost of Common Shares purchased	<u>(8,315,463)</u>	<u>(39,812,172)</u>
<b>DECREASE IN NET ASSETS - CAPITAL TRANSACTIONS</b>	<u>(8,315,463)</u>	<u>(3,227,456)</u>
<b>NET INCREASE IN NET ASSETS</b>	41,738,046	96,548,561
<b>NET ASSETS APPLICABLE TO COMMON STOCK</b>		
<b>BEGINNING OF PERIOD</b>	<u>1,132,941,654</u>	<u>1,036,393,093</u>
<b>END OF PERIOD</b> (including undistributed net investment income of \$2,992,130 and \$1,531,980, respectively)	<u>\$1,174,679,700</u>	<u>\$1,132,941,654</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 three months ended March 31, 2006 and for each year in the five-year period ended December 31, 2005. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

	Three Months Ended March 31, 2006 (Unaudited)	Year Ended December 31,				
		2005	2004	2003	2002	2001
<b>PER SHARE OPERATING PERFORMANCE</b>						
Net asset value, beginning of period	\$39.00	\$35.49	\$33.11	\$26.48	\$35.14	\$39.91
Net investment income	.05	.19	.32	.03	.19	.41
Net gain (loss) on investments - realized and unrealized	1.95	5.85	3.48	7.72	(7.88)	(.66)
Less distributions on Preferred Stock:						
Dividends from net investment income	—	(.03)	(.09)	(.01)	(.12)	(.03)
Distributions from net short-term capital gains	—	(.08)	—	—	—	(.04)
Distributions from net long-term capital gains	—	(.30)	(.32)	(.35)	(.23)	(.29)
Unallocated	(.10)	—	—	—	—	—
	(.10)	(.41)	(.41)	(.36)	(.35)	(.36)
Total from investment operations	1.90	5.63	3.39	7.39	(8.04)	(.61)
Less distributions on Common Stock:						
Dividends from net investment income	—	(.15)	(.23)	(.02)	(.02)	(.37)
Distributions from net short-term capital gains	—	(.44)	—	—	(.19)	(.51)
Distributions from net long-term capital gains	(.14)	(1.53)	(.78)	(.52)	(.41)	(3.28)
	(.14)	(2.12)	(1.01)	(.54)	(.62)	(4.16)
Capital Stock transaction - effect of Preferred Stock offering	—	—	—	(.22)	—	—
Net asset value, end of period	\$40.76	\$39.00	\$35.49	\$33.11	\$26.48	\$35.14
Per share market value, end of period	\$37.84	\$34.54	\$31.32	\$29.73	\$23.85	\$33.47
<b>TOTAL INVESTMENT RETURN - Stockholder return, based on market price per share</b>	9.98%*	17.40%	8.79%	27.01%	(27.21)%	4.33%
<b>RATIOS AND SUPPLEMENTAL DATA</b>						
Net assets applicable to Common Stock, end of period (000's omitted)	\$1,174,680	\$1,132,942	\$1,036,393	\$986,335	\$809,192	\$1,097,530
Ratio of expenses to average net assets applicable to Common Stock	1.14%**	1.25%	1.15%	1.23%	0.92%	0.97%
Ratio of net investment income to average net assets applicable to Common Stock	0.50%**	0.51%	0.94%	0.13%	0.61%	1.15%
Portfolio turnover rate	5.39%*	20.41%	16.71%	18.62%	22.67%	23.81%
<b>PREFERRED STOCK</b>						
Liquidation value, end of period (000's omitted)	\$200,000	\$200,000	\$200,000	\$200,000	\$150,000	\$150,000
Asset coverage	687%	666%	618%	593%	639%	832%
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Market value per share	\$24.69	\$24.07	\$24.97	\$25.04	\$25.85	\$25.90

