

GENERAL AMERICAN INVESTORS CO INC  
Form N-CSRS  
August 06, 2007

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

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

GENERAL AMERICAN INVESTORS COMPANY, INC.

-----  
(Exact name of registrant as specified in charter)

450 Lexington Avenue, Suite 3300, New York, New York 10017-3911  
-----

(Address of principal executive offices) (Zip code)

Eugene S. Stark  
General American Investors Company, Inc.  
450 Lexington Avenue  
Suite 3300  
New York, New York 10017-3911  
(Name and address of agent for service)

Copy to:  
John E. Baumgardner, Jr., Esq.  
Sullivan & Cromwell LLP  
125 Broad Street  
New York, New York 10004

Registrant's telephone number, including area code: 212-916-8400

Date of fiscal year end: December 31

Date of reporting period: June 30, 2007

2

ITEM 1. REPORTS TO STOCKHOLDERS.

GENERAL AMERICAN INVESTORS  
COMPANY, INC.

SEMI-ANNUAL REPORT  
JUNE 30, 2007

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

450 LEXINGTON AVENUE

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

NEW YORK, NY 10017  
212-916-8400 1-800-436-8401  
E-mail: InvestorRelations@gainv.com  
www.generalamericaninvestors.com

3

### TO THE STOCKHOLDERS

For the six months ended June 30, 2007, the net asset value per common share increased by 11.3%, while the investment return to our stockholders was 9.2%. By comparison, the rate of return (including income) for our benchmark, the Standard & Poor's 500 Stock Index, was 7.0%. For the twelve months ended June 30, 2007, the return on the net asset value per Common Share was 23.0%, and the return to our stockholders was 21.6%; these compare with a return of 20.5% for the S&P 500. During each period, the discount at which our shares traded continued to fluctuate and on June 30, 2007, it was 10.2%.

As set forth in the accompanying financial statements (unaudited), as of June 30, 2007, the net assets applicable to the Company's Common Stock were \$1,319,084,730 equal to \$45.14 per Common Share.

The increase in net assets resulting from operations for the six months ended June 30, 2007 was \$133,915,605. During this period, the net realized gain on securities sold was \$128,919,725, and the increase in net unrealized appreciation was \$3,755,733. Net investment income for the six months was \$7,190,147, and distributions to Preferred Stockholders amounted to \$5,950,000.

During the six months, 364,300 shares of the Company's Common Stock were repurchased for \$14,343,113 at an average discount from net asset value of 10.3%.

The year to date has produced meaningful capital gains, though it may be difficult to sustain this performance over the balance of the year. One of the main concerns is rising interest rates, which reflect the impact of higher fuel and food costs, among other factors, on inflation. Higher borrowing costs could dampen the flow of deals, which is thought to be an important part of the foundation currently supporting equities.

Although it's difficult to argue that stocks are now undervalued, if interest rates are trending up, sufficient liquidity appears to be available, at compelling prices, to generally support financial assets. Despite the housing slump and its attendant subprime loan problems, the U.S. economy seems to be expanding again. Jobless claims and unemployment remain relatively low, the trade deficit appears to have stabilized, the dollar's decline has been orderly, and global growth remains robust.

We are pleased to report that, on July 11, 2007, Messrs. Rodney B. Berens and Daniel M. Neidich were appointed to the Board of Directors. Mr. Berens is founding partner of Berens Capital Management LLC and previously served as Head of Global Equities at Salomon Brothers and as a member of the firm's Operating Committee. Mr. Neidich is founding partner and Co-Chief Executive Officer of Dune Capital Management LP. and previously served as a member of Goldman Sachs' Management Committee, co-head of its Merchant Banking Division, and Chairman of the Whitehall Investment Committee. Messrs. Berens and Neidich each serve as directors or trustees of numerous business, community, and eleemosynary organizations. Their familiarity with investment management and the securities industries should be of great value to the Company in the future.

