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GENERAL AMERICAN INVESTORS CO INC
Form N-CSR
February 09, 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: December 31, 2006

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ITEM 1. REPORTS TO STOCKHOLDERS.

GENERAL
AMERICAN
INVESTORS

2006
ANNUAL
REPORT

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GENERAL AMERICAN INVESTORS COMPANY, INC.

Established in 1927, the Company is a closed-end investment company listed on the New York Stock Exchange. Its objective is long-term capital appreciation

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through investment in companies with above average growth potential.

FINANCIAL SUMMARY (unaudited)

| | 2006 | 2005 |
|---|-----------------|-----------------|
| Net assets applicable to Common Stock - | | |
| December 31 | \$1,199,453,088 | \$1,132,941,654 |
| Net investment income | 10,007,624 | 5,408,018 |
| Net realized gain | 86,176,349 | 63,024,095 |
| Net increase in unrealized appreciation | 51,196,338 | 103,638,830 |
| Distributions to Preferred Stockholders | (11,900,000) | (11,900,000) |
| | | |
| Per Common Share-December 31 | | |
| Net asset value | \$40.54 | \$39.00 |
| Market price | \$37.12 | \$34.54 |
| Discount from net asset value | -8.4% | -11.4% |
| | | |
| Common Shares outstanding-Dec. 31 | 29,589,198 | 29,050,399 |
| Common Stockholders of record-Dec. 31 | 4,006 | 4,100 |
| Market price range* (high-low) | \$39.47-\$34.80 | \$35.45-\$29.37 |
| Market volume-shares | 6,313,300 | 7,242,000 |
| *Unadjusted for dividend payments. | | |

DIVIDEND SUMMARY (per share) (unaudited)

| Record Date | Payment Date | Ordinary Income | Long-Term Capital Gain | Total |
|---|---------------|--------------------|---------------------------|------------|
| Common Stock | | | | |
| Nov. 10, 2006 | Dec. 21, 2006 | \$.333952 | \$2.666048 | \$3.000000 |
| Nov. 11, 2005 | Dec. 22, 2005 | \$.587543 (a) | \$1.260182 | \$1.847725 |
| Jan. 30, 2006 | Feb. 13, 2006 | - | .138000 | .138000 |
| Total from 2005 earnings | | \$.587543 | \$1.398182 | \$1.985725 |
| (a) Includes short-term gains in the amount of \$.041294 per share. | | | | |
| Preferred Stock | | | | |
| Mar. 7, 2006 | Mar. 24, 2006 | \$.039403 | \$.332472 | \$.371875 |
| Jun. 7, 2006 | Jun. 26, 2006 | .039403 | .332472 | .371875 |
| Sep. 7, 2006 | Sep. 25, 2006 | .039403 | .332472 | .371875 |
| Dec. 7, 2006 | Dec. 26, 2006 | .039403 | .332472 | .371875 |
| Total for 2006 | | \$.157612 | \$1.329888 | \$1.487500 |
| Mar. 7, 2005 | Mar. 24, 2005 | \$.102969 | \$.268906 | \$.371875 |
| Jun. 7, 2005 | Jun. 24, 2005 | .102969 | .268906 | .371875 |
| Sep. 7, 2005 | Sep. 26, 2005 | .102969 | .268906 | .371875 |
| Dec. 7, 2005 | Dec. 27, 2005 | .102969 | .268906 | .371875 |

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| | | | |
|----------------|-------------------------|---------------------|---------------------|
| Total for 2005 | \$.411876 (b) ===== | \$1.075624 ===== | \$1.487500 ===== |
|----------------|-------------------------|---------------------|---------------------|

(b) Includes short-term gains in the amount of \$.028844 (\$.007211 per quarter).

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

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1 TO THE STOCKHOLDERS

----- General American Investors

The U.S. stock market rose for a fourth consecutive year, gaining 15.7% in the 12 months ended December 31, 2006, as measured by our benchmark, the Standard & Poor's 500 Stock Index (including income). General American Investors' net asset value (NAV) per Common Share (assuming reinvestment of all dividends) increased 12.2%. The return to our Common Stockholders was 16.8%, reflecting a decrease in the discount at which our shares trade, which, at year end, was 8.4%.

The table that follows, which compares our returns on an annualized basis with the S&P 500, illustrates that over many years General American has produced superior investment results.

| Years | Stockholder Return | S&P 500 |
|-------|--------------------|---------|
| ----- | | |
| 3 | 14.3% | 10.3% |
| 5 | 6.6 | 6.1 |
| 10 | 16.1 | 8.4 |
| 20 | 15.1 | 11.8 |
| 30 | 16.8 | 12.5 |
| 40 | 13.8 | 11.0 |

The share repurchase program, a part of our continuing effort to maximize NAV, continues. In 2006, the Company purchased 787,700 of its Common Shares on the open market at an average discount to NAV of 9.0%. The Board of Directors has authorized repurchases of Common Shares when they are trading at a discount to NAV in excess of 8%.

Coming on the heels of an exceptional year in 2005, last year's results were less satisfying, although consistent with our record of long-term performance. Curiously, bad news in Iraq and the renewed threat of nuclear proliferation were accompanied by good markets and relatively strong economic activity. Trouble in the housing market, as reflected in weakening prices and declining building activity, did not appear to affect the rest of the economy. With inflation contained, seemingly, and abundant liquidity as evidenced by the relatively low cost of money, and the ease with which it could be borrowed, consumer spending continued to support corporate profits and share prices.

As the new year unfolds, the sanguine investment climate that characterized the past few years is showing signs of strain. The economy is likely to continue slowing and corporate profits, generally, are expected to moderate. While the Fed appears to have stopped raising interest rates, the prospect of decreases in the immediate future is far from clear. Because consumer spending, the main driver of GDP growth, remains asset-dependent, a protracted downturn in housing could create the potential for collateral damage to other parts of the economy. Globalization and its progeny, outsourcing, have held real wages and employment growth, thus buttressing corporate profits. However, the risk of more persistent inflation, as labor costs rise in a low unemployment setting, cannot be ruled

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out. Should our trading partners weary of funding the current account deficit by continuing to invest the bulk of their receipts in U.S. securities, dollar weakness would likely ensue. The rise in interest rates that would likely attend such a decline could have a seriously destabilizing effect on the capital markets.

While the investment climate may be more volatile this year, equities should be supported by relatively reasonable valuations and interest rates that remain agreeable. Additionally, share buybacks, increasing dividends, and felicitous mergers and acquisitions, all resulting from the current elevated level of corporate profits, are likely to buoy share prices. Our investments remain focused on well-managed companies with strong financial characteristics that can generate consistent earnings growth and cash flow. We are confident that our portfolio reflects these attributes, which should result in continuing superior performance on a long-term basis.

We are pleased to announce that, on December 13, 2006, Andrew V. Vindigni was promoted to Senior Vice-President of the Company. Mr. Vindigni has been a Vice-President of the Company since 1995 and has been employed in a research capacity with the Company since 1988.

Mr. Lawrence B. Battenwieser, Chairman since 1995 and a Director since 1967, will not be standing for re-election at the annual meeting on April 11, 2007. His wisdom and judgment have been invaluable to the Board. We express our gratitude and deepest appreciation for his long and distinguished service to the Company.

We are saddened to report that Richard R. Pivirotto, our esteemed colleague and Director, died on January 8, 2007. Mr. Pivirotto, was a director of Associated Community Bancorp, Inc. and Immunomedics, Inc., a Trustee of General Theological Seminary and Greenwich Hospital Corporation, and Charter Trustee Emeritus of Princeton University. He served as a director of the Company for more than 35 years. His counsel and support will be missed.

Information about the Company, including our investment objectives, operating policies and procedures, investment results, record of dividend payments, financial reports and press releases, etc., is available on our website, which can be accessed at www.generalamericaninvestors.com.

By Order of the Board of Directors,

Spencer Davidson
President and Chief Executive Officer
January 17, 2007

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2 THE COMPANY

General American Investors

CORPORATE OVERVIEW

General American Investors, established in 1927, is one of the nation's oldest closed-end investment companies. It is an independent organization, internally managed. For regulatory purposes, the Company is classified as a diversified, closed-end management investment company; it is registered under and subject to the regulatory provisions of the Investment Company Act of 1940.