\*Not annualized

\*\*Annualized

**STATEMENT OF INVESTMENTS March 31, 2006 (Unaudited)**

*General American Investors*

Shares	COMMON AND PREFERRED STOCKS	Value (note 1a)
<b>BUILDING AND REAL ESTATE (6.4%)</b>		
1,143,041	CEMEX, S.A. de C.V. ADR	(COST \$30,440,830) <u>\$74,617,716</u>
<b>COMMUNICATIONS AND INFORMATION SERVICES (5.0%)</b>		
675,000	American Tower Corporation (a)	20,466,000
900,000	Cisco Systems, Inc. (a)	19,503,000
350,000	Lamar Advertising Company Class A (a)	18,413,500
		(COST \$34,761,823) <u>58,382,500</u>
<b>COMPUTER SOFTWARE AND SYSTEMS (3.9%)</b>		
300,000	EMC Corporation (a)	4,089,000
1,400,000	Microsoft Corporation	38,094,000
133,500	VeriSign, Inc. (a)	3,202,665
		(COST \$41,604,314) <u>45,385,665</u>
<b>CONSUMER PRODUCTS AND SERVICES (2.7%)</b>		
350,000	Diageo plc	22,200,500
175,000	PepsiCo, Inc.	10,113,250
		(COST \$22,493,511) <u>32,313,750</u>
<b>ELECTRONICS (1.4%)</b>		
550,000	Molex Incorporated Class A	(COST \$12,287,441) <u>16,346,000</u>
<b>ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (4.2%)</b>		
1,175,000	Republic Services, Inc.	(COST \$26,227,380) <u>49,949,250</u>
<b>FINANCE AND INSURANCE (27.0%)</b>		
<b>BANKING (9.9%)</b>		
280,000	Bank of America Corporation	12,751,200
585,000	Golden West Financial Corporation	39,721,500
310,000	M&T Bank Corporation	35,383,400
475,000	North Fork Bancorporation, Inc.	13,694,250
200,000	SunTrust Banks, Inc.	14,552,000
		(COST \$31,006,675) <u>116,102,350</u>
<b>INSURANCE (15.9%)</b>		
275,000	The Allstate Corporation	14,330,250
350,000	American International Group, Inc.	23,131,500
500,000	Annuity and Life Re (Holdings), Ltd. (a)	605,000
350,000	Arch Capital Group Ltd. (a)	20,209,000
300	Berkshire Hathaway Inc. Class A (a)	27,105,000
550,000	Everest Re Group, Ltd.	51,353,500
285,000	MetLife, Inc.	13,785,450
365,000	PartnerRe Ltd.	22,662,850
225,000	Transatlantic Holdings, Inc.	13,151,250
		(COST \$82,551,050) <u>186,333,800</u>
<b>OTHER (1.2%)</b>		
500,000	Annaly Mortgage Management, Inc.	6,070,000
1,300,000	MFA Mortgage Investments, Inc.	8,255,000
		(COST \$16,084,154) <u>14,325,000</u>
		(COST \$129,641,879) <u>316,761,150</u>