We are also pleased to report that Joseph T. Stewart, Jr., a member of the Board of Directors of the Company since 1987, has been appointed by his fellow independent directors to serve as the Company's Lead Independent Director in order to maintain good governance practices in view of combining the offices of

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

the Chairman and Chief Executive Officer at the Company's recent annual meeting.

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 June 30, 2007. 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  
July 11, 2007

4

2 STATEMENT OF ASSETS AND LIABILITIES June 30, 2007 (Unaudited)

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

ASSETS  
-----

INVESTMENTS, AT VALUE (NOTE 1a)

Common and preferred stocks (cost \$857,833,159)  
Corporate note (cost \$24,210,900)  
Money market fund (cost \$1,054,428)

\$1,4

Total investments (cost \$883,098,487)

-----  
1,5

CASH, RECEIVABLES AND OTHER ASSETS

Cash	\$440,895	
Receivable for securities sold	3,234,095	
Deposits with broker for options written	23,085	
Dividends, interest and other receivables	1,115,675	
Pension asset, excess funded	8,908,039	
Prepaid expenses and other assets	214,759	
	-----	

TOTAL ASSETS

-----  
1,5

LIABILITIES  
-----

Payable for securities purchased	2,866,112	
Preferred dividend accrued but not yet declared	231,389	
Outstanding options written, at value (premium received \$23,085) (note 1a)	15,610	
Pension benefit liability	3,352,474	
Accrued thrift plan expense	3,306,942	
Accrued expenses and other liabilities	2,771,012	
	-----	

TOTAL LIABILITIES

5.95% CUMULATIVE PREFERRED STOCK, SERIES B -

8,000,000 shares at a liquidation value of \$25 per share (note 2)

2  
-----

NET ASSETS APPLICABLE TO COMMON STOCK - 29,224,898 shares (note 2)

\$1,3  
=====

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

NET ASSET VALUE PER COMMON SHARE

NET ASSETS APPLICABLE TO COMMON STOCK

Common Stock, 29,224,898 shares at par value (note 2)	\$29,224,898
Additional paid-in capital (note 2)	524,115,063
Undistributed realized gain on investments	127,204,676
Undistributed net investment income	9,409,064
Accumulated other comprehensive income (note 5)	711,709
Unallocated distributions on Preferred Stock	(6,181,389)
Unrealized appreciation on investments and options written	634,600,709
	-----

NET ASSETS APPLICABLE TO COMMON STOCK

\$1,3  
=====

(see notes to financial statements)

5

3 STATEMENT OF OPERATIONS Six Months Ended June 30, 2007 (Unaudited)

-----  
General American Investors

INCOME

Dividends (net of foreign withholding taxes of \$298,820)	\$11,946,944
Interest	1,506,642
	-----

EXPENSES

Investment research	3,997,967
Administration and operations	1,550,678
Office space and general	272,513
Directors' fees and expenses	136,163
Auditing and legal fees	105,000
Transfer agent, custodian and registrar fees and expenses	78,243
Stockholders' meeting and reports	67,053
Miscellaneous taxes	55,822
	-----

NET INVESTMENT INCOME

REALIZED GAIN AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS AND OPTIONS WRITTEN (NOTES 1d)

Net realized gain on investments (long-term, except for \$9,198,910)	128,919,725
Net increase in unrealized appreciation	3,755,733
	-----

NET GAIN ON INVESTMENTS

DISTRIBUTIONS TO PREFERRED STOCKHOLDERS

INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

(see notes to financial statements)