INVESTMENT POLICY

The primary objective of the Company is long-term capital appreciation. Lesser emphasis is placed on current income. In seeking to achieve its primary

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objective, the Company invests principally in common stocks believed by its management to have better than average growth potential.

The Company's investment approach focuses on the selection of individual stocks, each of which is expected to meet a clearly defined portfolio objective. A continuous investment research program, which stresses fundamental security analysis, is carried on by the officers and staff of the Company under the oversight of the Board of Directors. A listing of the directors with their principal affiliations, showing a broad range of experience in business and financial affairs, is on page 20.

PORTFOLIO MANAGER

Mr. Spencer Davidson has been responsible for the management of General American's portfolio since he was elected President and Chief Executive Officer of the Company in August 1995. Mr. Davidson, who joined the Company in 1994 as senior investment counselor, has spent his entire business career on Wall Street since first joining an investment and banking firm in 1966.

"GAM" COMMON STOCK

As a closed-end investment company, General American Investors does not offer its shares continuously. The Common Stock is listed on The New York Stock Exchange (symbol, GAM) and can be bought or sold with commissions determined in the same manner as all listed stocks. Net asset value is computed and published on the Company's website daily (on an unaudited basis) and is also furnished upon request. It is also available on most electronic quotation services using the symbol "XGAMX." The figure for net asset value per share, together with the market price and the percentage discount or premium from net asset value as of the close of each week, is published in Barron's and The Wall Street Journal.

The ratio of market price to net asset value has shown considerable variation over a long period of time. While shares of GAM usually sell at a discount from their underlying net asset value, as do the shares of most other domestic equity closed-end investment companies, they occasionally sell at a premium over net asset value. During 2006, the stock sold at discounts from net asset value which ranged from 6.1% (March 9 and November 2) to 13.2% (January 4). At December 31, the price of the stock was at a discount of 8.4% as compared with a discount of 11.4% a year earlier.

"GAM Pr B" PREFERRED STOCK

On September 24, 2003, the Company issued and sold in an underwritten offering 8,000,000 shares of its 5.95% Cumulative Preferred Stock, Series B with a liquidation preference of \$25 per share (\$200,000,000 in the aggregate).

The Preferred Shares are noncallable for 5 years, are rated "Aaa" by Moody's Investors Service, Inc. and are listed and traded on The New York Stock Exchange (symbol, GAM Pr B).

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3 THE COMPANY

General American Investors

The preferred capital is available to leverage the investment performance of the Common Stockholders. As is the case for leverage in general, it may also result in higher market volatility for the Common Stockholders.

DIVIDEND AND DISTRIBUTION POLICY

The Company's dividend and distribution policy is to distribute to stockholders

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before year-end substantially all ordinary income estimated for the full year and capital gains realized during the ten-month period ended October 31 of that year. If any additional capital gains are realized or ordinary income is earned during the last two months of the year, a "spill-over" distribution of these amounts will be paid early in the following year to Common Stockholders. Dividends and distributions on shares of Preferred Stock are paid quarterly. Distributions from capital gains and dividends from ordinary income are allocated proportionately among holders of shares of Common Stock and Preferred Stock.

Dividends from income have been paid continuously on the Common Stock since 1939 and capital gain distributions in varying amounts have been paid for each of the years 1943-2006 (except for the year 1974). (A table listing dividends and distributions paid during the 20-year period 1987-2006 is shown at the bottom of page 6.) To the extent that shares can be issued, dividends and distributions are paid to Common Stockholders in additional shares of Common Stock unless the stockholder specifically requests payment in cash. Spill-over dividends and distributions of nominal amounts may be paid in cash only.

PROXY VOTING POLICIES, PROCEDURES AND RECORD

The policies and procedures used by General American Investors to determine how to vote proxies relating to portfolio securities and the Company's proxy voting record for the 12-month period ended June 30, 2006 are available: (1) without charge, upon request, by calling the Company at its toll-free number (1-800-436-8401), (2) on the Company's website at www.generalamericaninvestors.com and (3) on the Securities and Exchange Commission's website at www.sec.gov.

DIRECT REGISTRATION

The Company makes available direct registration for its Common Shareholders. Direct registration, which is an element of the Investors Choice Plan administered by our transfer agent, is a system that allows for book-entry ownership and the electronic transfer of our Common Shares. Accordingly, when Common Shareholders, who hold their shares directly, receive new shares resulting from a purchase, transfer or dividend payment, they will receive a statement showing the credit of the new shares as well as their Plan account and certificated share balances. A brochure which describes the features and benefits of the Investors Choice Plan, including the ability of shareholders to deposit certificates with our transfer agent, can be obtained by calling American Stock Transfer & Trust Company at 1-800-413-5499, calling the Company at 1-800-436-8401 or visiting our website: www.generalamericaninvestors.com - click on Distribution & Reports, then Report Downloads.

PRIVACY POLICY AND PRACTICES

General American Investors collects nonpublic personal information about its customers (stockholders) with respect to their transactions in shares of the Company's securities but only for those stockholders whose shares are registered in their names. This information includes the stockholder's address, tax identification or Social Security number and dividend elections. We do not have knowledge of, nor do we collect personal information about, stockholders who hold the Company's securities at financial institutions such as brokers or banks in "street name" registration.

We do not disclose any nonpublic personal information about our stockholders or former stockholders to anyone, except as permitted by law.

We restrict access to nonpublic personal information about our stockholders to those employees who need to know that information to provide services to our stockholders. We maintain physical, electronic and procedural safeguards that

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comply with federal standards to guard our stockholders' nonpublic personal information.

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4 INVESTMENT RESULTS (UNAUDITED)

----- General American Investors

"Total return on \$10,000 investment 20 years ended December 31, 2006"

The investment return for a Common Stockholder of General American Investors (GAM) over the 20 years ended December 31, 2006 is shown in the table below and in the accompanying chart. The return based on GAM's net asset value (NAV) per Common Share in comparison to the change in the Standard & Poor's 500 Stock Index (S&P 500) is also displayed. Each illustration assumes an investment of \$10,000 at the beginning of 1987.

THE STOCKHOLDER RETURN is the return a Common Stock holder of GAM would have achieved assuming reinvestment of all dividends and distributions at the actual reinvestment price and of all cash dividends at the average (mean between high and low) market price on the ex-dividend date.

THE GAM NET ASSET VALUE (NAV) RETURN is the return on shares of the Company's Common Stock based on the NAV per share, including the reinvestment of all dividends and distributions.

THE S&P 500 RETURN is the time-weighted total rate of return on this widely-recognized, unmanaged index which is a measure of general stock market performance, including dividend income.

The results illustrated are a record of past performance and may not be indicative of future results.

| GENERAL AMERICAN INVESTORS | | | | | | |
|----------------------------|------------------|---------|--------------------------|------------------|---------------------------------|------------------|
| STOCKHOLDER RETURN | | | NET ASSET VALUE RETURN | | STANDARD & POOR'S 500 RETURN | |
| CUMULATIVE INVESTMENT | ANNUAL RETURN | | CUMULATIVE INVESTMENT | ANNUAL RETURN | CUMULATIVE INVESTMENT | ANNUAL RETURN |
| 1987 | \$8,389 | -16.11% | \$10,253 | 2.53% | \$10,524 | 5.2 |
| 1988 | 10,173 | 21.26 | 12,054 | 17.57 | 12,264 | 16. |
| 1989 | 15,116 | 48.60 | 16,618 | 37.86 | 16,141 | 31. |
| 1990 | 15,721 | 4.00 | 17,730 | 6.69 | 15,643 | -3. |
| 1991 | 29,084 | 85.00 | 28,561 | 61.09 | 20,398 | 30. |
| 1992 | 33,382 | 14.78 | 29,575 | 3.55 | 21,946 | 7. |
| 1993 | 28,068 | -15.92 | 29,058 | -1.75 | 24,167 | 10. |
| 1994 | 25,862 | -7.86 | 28,261 | -2.74 | 24,474 | 1. |
| 1995 | 31,350 | 21.22 | 34,926 | 23.58 | 33,652 | 37. |
| 1996 | 37,457 | 19.48 | 41,900 | 19.97 | 41,361 | 22. |
| 1997 | 53,406 | 42.58 | 55,329 | 32.05 | 55,147 | 33. |
| 1998 | 70,127 | 31.31 | 74,772 | 35.14 | 70,892 | 28. |
| 1999 | 97,631 | 39.22 | 101,989 | 36.40 | 85,751 | 20. |
| 2000 | 116,278 | 19.10 | 119,980 | 17.64 | 77,956 | -9. |
| 2001 | 121,313 | 4.33 | 118,540 | -1.20 | 68,687 | -11. |
| 2002 | 88,304 | -27.21 | 91,252 | -23.02 | 53,480 | -22. |
| 2003 | 112,155 | 27.01 | 116,255 | 27.40 | 68,753 | 28. |
| 2004 | 122,013 | 8.79 | 128,311 | 10.37 | 76,172 | 10. |
| 2005 | 143,243 | 17.40 | 149,097 | 16.20 | 79,851 | 4. |
| 2006 | 167,279 | 16.78 | 167,347 | 12.24 | 92,356 | 15. |