**STATEMENT OF INVESTMENTS March 31, 2006 (Unaudited) - continued**

*General American Investors*

Shares	COMMON AND PREFERRED STOCKS (continued)	Value (note 1a)
<b>HEALTH CARE (11.0%)</b>		
<b>PHARMACEUTICALS (9.1%)</b>		
240,000	Alkermes, Inc. (a)	\$5,292,000
170,000	Biogen Idec Inc. (a)	8,007,000
604,900	Cytokinetics, Incorporated (a)	4,409,721
305,000	Genentech, Inc. (a)	25,775,550
400,000	MedImmune, Inc. (a)	14,632,000
1,947,000	Pfizer Inc	48,519,240
	(COST \$67,179,843)	<u>106,635,511</u>
<b>MEDICAL INSTRUMENTS AND DEVICES (1.9%)</b>		
450,000	Medtronic, Inc.	(COST \$10,483,716) 22,837,500
	(COST \$77,663,559)	<u>129,473,011</u>
<b>MISCELLANEOUS (4.5%)</b>		
	Other (b)	(COST \$51,274,394) <u>53,090,000</u>
<b>OIL &amp; NATURAL GAS (INCLUDING SERVICES) (23.4%)</b>		
665,000	Apache Corporation	43,564,150
200,000	EOG Resources, Inc.	14,400,000
440,000	Halliburton Company	32,128,800
1,000,000	Patterson-UTI Energy, Inc.	31,960,000
1,000,000	Talisman Energy Inc.	53,180,000
330,000	Total S.A. ADR	43,470,900
1,220,000	Weatherford International Ltd. (a)	55,815,000
	(COST \$174,256,353)	<u>274,518,850</u>
<b>RETAIL TRADE (17.6%)</b>		
700,000	Costco Wholesale Corporation	37,912,000
750,000	Dollar General Corporation	13,252,500
1,570,000	The Home Depot, Inc. (c)	66,411,000
2,500,000	The TJX Companies, Inc.	62,050,000
575,000	Wal-Mart Stores, Inc.	27,163,000
	(COST \$70,534,121)	<u>206,788,500</u>
<b>SEMICONDUCTORS (0.5%)</b>		
323,000	Brooks Automation, Inc. (a)	4,599,520
100,000	EMCORE Corporation (a)	1,020,000
	(COST \$4,024,001)	<u>5,619,520</u>
<b>SPECIAL HOLDING (a) (d) (0.0%)</b>		
546,000	Standard MEMS, Inc. Series A Convertible Preferred	(COST \$3,003,000) <u>—</u>
<b>TECHNOLOGY (2.4%)</b>		
1,900,000	Xerox Corporation (a)	(COST \$25,689,854) <u>28,880,000</u>
<b>TOTAL COMMON AND PREFERRED STOCKS (110.0%)</b>		(COST \$703,902,460) <u>1,292,125,912</u>
<b>Principal Amount CORPORATE NOTE</b>		
<b>CONSUMER PRODUCTS AND SERVICES (2.5%)</b>		
\$35,000,000	General Motors Nova Scotia Finance Company 6.85% Guaranteed Notes due 10/15/08	(COST \$33,275,342) <u>29,750,000</u>

**STATEMENT OF INVESTMENTS March 31, 2006 (Unaudited) - continued**

*General American Investors*

Principal Amount	SHORT-TERM SECURITY AND OTHER ASSETS		Value (note 1a)
\$10,000,000	General Electric Credit Corporation note due 4/11/06; 4.73%	(COST \$9,981,606)	\$9,981,606
10,000,000	UBS Finance Inc. Corporation note due 4/4/06; 4.68%	(COST \$9,981,800)	9,981,800
28,297,721	SSgA Prime Money Market Fund	(COST \$28,297,721)	28,297,721
	TOTAL SHORT-TERM SECURITIES (4.1%)	(COST \$48,261,127)	48,261,127
	TOTAL INVESTMENTS (e) (116.6%)	(COST \$785,438,929)	1,370,137,039
	Cash, receivables and other assets less liabilities (0.4%)		4,542,661
	PREFERRED STOCK (-17.0%)		(200,000,000)
	NET ASSETS APPLICABLE TO COMMON STOCK (100%)		<u>\$1,174,679,700</u>

- (a) Non-income producing security.  
 (b) Securities which have been held for less than one year, not previously disclosed and not restricted.  
 (c) 1,000,000 shares held by custodian in a segregated account as collateral for open short positions.  
 (d) Restricted security acquired 12/17/99. Fair value in the opinion of the directors.  
 (e) At March 31, 2006: (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 \$602,036,783, (3) aggregate gross unrealized depreciation was \$17,338,673, and  
 (4) net unrealized appreciation was \$584,698,110.

(see notes to financial statements)

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**PORTFOLIO DIVERSIFICATION March 31, 2006 (Unaudited)**

*General American Investors*

The diversification of the Company's net assets applicable to its Common Stock by industry group as of March 31, 2006 and 2005 is shown in the following table.