6

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

4

STATEMENT OF CHANGES IN NET ASSETS

General American Investors		Six Months Ended June 30, 2007 (Unaudited)	D
<hr/>			
OPERATIONS			
<hr/>			
Net investment income		\$7,190,147	\$
Net realized gain on investments		128,919,725	
Net increase in unrealized appreciation		3,755,733	
		-----	
		139,865,605	1
		-----	
Distributions to Preferred Stockholders:			
From net income		-	
From short-term capital gains		-	
From long-term capital gains		-	(
Unallocated distributions		(5,950,000)	
		-----	
Decrease in net assets from Preferred distributions		(5,950,000)	
		-----	
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		133,915,605	
		-----	
OTHER COMPREHENSIVE INCOME		59,150	
		-----	
<hr/>			
DISTRIBUTIONS TO COMMON STOCKHOLDERS			
<hr/>			
From net income		-	
From short-term capital gains		-	
From long-term capital gains		-	
		-----	
DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS		-	
		-----	
<hr/>			
CAPITAL SHARE TRANSACTIONS (NOTE 2)			
<hr/>			
Value of Common Shares issued in payment of distributions		-	
Cost of Common Shares purchased		(14,343,113)	
		-----	
INCREASE (DECREASE) IN NET ASSETS - CAPITAL TRANSACTIONS		(14,343,113)	
		-----	
NET INCREASE IN NET ASSETS		119,631,642	
<hr/>			
NET ASSETS APPLICABLE TO COMMON STOCK			
<hr/>			
BEGINNING OF PERIOD		1,199,453,088	1,
		-----	--
END OF PERIOD (including undistributed net investment income of \$9,409,064 and \$2,218,917, respectively)		\$1,319,084,730	\$1,
		=====	===
<hr/>			
(see notes to financial statements)			

7

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

5

FINANCIAL HIGHLIGHTS

General American Investors

The following table shows per share operating performance data, total investment return, ratios and supplemental data for the six months ended June 30, 2007 and for each year in the five-year period ended December 31, 2006. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

	Six Months	Year Ended December			
	Ended June 30, 2007 (Unaudited)	2006	2005	2004	2003
<b>PER SHARE OPERATING PERFORMANCE</b>					
Net asset value, beginning of period	\$40.54	\$39.00	\$35.49	\$33.11	\$26.48
Net investment income	.25	.34	.19	.32	.03
Net gain (loss) on investments - realized and unrealized	4.55	4.72	5.85	3.48	7.72
Other comprehensive income	-	.03	-	-	-
<b>Less distributions on Preferred Stock:</b>					
Dividends from net investment income	-	(.04)	(.03)	(.09)	(.01)
Distributions from net short-term capital gains	-	(.01)	(.08)	-	-
Distributions from net long-term capital gains	-	(.36)	(.30)	(.32)	(.35)
Unallocated	(.20)	-	-	-	-
	(.20)	(.41)	(.41)	(.41)	(.36)
<b>Total from investment operations</b>	<b>4.60</b>	<b>4.68</b>	<b>5.63</b>	<b>3.39</b>	<b>7.39</b>
<b>Distributions on Common Stock:</b>					
Dividends from net investment income	-	(.29)	(.15)	(.23)	(.02)
Distributions from net short-term capital gains	-	(.04)	(.44)	-	-
Distributions from net long-term capital gains	-	(2.81)	(1.53)	(.78)	(.52)
	-	(3.14)	(2.12)	(1.01)	(.54)
<b>Capital Stock transaction - effect of Preferred Stock offering</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(.22)</b>
<b>Net asset value, end of period</b>	<b>\$45.14</b>	<b>\$40.54</b>	<b>\$39.00</b>	<b>\$35.49</b>	<b>\$33.11</b>
<b>Per share market value, end of period</b>	<b>\$40.55</b>	<b>\$37.12</b>	<b>\$34.54</b>	<b>\$31.32</b>	<b>\$29.73</b>
<b>TOTAL INVESTMENT RETURN - Stockholder return, based on market price</b>					

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

per share	9.24%*	16.78%	17.40%	8.79%	27.01%
RATIOS AND SUPPLEMENTAL DATA					
Net assets applicable to Common					
Stock, end of period					
(000's omitted)	\$1,319,085	\$1,199,453	\$1,132,942	\$1,036,393	\$986,335
Ratio of expenses to average net assets					
applicable to Common Stock	1.00%**	1.06%	1.25%	1.15%	1.23%
Ratio of net income to average net assets					
applicable to Common Stock	1.15%**	0.86%	0.51%	0.94%	0.13%
Portfolio turnover rate	23.24%*	19.10%	20.41%	16.71%	18.62%
PREFERRED STOCK					
Liquidation value, end of					
period (000's omitted)	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Asset coverage	760%	700%	666%	618%	593%
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Market value per share	\$24.20	\$25.44	\$24.07	\$24.97	\$25.04