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5 INVESTMENT RESULTS (UNAUDITED)

 General American Investors

[CAPTION]

[Line graph with heading "20-YEAR INVESTMENT RESULTS ASSUMING AN INITIAL INVESTMENT OF \$10,000" at top left hand side. The vertical axis is to the right side of the page and is labeled "CUMULATIVE VALUE OF INVESTMENT." The axis range is from \$0 to \$180,000 in \$20,000 increments. The horizontal axis, on the bottom of the page, consists of the years 1987 through 2006 in one year increments. Within the graph are three lines. The first line represents GAM Stockholder Return. The second line represents GAM Net Asset Value Return, and the third line represents the return of the S&P 500 Stock Index. The data points for the lines are derived from the columns labeled "Cumulative Investment" from the table on the preceding page. Also, embedded in upper left portion of the graph is a table which appears as follows:]

COMPARATIVE ANNUALIZED INVESTMENT RESULTS

| YEARS ENDED DECEMBER 31, 2006 | STOCKHOLDER RETURN | GAM NET ASSET VALUE | S&P 500 STOCK INDEX |
|----------------------------------|-----------------------|------------------------|------------------------|
| 1 year | 16.8% | 12.2% | 15.7% |
| 5 years | 6.6 | 7.1 | 6.1 |
| 10 years | 16.1 | 14.9 | 8.4 |
| 15 years | 12.4 | 12.5 | 10.6 |
| 20 years | 15.1 | 15.1 | 11.8 |

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6 MAJOR STOCK CHANGES*: THREE MONTHS ENDED DECEMBER 31, 2006 (UNAUDITED)

 General American Investors

| INCREASES | SHARES | SHARES HELD DECEMBER 31, 2006 |
|---|-------------|----------------------------------|
| NEW POSITIONS | | |
| Cephalon, Inc. | - | 150,000 (a) |
| Epoch Holding Corporation Series A Convertible Preferred 4.6% | 10,000 | 10,000 |
| QUALCOMM Incorporated | 700,000 | 700,000 |
| Rio Tinto plc ADR | - | 65,000 (a) |
| Wachovia Corporation | 614,864 (b) | 614,864 |
| ADDITIONS | | |
| Dollar General Corporation | 901,000 | 2,500,000 |
| PepsiCo, Inc. | 50,000 | 225,000 |

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Xerox Corporation 350,000 2,250,000

DECREASES

ELIMINATIONS

| | | |
|--|-------------|---|
| Golden West Financial Corporation | 585,000 (b) | - |
| Standard MEMS, Inc. Series A Convertible Preferred | 546,000 | - |

REDUCTIONS

| | | |
|------------------------------------|---------|-----------|
| Alkermes, Inc. | 65,000 | 175,000 |
| American International Group, Inc. | 15,000 | 360,000 |
| Annaly Capital Management, Inc. | 105,000 | 550,000 |
| Everest Re Group, Ltd. | 35,000 | 500,000 |
| MFA Mortgage Investments, Inc. | 150,000 | 925,000 |
| Microsoft Corporation | 80,000 | 720,000 |
| Pfizer Inc | 389,100 | 1,347,900 |
| The TJX Companies, Inc. | 240,000 | 2,100,000 |
| VeriSign, Inc. | 20,000 | 113,500 |

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

DIVIDENDS AND DISTRIBUTIONS PER COMMON SHARE (1987-2006) (UNAUDITED)

EARNINGS SOURCE

| YEAR | INCOME | SHORT-TERM CAPITAL GAINS | LONG-TERM CAPITAL GAINS |
|------|--------|-----------------------------|----------------------------|
| 1987 | \$.35 | - | \$1.54 |
| 1988 | .29 | - | 1.69 |
| 1989 | .21 | \$.02 | 1.56 |
| 1990 | .21 | - | 1.65 |
| 1991 | .09 | - | 3.07 |
| 1992 | .03 | - | 2.93 |
| 1993 | .06 | - | 2.34 |
| 1994 | .06 | - | 1.59 |
| 1995 | .10 | .03 | 2.77 |
| 1996 | .20 | .05 | 2.71 |
| 1997 | .21 | - | 2.95 |
| 1998 | .47 | - | 4.40 |
| 1999 | .42 | .62 | 4.05 |
| 2000 | .48 | 1.55 | 6.16 |
| 2001 | .37 | .64 | 1.37 |
| 2002 | .03 | - | .33 |
| 2003 | .02 | - | .59 |
| 2004 | .217 | - | .957 |
| 2005 | .547 | .041 | 1.398 |
| 2006 | .334 | - | 2.666 |

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7 TEN LARGEST INVESTMENT HOLDINGS (UNAUDITED)

 General American Investors

"The statement of investments as of December 31, 2006, shown on pages 12 and 13 includes 54 security issues. Listed here are the ten largest holdings on that date."

| | SHARES | VALUE |
|---|-----------|--------------|
| ----- | | |
| CEMEX, S.A. de C.V. ADR Domiciled in Mexico, CEMEX is the third largest cement producer in the world. With the expansion of its operations into related construction materials and additional geographic areas, as well as its focus on cost containment, the company's free cash flow should continue to increase, supporting a positive long-term outlook. | 2,350,862 | \$79,647,204 |
| ----- | | |
| THE HOME DEPOT, INC. The largest company in home center retailing, Home Depot's proven merchandising capabilities and strong financial structure should provide the basis for continuing growth. | 1,570,000 | 63,051,200 |
| ----- | | |
| THE TJX COMPANIES, INC. Through its T.J. Maxx and Marshalls divisions, TJX is the leading off-price retailer. The continued growth of these divisions, along with expansion into related U.S. and foreign off-price formats, provide ongoing growth opportunities. | 2,100,000 | 59,892,000 |
| ----- | | |
| APACHE CORPORATION Apache is a large independent oil and gas company with a long history of growing production and creating value for shareholders. The company's operations are primarily focused in North America, the North Sea and Egypt. | 825,000 | 54,870,750 |
| ----- | | |
| WEATHERFORD INTERNATIONAL LTD. Weatherford supplies a broad range of oil field services through its Drilling Methods, Well Construction, Drilling Tools and Intervention Services divisions on a worldwide basis. Its focus on increasing production from existing fields and synergies from the acquisition of assets from Precision Drilling should lead to earnings growth. | 1,220,000 | 50,983,800 |
| ----- | | |
| TALISMAN ENERGY INC. Talisman, headquartered in Calgary, Alberta, is an upstream oil and gas producer with global operations. The company is focusing on larger, deep gas opportunities in North America and large international projects which should lead to faster production growth and higher returns. | 3,000,000 | 50,970,000 |
| ----- | | |

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EVEREST RE GROUP, LTD. 500,000 49,055,000
 One of the largest independent U.S. property/casualty reinsurers, generates annual premiums of approximately \$4 billion and has a high quality, well-reserved AA balance sheet. This Bermuda domiciled company has a strong management team that exercises underwriting discipline and efficient expense control, resulting in above-average earnings and book value growth.

REPUBLIC SERVICES, INC. 1,175,000 47,787,25
 Republic Services is a leading provider of non-hazardous solid waste collection and disposal services in the U.S. The efficient operation of its routes and facilities combined with appropriate pricing enable Republic Services to generate significant free cash flow. The high probability of additional contracts and improved economic activity should result in higher waste volumes for the company.