INDUSTRY CATEGORY	MARCH 31, 2006		PERCENT COMMON NET ASSETS* MARCH 31	
	COST(000)	VALUE(000)	2006	2005
Finance and Insurance				
Banking	\$31,007	\$116,102	9.9%	9.7%
Insurance	82,551	186,334	15.9	19.2
Other	16,084	14,325	1.2	1.3
	<u>129,642</u>	<u>316,761</u>	<u>27.0</u>	<u>30.2</u>
Oil and Natural Gas (Including Services)	174,256	274,519	23.4	26.5
Retail Trade	70,534	206,788	17.6	19.6
Health Care				
Pharmaceuticals	67,180	106,636	9.1	8.7
Medical Instruments and Devices	10,484	22,837	1.9	2.2
	<u>77,664</u>	<u>129,473</u>	<u>11.0</u>	<u>10.9</u>
Building and Real Estate	30,441	74,618	6.4	3.9
Consumer Products and Services	55,769	62,064	5.2	3.6
Communications and Information Services	34,762	58,382	5.0	7.0
Miscellaneous**	51,274	53,090	4.5	1.8
Environmental Control (Including Services)	26,227	49,949	4.2	3.8
Computer Software and Systems	41,604	45,386	3.9	5.1
Technology	25,690	28,880	2.4	0.0
Electronics	12,288	16,346	1.4	1.7
Semiconductors	4,024	5,620	0.5	0.8
Special Holdings	3,003	—	0.0	0.0
	<u>737,178</u>	<u>1,321,876</u>	<u>112.5</u>	<u>114.9</u>
Short-Term Securities	48,261	48,261	4.1	4.7
Total Investments	<u>\$785,439</u>	<u>1,370,137</u>	<u>116.6</u>	<u>119.6</u>
Other Assets and Liabilities - Net		4,543	0.4	0.0
Preferred Stock		(200,000)	(17.0)	(19.6)
Net Assets Applicable to Common Stock		<u>\$1,174,680</u>	<u>100.0%</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.



## NOTES TO FINANCIAL STATEMENTS (Unaudited)

### General American Investors

1. **SIGNIFICANT ACCOUNTING POLICIES** - General American Investors Company, Inc. (the "Company"), established in 1927, is registered under the Investment Company Act of 1940 as a closed-end, diversified management investment company. It is internally managed by its officers under the direction of the Board of Directors.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

a. **SECURITY VALUATION** Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the period. Securities reported on the NASDAQ national market are valued at the official closing price on that day. Listed and NASDAQ securities for which no sales are reported on that day and other securities traded in the over-the-counter market are valued at the last bid price (asked price for open short positions) on the valuation date. Securities traded primarily in foreign markets are generally valued at the preceding closing price of such securities on their respective exchanges or markets. If, after the close of the foreign market, conditions change significantly, the price of certain foreign securities may be adjusted to reflect fair value as of the time of the valuation of the portfolio. Corporate discount notes are valued at amortized cost, which approximates market value. Investments in money market funds are valued at their net asset value. Special holdings (restricted securities) and other securities for which quotations are not readily available are valued at fair value determined in good faith pursuant to procedures established by and under the general supervision of the Board of Directors.

b. **SHORT SALES** The Company may make short sales of securities for either speculative or hedging purposes. When the Company makes a short sale, it borrows the securities sold short from a broker; in addition, the Company places cash with that broker and securities in a segregated account with the custodian, both as collateral for the short position. The Company may be required to pay a fee to borrow the securities and may also be obligated to pay any dividends declared on the borrowed securities. The Company will realize a gain if the security price decreases and a loss if the security price increases between the date of the short sale and the date on which the Company replaces the borrowed securities.

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

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

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

2. **CAPITAL STOCK AND DIVIDEND DISTRIBUTIONS** - The authorized capital stock of the Company consists of 50,000,000 shares of Common Stock, \$1.00 par value, and 10,000,000 shares of Preferred Stock, \$1.00 par value, of which 28,821,699 shares and 8,000,000 shares, respectively, were outstanding at March 31, 2006.

On September 24, 2003, the Company issued and sold 8,000,000 shares of its 5.95% Cumulative Preferred Stock, Series B in an underwritten offering. The Preferred Shares are noncallable for 5 years and have a liquidation preference of \$25.00 per share plus an amount equal to accumulated and unpaid dividends to the date of redemption. The underwriting discount and other expenses associated with the Preferred Stock offering amounted to \$6,700,000 and were charged to paid-in capital.