\*Not annualized

\*\*Annualized

8

6 STATEMENT OF INVESTMENTS June 30, 2007 (Unaudited)

-----  
General American Investors

Shares	COMMON AND PREFERRED STOCKS	
-----		
AEROSPACE/DEFENSE (3.9%)		
-----		
254,900	Textron Inc.	
325,000	United Technologies Corporation	
		(COST \$47,844,103)
BUILDING AND REAL ESTATE (6.4%)		
-----		
2,280,483	CEMEX, S.A. de C.V. ADR	(COST \$31,628,612)
COMMUNICATIONS AND INFORMATION SERVICES (10.7%)		
-----		
346,000	Avaya Inc. (a)	
900,000	Cisco Systems, Inc. (a)	
525,000	Dow Jones & Company, Inc.	
324,100	Lamar Advertising Company Class A (a)	
800,000	QUALCOMM Incorporated	
1,225,000	Sprint Nextel Corporation	
		(COST \$109,843,903)
COMPUTER SOFTWARE AND SYSTEMS (6.4%)		
-----		
700,000	Activision, Inc. (a)	
1,360,000	Dell Inc. (a)	
420,000	Microsoft Corporation	
55,000	Nintendo Co., Ltd.	
		(COST \$68,508,936)

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

CONSUMER PRODUCTS AND SERVICES (5.9%)

350,000 Diageo plc ADR  
 300,000 Heineken N. V.  
 41,000 Nestle S.A.  
 235,000 PepsiCo, Inc.

(COST \$56,398,431)

ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (4.1%)

881,500 Republic Services, Inc.  
 680,000 Waste Management, Inc.

(COST \$39,285,764)

FINANCE AND INSURANCE (24.1%)

BANKING (6.3%)

350,000 Bank of America Corporation  
 315,000 M&T Bank Corporation  
 625,000 Wachovia Corporation

(COST \$21,166,709)

INSURANCE (15.6%)

275,000 The Allstate Corporation  
 335,000 American International Group, Inc.  
 275,000 Annuity and Life Re (Holdings), Ltd. (a)  
 335,000 Arch Capital Group Ltd. (a)  
 365,000 AXIS Capital Holdings Limited  
 275 Berkshire Hathaway Inc. Class A (a)  
 390,000 Everest Re Group, Ltd.  
 265,000 MetLife, Inc.  
 310,000 PartnerRe Ltd.  
 175,000 Transatlantic Holdings, Inc.

(COST \$78,616,754)

OTHER (2.2%)

10,000 Epoch Holding Corporation Series A Convertible Preferred 4.6% (d)  
 913,300 MFA Mortgage Investments, Inc.

(COST \$16,824,776)

(COST \$116,608,239)