DOLLAR GENERAL CORPORATION 2,500,000 40,150,00
 Dollar General, is the country's largest dollar store company. It has the opportunity to expand sales by adding new stores and to expand margins by the strategy and tactics of a new management team.

XEROX CORPORATION 2,250,000 38,137,50
 Xerox develops, manufactures and finances a broad range of document processing products and services for use in offices worldwide. The growing adoption of color and digital products should lead to growing profitability.

\$534,544,70
 =====

*Net assets applicable to the Company's Common Stock.
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8 PORTFOLIO DIVERSIFICATION (unaudited)

General American Investors

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

| INDUSTRY CATEGORY | DECEMBER 31, 2006 | | PERCENT COMMON NET A DECEMBER 31 | |
|---|-------------------|-------------|-------------------------------------|------|
| | COST (000) | VALUE (000) | 2006 | 2005 |
| Oil and Natural Gas (Including Services) | \$148,725 | \$206,447 | 17.2% | 29.2 |
| Finance and Insurance | | | | |
| Banking | 17,349 | 101,658 | 8.5 | 8.5 |
| Insurance | 87,398 | 217,772 | 18.2 | 15.2 |
| Other | 22,878 | 31,330 | 2.6 | 1.5 |
| | 127,625 | 350,760 | 29.3 | 25.9 |

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| | | | | |
|---|-----------|-------------|--------|-------|
| Retail Trade | 86,347 | 226,656 | 18.9 | 17 |
| | ----- | ----- | ---- | --- |
| Health Care | | | | |
| Pharmaceuticals | 66,003 | 104,218 | 8.7 | 8 |
| Medical Instruments and Devices | 10,484 | 24,080 | 2.0 | 2 |
| | ----- | ----- | ---- | --- |
| | 76,487 | 128,298 | 10.7 | 10 |
| | ----- | ----- | ---- | --- |
| Communications and Information Services | 64,261 | 102,828 | 8.6 | 6 |
| Consumer Products and Services | 67,332 | 86,001 | 7.2 | 5 |
| Building and Real Estate | 31,961 | 79,647 | 6.6 | 6 |
| Miscellaneous** | 43,663 | 50,017 | 4.2 | 3 |
| Environmental Control (Including Services) | 26,227 | 47,787 | 4.0 | 3 |
| Technology | 31,683 | 38,138 | 3.2 | 2 |
| Computer Software and Systems | 21,197 | 28,189 | 2.3 | 3 |
| Machinery & Equipment | 12,430 | 20,677 | 1.7 | - |
| Electronics | 12,287 | 15,235 | 1.3 | 1 |
| Mining | 13,421 | 13,811 | 1.1 | - |
| Semiconductors | - | - | - | 0 |
| | ----- | ----- | ---- | --- |
| | 763,646 | 1,394,491 | 116.3 | 117 |
| Short-Term Securities | 17,256 | 17,256 | 1.4 | 0 |
| | ----- | ----- | ---- | --- |
| Total Investments | \$780,902 | 1,411,747 | 117.7 | 117 |
| Other Assets and Liabilities - Net | ===== | (12,294) | (1.0) | 0 |
| Preferred Stock | | (200,000) | (16.7) | (17 |
| | | ----- | ---- | --- |
| Net Assets Applicable to Common Stock | | \$1,199,453 | 100.0% | 100 |
| | | ===== | ===== | ===== |

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9 STATEMENT OF ASSETS AND LIABILITIES

General American Investors

| | DECEMBER 31, | |
|---|-----------------|---------------|
| ASSETS | 2006 | 2005 |
| ----- | | |
| INVESTMENTS, AT VALUE (NOTE 1a) | | |
| Common and preferred stocks (cost \$729,900,430 and \$714,895,565, respectively) | \$1,359,753,863 | \$1,301,855,0 |
| Corporate note (cost \$33,745,957 and \$33,123,366, respectively) | 34,737,500 | 25,812,5 |
| Money market fund (cost \$17,255,705 and \$3,822,949, respectively) | 17,255,705 | 3,822,9 |
| | ----- | ----- |
| Total investments (cost \$780,902,092 and \$751,841,880, respectively) | 1,411,747,068 | 1,331,490,5 |
| CASH, RECEIVABLES AND OTHER ASSETS | | |
| Cash | 34,235 | 13,2 |
| Receivable for securities sold | 2,875,316 | 5,733,6 |
| Dividends, interest and other receivables | 1,430,378 | 1,028,8 |

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| | | |
|---|-----------------|---------------|
| Pension asset, excess funded | 8,656,759 | |
| Prepaid pension cost | - | 7,714,4 |
| Prepaid expenses and other assets | 149,755 | 214,0 |
| | ----- | ----- |
| TOTAL ASSETS | 1,424,893,511 | 1,346,194,8 |
| | ----- | ----- |
| LIABILITIES | | |
| | ----- | ----- |
| Payable for securities purchased | 13,515,130 | 1,468,2 |
| Preferred dividend accrued but not yet declared | 231,389 | 231,3 |
| Pension benefit liability | 3,320,727 | |
| Accrued pension expense | - | 3,101,1 |
| Accrued thrift plan expense | 2,992,285 | 2,598,3 |
| Accrued expenses and other liabilities | 5,380,892 | 5,854,1 |
| | ----- | ----- |
| TOTAL LIABILITIES | 25,440,423 | 13,253,2 |
| | ----- | ----- |
| 5.95% CUMULATIVE PREFERRED STOCK, SERIES B - 8,000,000 shares at a liquidation value of \$25 per share (note 2) | 200,000,000 | 200,000,0 |
| | ----- | ----- |
| NET ASSETS APPLICABLE TO COMMON STOCK - 29,589,198 and 29,050,399 shares, respectively (note 2) | \$1,199,453,088 | \$1,132,941,6 |
| | ===== | ===== |
| NET ASSET VALUE PER COMMON SHARE | \$40.54 | \$39. |
| | ===== | ===== |

NET ASSETS APPLICABLE TO COMMON STOCK

| | | |
|---|-----------------|---------------|
| | ----- | ----- |
| Common Stock, 29,589,198 and 29,050,399 shares at par value, respectively (note 2) | \$29,589,198 | \$29,050,3 |
| Additional paid-in capital (note 2) | 538,093,876 | 518,972,6 |
| Undistributed realized gain (loss) on investments (note 2) | (1,715,049) | 3,969,3 |
| Undistributed net investment income (note 2) | 2,218,917 | 1,531,9 |
| Accumulated other comprehensive income (note 5) | 652,559 | |
| Unallocated distributions on Preferred Stock | (231,389) | (231,3 |
| Unrealized appreciation on investments, securities sold short and options | 630,844,976 | 579,648,6 |
| | ----- | ----- |
| NET ASSETS APPLICABLE TO COMMON STOCK | \$1,199,453,088 | \$1,132,941,6 |
| | ===== | ===== |

(see notes to financial statements)

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10 STATEMENT OF OPERATIONS

General American Investors

| | YEAR ENDED DECEMBER 31, | |
|--------|-------------------------|-------|
| | 2006 | 2005 |
| | ----- | ----- |
| INCOME | | |
| | ----- | ----- |

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| | | |
|--|---------------|-------------|
| Dividends (net of foreign withholding taxes of \$325,061 and \$490,458, respectively) | \$16,065,789 | \$16,403,2 |
| Interest | 6,301,585 | 2,318,1 |
| TOTAL INCOME | 22,367,374 | 18,721,3 |
| EXPENSES | | |
| Investment research | 8,054,383 | 8,695,7 |
| Administration and operations | 2,922,014 | 3,236,7 |
| Office space and general | 544,210 | 537,6 |
| Directors' fees and expenses | 286,326 | 218,4 |
| Auditing and legal fees | 163,000 | 216,6 |
| Transfer agent, custodian and registrar fees and expenses | 140,346 | 176,8 |
| Stockholders' meeting and reports | 134,106 | 129,8 |
| Miscellaneous taxes | 115,365 | 101,4 |
| TOTAL EXPENSES | 12,359,750 | 13,313,3 |
| NET INVESTMENT INCOME | 10,007,624 | 5,408,0 |
| REALIZED GAIN (LOSS) AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS (NOTES 1F AND 4) | | |
| Net realized gain on investments: | | |
| Long transactions | 86,808,130 | 63,646,6 |
| Short sale transactions (note 1b) | (629,681) | (755,1 |
| Option transactions (note 1c) | (2,100) | 132,5 |
| Net realized gain on investments (long-term except for \$2,228,817 and \$14,501,035, respectively) | 86,176,349 | 63,024,0 |
| Net increase in unrealized appreciation | 51,196,338 | 103,638,8 |
| NET GAIN ON INVESTMENTS | 137,372,687 | 166,662,9 |
| DISTRIBUTIONS TO PREFERRED STOCKHOLDERS | (11,900,000) | (11,900,0 |
| INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | \$135,480,311 | \$160,170,9 |