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

Under the Investment Company Act of 1940, the Company is required to maintain an asset coverage of at least 200% for the Preferred Stock. In addition, pursuant to the Rating Agency Guidelines, the Company is required to maintain a certain discounted asset coverage for its portfolio that equals or exceeds the Basic Maintenance Amount under the guidelines established by Moody's Investors Service, Inc. The Company has met these requirements since the issuance of the Preferred Stock. If the Company fails to meet these requirements in the future and does not cure such failure, the Company may be required to redeem, in whole or in part, shares of Preferred Stock at a redemption price of \$25.00 per share plus accumulated and unpaid dividends (whether or not earned or declared). In addition, the Company's failure to meet the foregoing asset coverage requirements could restrict its ability to pay dividends on shares of Common Stock and could lead to sales of portfolio securities at inopportune times.

The holders of Preferred Stock have voting rights equivalent to those of the holders of Common Stock (one vote per share) and, generally, vote together with the holders of Common Stock as a single class.

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

The Company classifies its Preferred Stock pursuant to the requirements of EITF D-98, *Classification and Measurement of Redeemable Securities*, which require that preferred stock for which its redemption is outside of the company's control should be presented outside of net assets in the statement of assets and liabilities.

**NOTES TO FINANCIAL STATEMENTS (Unaudited) - continued**

*General American Investors*

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

Transactions in Common Stock during the three months ended March 31, 2006 and the year ended December 31, 2005 were as follows:

	SHARES		AMOUNT	
	2006	2005	2006	2005
Shares issued in payment of dividends (includes 1,067,491 shares issued from treasury for 2005)	—	1,067,491	—	\$1,067,491
Increase in paid-in capital			—	<u>35,517,225</u>
Total increase			—	<u>36,584,716</u>
Shares purchased (at an average discount from net asset value of 10.2% and 12.4%, respectively)	228,700	1,222,404	(\$228,700)	(1,222,404)
Decrease in paid-in capital			<u>(8,086,763)</u>	<u>(38,589,768)</u>
Total decrease			<u>(8,315,463)</u>	<u>(39,812,172)</u>
Net decrease			<u>(\$8,315,463)</u>	<u>(\$3,227,456)</u>

At March 31, 2006, the Company held in its treasury 2,409,864 shares of Common Stock with an aggregate cost in the amount of \$69,205,977. Distributions for tax and book purposes are substantially the same.

3. OFFICERS' COMPENSATION - The aggregate compensation paid by the Company during the three months ended March 31, 2006 to its officers amounted to \$1,536,125.

4. PURCHASES AND SALES OF SECURITIES - Purchases and sales of securities and securities sold short (other than short-term securities) for the three months ended March 31, 2006 amounted to \$71,769,549 and \$133,765,355 on long transactions, respectively, and on short sale transactions \$4,014,500 and \$3,379,496, respectively.

5. PENSION BENEFIT PLANS - The Company has funded (Qualified) and unfunded (Supplemental) noncontributory defined benefit pension plans that cover substantially all of its employees. The plans provide defined benefits based on years of service and final average salary with an offset for a portion of social security covered compensation. The components of the net periodic benefit cost of the plans for the three months ended March 31, 2006 were:

Service cost	\$86,016
Interest cost	166,039
Expected return on plan assets	(294,034)
Amortization of:	
Prior service cost	8,774
Recognized net actuarial loss (gain)	<u>27,405</u>
Net periodic benefit cost (income)	<u>(\$5,800)</u>

The Company also has funded and unfunded contributory defined contribution thrift plans that cover substantially all employees. The aggregate cost of such plans for the three months ended March 31, 2006 was \$280,358. The unfunded liability included in accrued expenses and other liabilities at March 31, 2006 was \$2,775,648.

6. OPERATING LEASE COMMITMENT - In July 1992, the Company entered into an operating lease agreement for office space which expires in 2007 and provides for future rental payments in the aggregate amount of approximately \$5.6 million. The lease agreement contains a clause whereby the Company received twenty months of free rent beginning in December 1992 and escalation clauses relating to operating costs and real property taxes.