9

7 STATEMENT OF INVESTMENTS June 30, 2007 (Unaudited) - continued

General American Investors



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

Shares	COMMON AND PREFERRED STOCKS (continued)	
<hr/>		
HEALTH CARE (5.1%)		
<hr/>		
PHARMACEUTICALS (4.5%)		
<hr/>		
100,000	Alkermes, Inc. (a)	
170,000	Biogen Idec Inc. (a)	
604,900	Cytokinetics, Incorporated (a)	
200,000	Genentech, Inc. (a)	
275,000	Novo Nordisk B	
		(COST \$30,509,215)
<hr/>		
MEDICAL INSTRUMENTS AND DEVICES (0.6%)		
<hr/>		
170,000	Medtronic, Inc.	(COST \$456,553)
		(COST \$30,965,768)
<hr/>		
MACHINERY AND EQUIPMENT (2.0%)		
<hr/>		
1,150,000	ABB Ltd. ADR	(COST \$12,430,211)
<hr/>		
METAL (1.4%)		
<hr/>		
146,100	Carpenter Technology Corporation	(COST \$18,260,714)
<hr/>		
MISCELLANEOUS (5.6%)		
<hr/>		
	Other (b)	(COST \$71,644,755)
<hr/>		
OIL & NATURAL GAS (INCLUDING SERVICES) (17.4%)		
<hr/>		
600,000	Apache Corporation	
850,000	Halliburton Company	
1,000,000	Patterson-UTI Energy, Inc.	
3,000,000	Talisman Energy Inc.	
1,220,000	Weatherford International Ltd. (a)	
		(COST \$133,870,713)
<hr/>		
RETAIL TRADE (16.7%)		
<hr/>		
630,000	Costco Wholesale Corporation	
591,000	Dollar General Corporation	
1,378,000	The Home Depot, Inc. (c)	
483,000	Target Corporation	
2,100,000	The TJX Companies, Inc.	
575,000	Wal-Mart Stores, Inc.	
		(COST \$85,722,795)
<hr/>		
TECHNOLOGY (3.4%)		
<hr/>		
130,000	Intermec, Inc. (a)	
2,250,000	Xerox Corporation (a)	
		(COST \$34,820,215)
<hr/>		
TOTAL COMMON AND PREFERRED STOCKS (113.1%)		(COST \$857,833,159)

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

Principal Amount	CORPORATE NOTE	
CONSUMER PRODUCTS AND SERVICES (1.9%)		
\$25,000,000	General Motors Nova Scotia Finance Company 6.85% Guaranteed Notes due 10/15/08	(COST \$24,210,900)

10

8 STATEMENT OF INVESTMENTS June 30, 2007 (Unaudited) - continued

General American Investors

Shares	SHORT-TERM SECURITY AND OTHER ASSETS	
1,054,428	SSgA Prime Money Market Fund (0.1%)	(COST \$1,054,428)
TOTAL INVESTMENTS (e) (115.1%)		(COST \$883,098,487)
Cash, receivables and other assets less liabilities (0.1%)		
PREFERRED STOCK (-15.2%)		
NET ASSETS APPLICABLE TO COMMON STOCK (100%)		

- (a) Non-income producing security.
- (b) Securities which have been held for less than one year.
- (c) 1,000,000 shares held by custodian in a segregated custodian account as collateral for short
- (d) Restricted security of an affiliate acquired 11/7/06.
- (e) At June 30, 2007:
  - (1) the cost of investments for Federal income tax purposes was the same as the cost for f purposes,
  - (2) aggregate gross unrealized appreciation was \$639,170,422,
  - (3) aggregate gross unrealized depreciation was \$4,577,188, and
  - (4) net unrealized appreciation was \$634,593,234.

(see notes to financial statements)

STATEMENT OF CALL OPTIONS WRITTEN June 30, 2007 (Unaudited)

General American Investors

Contracts (100 shares each)	COMMON STOCK/EXPIRATION DATE/EXERCISE PRICE	(
COMMUNICATIONS AND INFORMATION SERVICES		
446	Avaya Inc./January '08/\$17.50	(PREMIUMS RECEIVED \$23,085)

(see notes to financial statements)

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

## PORTFOLIO DIVERSIFICATION June 30, 2007 (Unaudited)

### General American Investors

The diversification of the Company's net assets applicable to its Common Stock by industry group as of June 30, 2007 and 2006 is shown in the following table.