(see notes to financial statements)

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11 STATEMENT OF CHANGES IN NET ASSETS

| | YEAR ENDED DECEMBER 31 | |
|---|------------------------|------------|
| | 2006 | 2005 |
| General American Investors | | |
| OPERATIONS | | |
| Net investment income | \$10,007,624 | \$5,408,01 |
| Net realized gain on investments | 86,176,349 | 63,024,09 |
| Net increase in unrealized appreciation | 51,196,338 | 103,638,83 |

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| | | |
|---|-----------------|---------------|
| | 147,380,311 | 172,070,94 |
| | ----- | ----- |
| Distributions to Preferred Stockholders: | | |
| From net income | (1,092,608) | (845,36 |
| From short-term capital gains | (168,288) | (2,449,64 |
| From long-term capital gains | (10,639,104) | (8,604,99 |
| | ----- | ----- |
| Decrease in net assets from Preferred distributions | (11,900,000) | (11,900,00 |
| | ----- | ----- |
| INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | 135,480,311 | 160,170,9 |
| | ----- | ----- |
| OTHER COMPREHENSIVE INCOME | | |
| Adjustment to initially apply FAS 158 (note 5) | 652,559 | |
| | ----- | ----- |
| DISTRIBUTIONS TO COMMON STOCKHOLDERS | | |
| ----- | | |
| From net income | (8,230,843) | (4,333,7 |
| From short-term capital gains | (1,262,677) | (12,389,1 |
| From long-term capital gains | (79,790,662) | (43,672,0 |
| | ----- | ----- |
| DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS | (89,284,182) | (60,394,9 |
| | ----- | ----- |
| CAPITAL SHARE TRANSACTIONS (NOTE 2) | | |
| ----- | | |
| Value of Common Shares issued in payment of distributions | 48,748,838 | 36,584,7 |
| Cost of Common Shares purchased | (29,086,092) | (39,812,1 |
| | ----- | ----- |
| INCREASE (DECREASE) IN NET ASSETS - CAPITAL TRANSACTIONS | 19,662,746 | (3,227,4 |
| | ----- | ----- |
| NET INCREASE IN NET ASSETS | 66,511,434 | 96,548,5 |
| | ----- | ----- |
| NET ASSETS APPLICABLE TO COMMON STOCK | | |
| ----- | | |
| BEGINNING OF YEAR | 1,132,941,654 | 1,036,393,0 |
| | ----- | ----- |
| END OF YEAR (including undistributed net investment income of \$2,218,917 and \$1,531,980, respectively) | \$1,199,453,088 | \$1,132,941,6 |
| | ===== | ===== |
| (see notes to financial statements) | | |

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12 STATEMENT OF INVESTMENTS DECEMBER 31, 2006

General American Investors

| | SHARES | COMMON AND PREFERRED STOCKS | |
|--------------|-----------|-----------------------------|---------------------|
| ----- | | | |
| BUILDING AND | 2,350,862 | CEMEX, S.A. de C.V. ADR | (COST \$31,961,056) |

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REAL ESTATE (6.6%)

| | | |
|--|---|---------------------|
| COMMUNICATIONS AND INFORMATION SERVICES (8.6%) | 775,000 American Tower Corporation (a) 900,000 Cisco Systems, Inc. (a) 350,000 Lamar Advertising Company Class A (a) 700,000 QUALCOMM Incorporated | (COST \$64,260,573) |
|--|---|---------------------|

| | | |
|---|--|---------------------|
| COMPUTER SOFTWARE AND SYSTEMS (2.3%) | 300,000 EMC Corporation (a) 720,000 Microsoft Corporation 113,500 VeriSign, Inc. (a) | (COST \$21,197,130) |
|---|--|---------------------|

| | | |
|--|---|---------------------|
| CONSUMER PRODUCTS AND SERVICES (4.3%) | 325,000 Constellation Brands, Inc. (a) 350,000 Diageo plc ADR 225,000 PepsiCo, Inc. | (COST \$33,585,638) |
|--|---|---------------------|

| | | |
|--------------------|------------------------------------|---------------------|
| ELECTRONICS (1.3%) | 550,000 Molex Incorporated Class A | (COST \$12,287,441) |
|--------------------|------------------------------------|---------------------|

| | | |
|---|-----------------------------------|---------------------|
| ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (4.0%) | 1,175,000 Republic Services, Inc. | (COST \$26,227,380) |
|---|-----------------------------------|---------------------|

| | | |
|----------------------------------|---|---------------------|
| FINANCE AND INSURANCE (29.3%) | BANKING (8.5%) 270,000 Bank of America Corporation 310,000 M&T Bank Corporation 170,000 SunTrust Banks, Inc. 614,864 Wachovia Corporation | (COST \$17,349,060) |
|----------------------------------|---|---------------------|

| | | |
|-------------------|--|---------------------|
| INSURANCE (18.2%) | 275,000 The Allstate Corporation 360,000 American International Group, Inc. 275,000 Annuity and Life Re (Holdings), Ltd. (a) 350,000 Arch Capital Group Ltd. (a) 400,000 AXIS Capital Holdings Limited 300 Berkshire Hathaway Inc. Class A (a) 500,000 Everest Re Group, Ltd. 285,000 MetLife, Inc. 335,000 PartnerRe Ltd. 230,000 Transatlantic Holdings, Inc. | (COST \$87,398,021) |
|-------------------|--|---------------------|

| | | |
|--------------|---|---------------------|
| OTHER (2.6%) | 550,000 Annaly Capital Management, Inc. 10,000 Epoch Holding Corporation Series A Convertible Preferred 4.6% 925,000 MFA Mortgage Investments, Inc. | (COST \$22,878,434) |
|--------------|---|---------------------|

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(COST \$127,625,515)

| HEALTH CARE (10.7%) | PHARMACEUTICALS (8.7%) | |
|---------------------|--|---------------------|
| | 175,000 Alkermes, Inc. (a) | |
| | 170,000 Biogen Idec Inc. (a) | |
| | 150,000 Cephalon, Inc. (a) | |
| | 604,900 Cytokinetics, Incorporated (a) | |
| | 200,000 Genentech, Inc. (a) | |
| | 380,000 MedImmune, Inc. (a) | |
| | 180,000 Novo Nordisk B | |
| | 1,347,900 Pfizer Inc | |
| | | (COST \$66,003,518) |
| | MEDICAL INSTRUMENTS AND DEVICES (2.0%) | |
| | 450,000 Medtronic, Inc. | (COST \$10,483,716) |
| | | (COST \$76,487,234) |

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13 STATEMENT OF INVESTMENTS DECEMBER 31, 2006 - continued

General American Investors

| | SHARES | COMMON AND PREFERRED STOCKS (continued) | |
|--|-----------|---|----------------------|
| MACHINERY & EQUIPMENT (1.7%) | 1,150,000 | ABB Ltd. ADR | (COST \$12,430,211) |
| MINING (1.1%) | 65,000 | Rio Tinto plc ADR | (COST \$13,420,904) |
| MISCELLANEOUS (4.2%) | | Other (b) | (COST \$43,662,790) |
| OIL AND NATURAL GAS (INCLUDING SERVICES) (17.2%) | 825,000 | 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 \$148,725,073) |
| RETAIL TRADE (18.9%) | 700,000 | Costco Wholesale Corporation | |
| | 2,500,000 | Dollar General Corporation | |
| | 1,570,000 | The Home Depot, Inc. (c) | |
| | 2,100,000 | The TJX Companies, Inc. | |
| | 575,000 | Wal-Mart Stores, Inc. | |
| | | | (COST\$86,346,776) |

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TECHNOLOGY (3.2%) 2,250,000 Xerox Corporation (a) (COST \$31,682,709)