Rental expense approximated \$95,000 for the three months ended March 31, 2006. Minimum rental commitments under the operating lease are approximately \$505,000 per annum in 2006 through 2007.

In January 2003, the Company extended a sublease agreement (originally entered into in March 1996) which expires in 2007 and provides for future rental receipts. Minimum rental receipts under the sublease are approximately \$254,000 per annum in 2006 through 2007. The Company will also receive its proportionate share of operating expenses and real property taxes under the sublease.

**MAJOR STOCK CHANGES\* Three Months Ended March 31, 2006 (Unaudited)***General American Investors*

	SHARES	SHARES HELD MARCH 31, 2006
<b>INCREASES</b>		
<b>NEW POSITION</b>		
The Allstate Corporation	105,000	275,000 (a)
<b>ADDITIONS</b>		
American International Group, Inc.	5,000	350,000
Everest Re Group, Ltd.	10,000	550,000
Pfizer Inc	697,000	1,947,000
<b>DECREASES</b>		
<b>ELIMINATIONS</b>		
Devon Energy Corporation	758,000	—
Ethan Allen Interiors Inc.	275,000	—
Telecom Corporation of New Zealand Limited	4,600,000	—
<b>REDUCTIONS</b>		
Alkermes, Inc.	25,000	240,000
Biogen Idec Inc.	10,000	170,000
EMCORE Corporation	97,000	100,000
EOG Resources, Inc.	400,000	200,000
Genentech Corporation	25,000	305,000
The Home Depot, Inc.	125,000	1,570,000
North Fork Bancorporation, Inc.	125,000	475,000 (a)
PartnerRe Ltd.	10,000	365,000
Transatlantic Holdings, Inc.	25,000	225,000

\* Excludes transactions in Common and Preferred Stocks - Miscellaneous - Other.

(a) Includes shares purchased in prior period and previously carried under Stocks - Miscellaneous - Other.

**OTHER MATTERS (Unaudited)***General American Investors*

In addition to purchases of the Company's Common Stock as set forth in Note 2 on page 10, purchases of Common Stock may be made at such times, at such prices, in such amounts and in such manner as the Board of Directors may deem advisable.

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, 2005 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 be obtained by calling us at 1-800-436-8401.

On May 6, 2005, the Company submitted a CEO annual certification to the New York Stock Exchange ("NYSE") on which the Company's principal executive officer certified that he was not aware, as of that date, of any violation of 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

Lawrence B. Buttenwieser, *Chairman*  
Arthur G. Altschul, Jr.      Sidney R. Knafel  
Lewis B. Cullman      Richard R. Pivrotto  
Spencer Davidson      D. Ellen Shuman  
Gerald M. Edelman      Joseph T. Stewart, Jr.  
John D. Gordan, III      Raymond S. Troubh

William T. Golden, Director Emeritus

## OFFICERS

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

## SERVICE COMPANIES

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

## RESULTS OF THE ANNUAL MEETING OF STOCKHOLDERS

The votes cast by stockholders at the Company's annual meeting held on April 12, 2006 were as follows:

### Election of Directors:

	FOR	WITHHELD
Lawrence B. Buttenwieser	31,540,033	838,741
Lewis B. Cullman	31,583,948	795,127
Spencer Davidson	31,641,236	737,838
Gerald M. Edelman	31,604,421	774,653
John D. Gordan, III	31,706,826	672,248
Richard R. Pivrotto	31,595,341	783,734
D. Ellen Shuman	31,858,175	520,899
Joseph T. Stewart, Jr.	31,629,110	749,965
Raymond S. Troubh	31,624,309	754,766

### Elected by holders of Preferred Stock:

Arthur G. Altschul, Jr.	6,903,727	75,655
Sidney R. Knafel	6,902,827	76,555

Ratification of the selection of Ernst & Young LLP as auditors of the Company for the year 2006:

For - 31,843,199;      Against - 383,380;      Abstain - 152,497

## GENERAL AMERICAN INVESTORS COMPANY, INC.



## FIRST QUARTER REPORT MARCH 31, 2006

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

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