Industry Category	June 30, 2007		Percent Common Ne
	Cost (000)	Value (000)	June 30
			2007
Finance and Insurance			
Banking	\$21,167	\$82,816	6.3%
Insurance	78,617	205,714	15.6
Other	16,825	29,019	2.2
	-----	-----	-----
	116,609	317,549	24.1
	-----	-----	-----
Oil and Natural Gas (Including Services)	133,871	229,872	17.4
Retail Trade	85,723	220,179	16.7
Communications and Information Services	109,844	141,475	10.7
Consumer Products and Services	80,609	102,481	7.8
Computer Software and Systems	68,509	84,287	6.4
Building and Real Estate	31,628	84,150	6.4
	-----	-----	-----
Health Care			
Pharmaceuticals	30,509	59,096	4.5
Medical Instruments and Devices	456	8,816	0.6
	-----	-----	-----
	30,965	67,912	5.1
	-----	-----	-----
Miscellaneous**	71,645	74,153	5.6
Environmental Control (Including Services)	39,286	53,563	4.1
Aerospace/Defense	47,844	51,119	3.9
Technology	34,820	44,870	3.4
Machinery & Equipment	12,430	25,990	2.0
Metals	18,261	19,038	1.4
Electronics	-	-	-
Semiconductors	-	-	-
Special Holdings	-	-	-
	-----	-----	-----
	882,044	1,516,638	115.0
Short-Term Securities	1,054	1,054	0.1
	-----	-----	-----
Total Investments	\$883,098	1,517,692	115.1
	=====	=====	=====
Other Assets and Liabilities - Net		1,393	0.1
Preferred Stock		(200,000)	(15.2)
		-----	-----
Net Assets Applicable to Common Stock		\$1,319,085	100.0%
		=====	=====

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

### General American Investors

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

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

a. SECURITY VALUATION Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the period. Securities reported on the NASDAQ national market are valued at the official closing price on that day. Listed and NASDAQ securities for which no sales are reported on that day and other securities traded in the over-the-counter market are valued at the last bid price (asked price for options written) on the valuation date. Securities traded primarily in foreign markets are generally valued at the preceding closing price of such securities on their respective exchanges or markets. If, after the close of the foreign market, conditions change significantly, the price of certain foreign securities may be adjusted to reflect fair value as of the time of the valuation of the portfolio. Investments in money market funds are valued at their net asset value. The restricted security is valued at par value (cost), divided by the conversion price of \$6.00 multiplied by the last reported sales price of the publicly traded common stock of the corporation.

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

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

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

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

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 29,224,898 shares and 8,000,000 shares, respectively, were outstanding at June 30, 2007.

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.

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

10

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 six months ended June 30, 2007 and the year ended December 31, 2006 were as follows:

	SHARES	
	----- 2007	2006 -----
Treasury shares issued in payment of dividends and distributions	-	1,326,499
Increase in paid-in capital		
Total increase		
Shares purchased (at an average discount from net asset value of 10.3% and 9.0%, respectively)	364,300	787,700
Decrease in paid-in capital		
Total decrease		
Net increase (decrease)		

At June 30, 2007, the Company held in its treasury 2,006,665 shares of Common Stock with an aggregate cost in the amount of \$71,830,884. Distributions for tax and book purposes are substantially the same.

3. OFFICERS' COMPENSATION - The aggregate compensation paid by the Company during the six months ended June 30, 2007 to its officers (identified on back cover) amounted to \$3,636,250.

4. PURCHASES AND SALES OF SECURITIES - Purchases and sales of securities (other than short-term securities and options) for the six months ended June 30, 2007 amounted to \$334,626,356 and \$345,148,409.

5. 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 of the plans for the six months ended June 30, 2007 were:

Service cost	\$150,780
Interest cost	360,149
Expected return on plan assets	(626,687)
Amortization of:	
Prior service cost	11,046
Recognized net actuarial loss (gain)	48,104
	-----
Net periodic benefit cost (income)	(\$56,608)
	=====

The Company also has funded and unfunded defined contribution thrift plans that are available to its employees. The aggregate cost of such plans for the six months ended June 30, 2007 was \$449,881. The unfunded liability at June 30, 2007 was \$3,306,942.

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

Effective December 31, 2006, the Company adopted the recognition provisions of Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("FAS158") which was released on September 2006. FAS 158 improves financial reporting by requiring employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the statement of assets and liabilities and to recognize changes in funded status in the year in which the changes occur through other comprehensive income.