TOTAL COMMON AND PREFERRED STOCKS (113.4%) (COST \$729,900,430)

| | PRINCIPAL AMOUNT | CORPORATE NOTE | |
|---------------------------------------|------------------|---|---------------------|
| CONSUMER PRODUCTS AND SERVICES (2.9%) | \$35,000,000 | General Motors Nova Scotia Finance Company 6.85% Guaranteed Notes Due 10/15/08 | (COST \$33,745,957) |

| | SHARES | SHORT-TERM SECURITY AND OTHER ASSETS | |
|--|------------|--------------------------------------|---------------------|
| | 17,255,705 | SSgA Prime Money Market Fund (1.4%) | (COST \$17,255,705) |

TOTAL INVESTMENTS (e) (117.7%) (COST \$780,902,092)
 Liabilities in excess of receivables and other assets (-1.0%)

PREFERRED STOCK (-16.7%)

NET ASSETS APPLICABLE TO COMMON STOCK (100%)

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14 NOTES TO FINANCIAL STATEMENTS

General American Investors

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

a. SECURITY VALUATION Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the period. Securities reported on the NASDAQ national market are valued at the official closing price on that day. Listed and NASDAQ securities for which no sales are reported on that day and other securities traded in the over-the-counter market are valued at the last bid price (asked price for open short positions and 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

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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. **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. **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.

d. **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.

e. **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.

f. **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 29,589,198 shares and 8,000,000 shares, respectively, were outstanding at December 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

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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.

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15 NOTES TO FINANCIAL STATEMENTS - continued

General American Investors

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

Under the Investment Company Act of 1940, the Company is required to maintain 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 requires that preferred stock for which its redemption is outside of the company's control should be presented outside of net assets in the statement of assets and liabilities.

Transactions in Common Stock during 2006 and 2005 were as follows:

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| | SHARES | | AMOUNT | |
|--|-----------|-----------|--------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| Treasury shares issued in payment of dividends and distributions | 1,326,499 | 1,067,491 | \$1,326,499 | \$1,067,491 |
| Increase in paid-in capital | | | 47,422,339 | 35,517,225 |
| Total increase | | | 48,748,838 | 36,584,716 |
| Shares purchased (at an average discount from net asset value of 9.0% and 12.4%, respectively) | 787,700 | 1,222,404 | (787,700) | (1,222,404) |
| Decrease in paid-in capital | | | (28,298,392) | (38,589,768) |
| Total decrease | | | (29,086,092) | (39,812,172) |
| Net increase (decrease) | | | \$19,662,746 | (\$3,227,456) |

At December 31, 2006, the Company held in its treasury 1,642,365 shares of Common Stock with an aggregate cost in the amount of \$49,650,348.

Distributions for tax and book purposes are substantially the same.

As of December 31, 2006, the components of distributable earnings on a tax basis were as follows:

| | |
|-------------------------------|---------------|
| Undistributed ordinary income | \$889,490 |
| Accumulated capital losses | (1,715,049) |
| Unrealized appreciation | 630,844,976 |
| | ----- |
| | \$630,019,417 |
| | ===== |

In accordance with U.S. Treasury Regulations, the Company has elected to defer \$1,715,049 of net realized capital losses arising after October 31, 2006. Such losses are treated for tax purposes as arising on January 1, 2007.

To reflect reclassification arising from permanent "book/tax" differences for non-deductible expenses during the year ended December 31, 2006, undistributed net investment income was increased by \$2,764, and additional paid-in capital was decreased by \$2,764. Net assets were not affected by this reclassification.

3. OFFICERS' COMPENSATION

The aggregate compensation paid by the Company during 2006 and 2005 to its officers (identified on page 19) amounted to \$7,255,500 and \$5,881,000, respectively.

4. PURCHASES AND SALES OF SECURITIES

Purchases and sales of securities and securities sold short (other than short-term securities and options) during 2006 amounted to \$250,301,775 and \$321,482,449, on long transactions, respectively, and \$4,061,806 and \$3,432,125, on short sale transactions, respectively.

5. BENEFIT PLANS

The Company has funded and unfunded defined contribution thrift plans that are

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available to its employees. The aggregate cost of such plans for 2006 and 2005 was \$805,729 and \$815,088, respectively.

The Company also has both a funded (Qualified) and an 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.

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.

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16 NOTES TO FINANCIAL STATEMENTS - continued

General American Investors

5. PENSION BENEFIT PLANS - (Continued from previous page.)
OBLIGATIONS AND FUNDED STATUS OF DEFINED BENEFIT PLANS:

| | DECEMBER 31, 2006 (MEASUREMENT DATE) | | | DECEMBER 31, 2005 | |
|--|--------------------------------------|----------------------|------------------|-------------------|---------------|
| | QUALIFIED PLAN | SUPPLEMENTAL PLAN | TOTAL | QUALIFIED PLAN | SUPPLE PLA |
| CHANGE IN BENEFIT OBLIGATION: | | | | | |
| Benefit obligation at beginning of year | \$8,902,156 | \$3,139,034 | \$12,041,190 | \$7,487,615 | \$2,6 |
| Service cost | 201,809 | 115,586 | 317,395 | 194,771 | 1 |
| Interest cost | 501,644 | 182,511 | 684,155 | 481,413 | 1 |
| Benefits paid | (542,274) | (165,252) | (707,526) | (514,291) | (1 |
| Actuarial (gains)/losses | (848) | 48,848 | 48,000 | 1,071,753 | 2 |
| Plan amendments | - | - | - | 180,895 | |
| | | | | | |
| Projected benefit obligation at end of year | 9,062,487 | 3,320,727 | 12,383,214 | 8,902,156 | 3,1 |
| | | | | | |
| CHANGE IN PLAN ASSETS: | | | | | |
| Fair value of plan assets at beginning of year | 15,906,987 | - | 15,906,987 | 14,625,572 | |
| Miscellaneous adjustment | - | - | - | 64,946 | |
| Actual return on plan assets | 2,354,533 | - | 2,354,533 | 1,730,760 | |
| Employer contributions | - | 165,252 | 165,252 | - | 1 |
| Benefits paid | (542,274) | (165,252) | (707,526) | (514,291) | (1 |
| | | | | | |
| Fair value of plan assets at end of year | 17,719,246 | - | 17,719,246 | 15,906,987 | |
| | | | | | |
| FUNDED STATUS AT END OF YEAR | 8,656,759 | (3,320,727) | 5,336,032 | 7,004,831 | (3,1 |
| Unrecognized actuarial (gains)/losses | - | - | - | 407,303 | (|
| Unrecognized prior service cost | - | - | - | 302,322 | |

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| | | | | | |
|---|---------------|---------------|---------------|-------------|--------|
| Net amount recognized at end of year | \$8,656,759 | (\$3,320,727) | \$5,336,032 | \$7,714,456 | (\$3,1 |
| Accumulated benefit obligation at end of year | \$8,400,586 | \$2,971,614 | \$11,372,200 | \$8,322,164 | \$2,7 |
| INCREMENTAL EFFECT OF ADOPTING FAS 158 | BEFORE | ADJUSTMENTS | AFTER | | |
| Noncurrent benefit asset | \$7,939,307 | \$717,452 | \$8,656,759 | | |
| LIABILITIES | | | | | |
| Current benefit liability | 213,549 | - | 213,549 | | |
| Noncurrent benefit liability | 3,042,285 | 64,893 | 3,107,178 | | |
| Accumulated other comprehensive income | - | (652,559) | (652,559) | | |
| AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME CONSIST OF: | | | | | |
| Net actuarial loss/(gain) | (\$1,006,540) | (\$5,136) | (\$1,011,676) | N/A | |
| Prior service cost/(credit) | 289,088 | 70,029 | 359,117 | N/A | |
| | (\$717,452) | \$64,893 | (\$652,559) | N/A | |
| WEIGHTED-AVERAGE ASSUMPTIONS AS OF END OF FISCAL YEAR: | | | | | |
| Discount rate | 5.75% | 5.75% | | 5.50% | |
| Expected return on plan assets | 8.75% | N/A | | 8.75% | |
| Salary scale assumption | 4.25% | 4.25% | | 4.25% | |
| COMPONENTS OF NET PERIODIC BENEFIT COST: | | | | | |
| Service cost | \$201,809 | \$115,586 | \$317,395 | \$194,771 | \$11 |
| Interest cost | 501,645 | 182,511 | 684,156 | 481,413 | 16 |
| Expected return on plan assets | (1,127,040) | - | (1,127,040) | (1,077,936) | |
| Amortization of: | | | | | |
| Prior service cost | 13,235 | 21,861 | 35,096 | 13,235 | 2 |
| Recognized net actuarial loss | 185,502 | - | 185,502 | 152,996 | |
| Net periodic benefit cost | (\$224,849) | \$319,958 | \$95,109 | (\$235,521) | \$30 |
| WEIGHTED-AVERAGE ASSUMPTIONS FOR DETERMINING NET PERIODIC BENEFIT COST FOR YEARS ENDED DECEMBER 31: | | | | | |
| Discount rate | 5.50% | 5.50% | | 5.75% | 5 |
| Expected long-term rate of return on plan assets | 8.75% | N/A | | 8.75% | |
| Rate of salary increase | 4.25% | 4.25% | | 4.25% | 4 |

PLAN ASSETS

The Company's qualified pension plan asset allocations by asset at December 31, 2006 and 2005, are as follows:

| Asset Category | December 31 | |
|-------------------|-------------|--------|
| | 2006 | 2005 |
| Equity securities | 88.2% | 97.3% |
| Debt securities | 11.8 | 2.7 |
| Total | 100.0% | 100.0% |

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

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| EXPECTED CASH FLOWS | Qualified Plan | Supplemental Plan | Total |
|---|-------------------|----------------------|-----------|
| Expected Company contributions for 2007 | - | \$213,549 | \$213,549 |
| Estimated benefit payments: | | | |
| 2007 | \$527,506 | \$213,549 | \$741,055 |
| 2008 | 536,049 | 257,363 | 793,412 |
| 2009 | 542,757 | 289,572 | 832,329 |
| 2010 | 561,535 | 320,654 | 882,189 |
| 2011 | 583,903 | 353,543 | 937,446 |
| 2012-2016 | 3,190,667 | 2,217,100 | 5,407,767 |

6. PUT OPTION

A transaction in a written collateralized put option during the year ended December 31, 2006 was as follows:

| | Collateralized Put | |
|---|--------------------|----------|
| | Contract | Premium |
| Options written | 100 | \$16,199 |
| Options terminated in closing purchase transactions | (100) | (16,199) |
| Options outstanding, December 31, 2006 | - | \$0 |

7. 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 \$308,900 for 2006. Minimum rental commitments under the operating lease are approximately \$505,000 in 2007.

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17 NOTES TO FINANCIAL STATEMENTS - continued

General American Investors

7. OPERATING LEASE COMMITMENT- (Continued from previous page.)

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 in 2007. The Company will also receive its proportionate share of operating expenses and real property taxes under the sublease.

 8. RECENT ACCOUNTING PRONOUNCEMENTS

On July 13, 2006, the FASB released FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN48"). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after June 29, 2007 and is to be applied to all open tax years as of the effective date. Management does not believe that the application of this standard will have a material impact on the financial statements of the Company.

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.

FINANCIAL HIGHLIGHTS

General American Investors

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

| | 2006 | 2005 | 2004 | 2003 |
|---|---------|---------|---------|---------|
| | ----- | ----- | ----- | ----- |
| PER SHARE OPERATING PERFORMANCE | | | | |
| Net asset value, beginning of year | \$39.00 | \$35.49 | \$33.11 | \$26.75 |
| | ----- | ----- | ----- | ----- |
| Net investment income | .34 | .19 | .32 | .32 |
| Net gain (loss) on securities - realized and unrealized | 4.72 | 5.85 | 3.48 | 7.12 |
| Other comprehensive income | .03 | - | - | - |
| | ----- | ----- | ----- | ----- |
| Distributions on Preferred Stock: | | | | |
| Dividends from net investment income | (.04) | (.03) | (.09) | (.09) |
| Distributions from net short-term capital gains | (.01) | (.08) | - | - |
| Distributions from net long-term capital gains | (.36) | (.30) | (.32) | (.32) |
| | ----- | ----- | ----- | ----- |
| | (.41) | (.41) | (.41) | (.41) |
| | ----- | ----- | ----- | ----- |
| Total from investment operations | 4.68 | 5.63 | 3.39 | 7.12 |

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| | | | | |
|---|-------------|-------------|-------------|-----------|
| Distributions on Common Stock: | | | | |
| Dividends from investment income | (.29) | (.15) | (.23) | (.00) |
| Distributions from net short-term capital gains | (.04) | (.44) | - | (.00) |
| Distributions from net long-term capital gains | (2.81) | (1.53) | (.78) | (.00) |
| | (3.14) | (2.12) | (1.01) | (.00) |
| Capital Stock transaction - effect of Preferred Stock offering | - | - | - | (.00) |
| Net asset value, end of year | \$40.54 | \$39.00 | \$35.49 | \$33.00 |
| Per share market value, end of year | \$37.12 | \$34.54 | \$31.32 | \$29.00 |
| TOTAL INVESTMENT RETURN - Stockholder Return, based on market price per share | 16.78% | 17.40% | 8.79% | 27.00% |
| RATIOS AND SUPPLEMENTAL DATA | | | | |
| Net assets applicable to Common Stock, end of year (000's omitted) | \$1,199,453 | \$1,132,942 | \$1,036,393 | \$986,000 |
| Ratio of expenses to average net assets applicable to Common Stock | 1.06% | 1.25% | 1.15% | 1.00% |
| Ratio of net income to average net assets applicable to Common Stock | 0.86% | 0.51% | 0.94% | 0.00% |
| Portfolio turnover rate | 19.10% | 20.41% | 16.71% | 18.00% |
| PREFERRED STOCK | | | | |
| Liquidation value, end of year (000's omitted) | \$200,000 | \$200,000 | \$200,000 | \$200,000 |
| Asset coverage | 700% | 666% | 618% | 600% |
| Liquidation preference per share | \$25.00 | \$25.00 | \$25.00 | \$25.00 |
| Market value per share | \$24.44 | \$24.07 | \$24.97 | \$25.00 |

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18 REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

General American Investors

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF GENERAL AMERICAN INVESTORS COMPANY, INC.

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of General American Investors Company, Inc. as of December 31, 2006, and the related statements of operations and changes in net assets for each of the two years in the period then ended, and financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were

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not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2006, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of General American Investors Company, Inc. at December 31, 2006, the results of its operations and the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

New York, New York

January 17, 2007

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19 OFFICERS

 General American Investors

| NAME (AGE) EMPLOYEE SINCE | PRINCIPAL OCCUPATION DURING PAST 5 YEARS | NAME (AGE) EMPLOYEE SINCE | PRINCIPAL OCCUPATION DURING PAST 5 YEARS |
|---------------------------------|--|------------------------------------|---|
| Spencer Davidson (64) 1994 | President and Chief Executive Officer of the Company since 1995 | Sally A. Lynch, Ph.D. (47) 1997 | Vice-President of the Company since 1995 |
| Andrew V. Vindigni (47) 1988 | Senior Vice-President of the Company since 2006; Vice-President 1995-2006; securities analyst (financial services industry) | Peter P. Donnelly (58) 1974 | Vice-President of the Company since 1974 |
| Eugene S. Stark (48) 2005 | Vice-President, Administration of the Company since 2005, Principal Financial Officer since 2005, Chief Compliance Officer since 2006; Chief Financial Officer of Prospect Energy Corporation (2005); Vice-President of Prudential Financial, Inc. (1987-2004) | Diane G. Radosti (54) 1980 | Treasurer of the Company since 1980 |
| | | Carole Anne Clementi (60) 1982 | Secretary of the Company since 1982 |
| | | Craig A. Grassi (38) 1991 | Assistant Treasurer of the Company since 1991 |

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| | | | |
|---------------------------|--|---------------------------------|-------------------------|
| Jesse Stuart (40) 2003 | Vice-President of the Company since 2006 securities analyst (general industries); securities analyst & portfolio manager of Scudder, Stevens and Clark (1996-2003) | Maureen E. LoBello (56) 1992 | Assista Comp bene |
|---------------------------|--|---------------------------------|-------------------------|

All officers serve for a term of one year and are elected by the Board of Directors at the time of its annual organization meeting on the second Wednesday in April. The address for each officer is the Company's office. Other directorships and affiliations for Mr. Davidson are shown in the listing of Directors on page 20.