6. OPERATING LEASE COMMITMENTS - In July 1992, the Company entered into an operating lease agreement for office space which expires on December 31, 2007 and provided for future rental payments in the aggregate amount of approximately \$5.6 million. The lease agreement contains a clause whereby the Company received a specified number of months of free rent beginning in December 1992 and escalation clauses relating to rent charges, operating costs, and real property taxes.

In January 2003, the Company extended a sublease agreement (originally entered into in March 1996) which expires on December 31, 2007 and provides for future rental receipts. Minimum rental receipts under the sublease are approximately \$254,000 in 2007. The Company will also be charged its proportionate share of operating expenses and real property taxes under the sublease.

Net rental expense approximated \$156,000 for the six months ended June 30, 2007. On a gross basis, minimum rental commitments under the operating lease are approximately \$505,000 in 2007.

In June 2007, the Company entered into an operating lease agreement for new office space which expires in February 2018 and provides for future rental payments in the aggregate amount of approximately \$10.8 million. 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.

Minimum rental commitments under the operating lease are approximately \$0.9 million in 2008 and \$1.0 million per annum in 2009 through 2012, \$1.1 million in 2013 through 2017 and \$0.1 million in 2018.

7. RECENT ACCOUNTING PRONOUNCEMENTS - On September 20, 2006, the FASB released Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("FAS 157"). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. The application of FAS 157 is required for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Management does not believe that the application of this standard will have a material impact on the financial statements of the Company.

13

11 MAJOR STOCK CHANGES\* Three Months Ended June 30, 2007 (Unaudited)

-----  
 General American Investors

-----  
 INCREASES SHARES

SHARE  
 JUNE 3

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

### NEW POSITIONS

Carpenter Technology Corporation	146,100	14
Dow Jones & Company, Inc..	525,000	52
Intermec, Inc.	-	13
Nestle S.A.	41,000	4
Target Corporation	483,000	48
United Technologies Corporation	325,000	32
Waste Management, Inc.	680,000	68

### ADDITIONS

Bank of America Corporation	80,000	35
Dell Inc.	309,000	1,36
M&T Bank Corporation	15,000	31
QUALCOMM Incorporated	100,000	80
Sprint Nextel Corporation	40,000	1,22
Textron Inc.	4,900	25
Wachovia Corporation	10,136	62

### DECREASES

#### ELIMINATIONS

American Tower Corporation	100,000
Cephalon, Inc.	50,000
MedImmune, Inc.	355,000
Pfizer Inc	528,000
Rio Tinto plc ADR	65,000
SunTrust Banks, Inc.	160,000

### REDUCTIONS

The Allstate Corporation	10,000	27
Apache Corporation	225,000	60
Avaya Inc.	209,000	34
AXIS Capital Holdings Limited	35,000	36
Costco Wholesale Corporation	70,000	63
Dollar General Corporation	1,384,000	59
Everest Re Group, Ltd.	80,000	39
General Motors Nova Scotia Finance Company 6.85% Guaranteed Notes Due 10/15/08	\$5,000,000	\$25,00
The Home Depot, Inc.	192,000	1,37
Medtronic, Inc.	70,000	17
MetLife, Inc.	10,000	26
MFA Mortgage Investments, Inc.	11,700	91
Microsoft Corporation	300,000	42
PartnerRe Ltd.	5,000	31
Republic Services, Inc.	881,000	88
Transatlantic Holdings, Inc.	30,000	17

### 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, 2007 are available: (1) without charge, upon request, by calling us at our toll-free telephone number (1-800-436-8401), (2)



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

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 May 2, 2007, 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

---

Spencer Davidson, Chairman  
Joseph T. Stewart, Jr., Lead Independent Director

Arthur G. Altschul, Jr.	Sidney R. Knafel
Rodney B. Berens	Daniel M. Neidich
Lewis B. Cullman	D. Ellen Shuman
Gerald M. Edelman	Raymond S. Troubh
John D. Gordan, III	

William T. Golden, Director Emeritus

### OFFICERS

---

Spencer Davidson, President & Chief Executive Officer  
Andrew V. Vindigni, Senior Vice-President  
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  
Diane G. Radosti, Treasurer  
Carole Anne Clementi, Secretary  
Craig A. Grassi, Assistant Vice-President  
Maureen E. LoBello, Assistant Secretary

### SERVICE COMPANIES

---

COUNSEL  
Sullivan & Cromwell LLP

INDEPENDENT AUDITORS  
Ernst & Young LLP

CUSTODIAN

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

State Street Bank and  
Trust Company

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
-----

To the Board of Directors and Stockholders of  
GENERAL AMERICAN INVESTORS COMPANY, INC.

We have reviewed the accompanying statement of assets and liabilities of General American Investors Company, Inc., including the statement of investments, as of June 30, 2007, and the related statements of operations and changes in net assets and financial highlights for the six-month period ended June 30, 2007. These financial statements and financial highlights are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the interim financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board, the statement of changes in net assets for the year ended December 31, 2006 and financial highlights for each of the five years in the period then ended and in our report, dated January 17, 2007, we expressed an unqualified opinion on such financial statements and financial highlights.

New York, New York  
August 6, 2007

ERNST & YOUNG LLP

15

ITEM 2. CODE OF ETHICS.

Not applicable to this semi-annual report.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this semi-annual report.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this semi-annual report.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable to this semi-annual report.

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

### ITEM 6. SCHEDULE OF INVESTMENTS

The schedule of investments in securities of unaffiliated issuers is included as part of the report to stockholders filed under Item 1 of this form.

### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to this semi-annual report.

### ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to this semi-annual report.

### ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS

#### REGISTRANT PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d)
2007				D t
-----				
01/01-01/31	-	-	-	
02/01-02/28	10800	37.6036	10800	
03/01-03/31	34100	37.1726	34100	
04/01-04/30	94900	38.1999	94900	
05/01-05/31	110900	39.7385	110900	
06/01-06/30	113600	40.8207	113600	
Total	----- 364300 =====	-----	----- 364300 =====	

### ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors as set forth in the registrant's Proxy Statement, dated February 28, 2007.

### ITEM 11. CONTROLS AND PROCEDURES.

Conclusions of principal officers concerning controls and procedures

(a) As of July 11, 2007, an evaluation was performed under the supervision and with the participation of the officers of General American Investors Company, Inc. (the "Registrant"), including the principal executive officer ("PEO") and principal financial officer ("PFO"), to assess the effectiveness of the Registrant's disclosure controls and procedures. Based on that evaluation, the Registrant's officers, including the PEO and PFO, concluded that, as of July 11, 2007, the Registrant's disclosure controls and procedures were reasonably

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

designed so as to ensure:(1) that information required to be disclosed by the Registrant on Form N-CSR is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission, and (2) that material information relating to the Registrant is made known to the PEO and PFO as appropriate to allow timely discussions regarding required disclosure.

(b) There have been no significant changes in the Registrant's internal control over financial reporting that occurred during the Registrant's second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

### ITEM 12. EXHIBITS

(a)(1) The code of ethics disclosure required by Item 2 is not applicable to this semi-annual report.

(a)(2) Certifications of the principal executive officer and the principal financial officer pursuant to Rule 30a-2(a) under the Investment Company Act of 1940.

(a)(3) There were no written solicitations to purchase securities under Rule 23c-1 under the Investment Company Act of 1940 during the period covered by the report.

(b) Certifications of the principal executive officer and the principal financial officer, as required by Rule 30a-2(b) under the Investment Company Act of 1940.

16

### SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

General American Investors Company, Inc.

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

Date: August 6, 2007

Pursuant to the requirements of the Securities and Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/Spencer Davidson  
Spencer Davidson  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

Date: August 6, 2007

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

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

Date: August 6, 2007