SERVICE ORGANIZATIONS

COUNSEL

Sullivan & Cromwell LLP

INDEPENDENT AUDITORS

Ernst & Young LLP

CUSTODIAN

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

In addition to purchases of the Company's Common Stock as set forth in Note 2, on page 15, 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.

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

On May 2, 2006, 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.

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20 DIRECTORS

 General American Investors

| NAME (AGE) DIRECTOR SINCE | PRINCIPAL OCCUPATION DURING PAST 5 YEARS | OTHER DIRECTORSHIPS AND |
|--|--|--|
| ----- INDEPENDENT ("DISINTERESTED") DIRECTORS ----- | | |
| Lawrence B. Bittenwieser (75) Chairman of the Board of Directors 1967 | Counsel 2002-present Partner 1966-2002 Katten Muchin Zavis Rosenman and predecessor firms (lawyers) | |
| Arthur G. Altschul, Jr. (42) 1995 | Managing Member Diaz & Altschul Capital Management, LLC (private investment company) | Delta Opportunity Fund, L Diversified Natural Produ Medicis Pharmaceutical Co Medrium, Inc., Chairman, National Public Radio Fou Neurosciences Research Fo The Overbrook Foundation, |
| Lewis B. Cullman (88) 1961 | Philanthropist | Chess-in-the-Schools, Cha Metropolitan Museum of Ar Museum of Modern Art, Vic International Council a Neurosciences Research Fo Board of Trustees The New York Botanical Ga Chairman, Board of Mana |
| Gerald M. Edelman (77) 1976 | Member, Professor and Chairman of the Department of Neurobiology The Scripps Research Institute | Neurosciences Institute o Research Foundation, D |
| John D. Gordan, III (61) 1986 | Partner Morgan, Lewis & Bockius LLP (lawyers) | |
| Sidney R. Knafel (76) 1994 | Managing Partner SRK Management Company (private investment company) | IGENE Biotechnology, Inc. Insight Communications Co Chairman, Board of Dire VirtualScopics, Inc., Dir Vocollect, Inc., Director |
| D. Ellen Shuman (51) 2004 | Vice President and Chief Investment Officer Carnegie Corporation of New York | Bowdoin College, Trustee Edna McConnell Clark Foun Investment Advisor The Investment Fund for F |
| Joseph T. Stewart, Jr. (77) 1987 | Corporate director and trustee | Foundation of the Univers Medicine and Dentistry Marine Biological Laborat Advisory Council United States Merchant Ma Board of Advisors United States Merchant Ma Trustee |

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Raymond S. Troubh (80)
1989

Financial Consultant

Diamond Offshore Drilling
Gentiva Health Services,
Sun-Times Media Group, In
Triarc Companies, Inc., D

INSIDE ("INTERESTED") DIRECTOR

Spencer Davidson (64)
1995

President and Chief Executive Officer Medicis Pharmaceutical Co
General American Investors
Company, Inc. since 1995
Neurosciences Research Fo

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

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ITEM 2. CODE OF ETHICS.

On July 9, 2003, the Board of Directors adopted a code of ethics that applies to registrant's principal executive and senior financial officers. The code of ethics is available on registrant's Internet website at <http://www.generalamericaninvestors.com/corporateinfo.html>. Since the code of ethics was adopted there have been no amendments to the code nor have there been granted any waivers from any provisions of the code of ethics.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The Board of Directors has determined that none of the members of registrant's audit committee meets the definition of "audit committee financial expert" as the term has been defined by the U.S. Securities and Exchange Commission (the "Commission"). In addition, the Board of Directors has determined that the members of the audit committee have sufficient financial expertise and experience to perform the duties and responsibilities of the audit committee.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(a) AUDIT FEES The aggregate fees paid and accrued by the registrant for professional services rendered by its independent auditors, Ernst & Young LLP, for the audit of the registrant's annual financial statements and the review of the registrant's semi-annual financial statements for 2006 and 2005 were \$80,600 and \$75,000, respectively.

(b) AUDIT RELATED FEES The aggregate fees paid or accrued by the registrant for audit-related professional services rendered by Ernst & Young LLP for 2006 and 2005 were \$25,400 and \$23,700, respectively. Such services and related fees for 2006 and 2005 included: performance of agreed upon procedures relating to the preferred stock basic maintenance reports (\$6,400 and \$6,000, respectively), review of quarterly employee security transactions and issuance of report thereon (\$15,000 and \$14,000, respectively) and other audit-related services (\$4,000 and \$3,700, respectively).

(c) TAX FEES The aggregate fees paid or accrued by the registrant for professional services rendered by Ernst & Young LLP for the review of the registrant's federal, state and city income tax returns and excise tax calculations for 2006 and 2005 were \$13,500 and \$13,000, respectively.

(d) ALL OTHER FEES No such fees were billed to the registrant by Ernst & Young

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LLP for 2006 or 2005.

(e) (1) AUDIT COMMITTEE PRE-APPROVAL POLICY All services to be performed for the registrant by Ernst & Young LLP must be pre-approved by the audit committee. All services performed during 2006 and 2005 were pre-approved by the committee.

(2) Not applicable.

(f) Not applicable.

(g) The aggregate fees paid or accrued by the registrant for non-audit professional services rendered by Ernst & Young LLP to the registrant for 2006 and 2005 were \$38,900 and \$36,700, respectively.

(h) Not applicable.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

(a) The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the audit committee are: Sidney R. Knafel, chairman, Arthur G. Altschul, Jr., Lawrence B. Bittenwieser, Lewis B. Cullman, John D. Gordan, III and D. Ellen Shuman.

(b) Not applicable.

ITEM 6. SCHEDULE OF INVESTMENTS

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

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

General American Investors Company, Inc.

PROXY VOTING POLICIES AND PROCEDURES

General American Investors Company, Inc. (the "Company") is uniquely structured as an internally managed closed-end investment company. Our research efforts, including the receipt and analysis of proxy material, are focused on the securities in the Company's portfolio, as well as alternative investment opportunities. We vote proxies relating to our portfolio securities in the best long-term interests of the Company.

Our investment approach stresses fundamental security analysis, which includes an evaluation of the integrity, as well as the effectiveness of management personnel. In proxy material, we review management proposals and management recommendations relating to shareholder proposals in order to, among other things, gain assurance that management's positions are consistent with its integrity and the long-term interests of the company. We generally find this to be the case and, accordingly, give significant weight to the views of management when we vote proxies.

Proposals that may have an impact on the rights or privileges of the securities held by the Company would be reviewed very carefully. The explanation for a negative impact could justify the proposal; however, if such justification were not present, we would vote against a significant reduction in the rights or privileges associated with any of our holdings.

Proposals relating to corporate governance matters are reviewed on a

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case-by-case basis. When they involve changes in the state of incorporation, mergers or other restructuring, we would, if necessary, complete our review of the rationale for the proposal by contacting company representatives and, with few exceptions, vote in favor of management's recommendations. Proposals relating to anti-takeover provisions, such as staggered boards, poison pills and supermajorities could be more problematic. They would be considered in light of our assessment of the capability of current management, the duration of the proposal, the negative impact it might have on the attractiveness of the company to future "investors," among other factors. We can envision circumstances under which we would vote against an anti-takeover provision.

Generally, we would vote with management on proposals relating to changes to the company's capital structure, including increases and decreases of capital and issuances of preferred stock; however, we would review the facts and circumstances associated with each proposal before finalizing our decision.

Well-structured stock option plans and management compensation programs are essential for companies to attract and retain high caliber management personnel. We generally vote in favor of proposals relating to these issues; however, there could be an occasion on which we viewed such a proposal as over reaching on the part of management or having the potential for excessive dilution when we would vote against the proposal.

Corporations should act in a responsible manner toward their employees, the communities in which they are located, the customers they serve and the world at large. We have observed that most stockholder proposals relating to social issues focus on a narrow issue and the corporate position set forth in the proxy material provides a well-considered response demonstrating an appropriate and responsible action or position. Accordingly, we generally support management recommendations on these types of proposals; however, we would consider each proposal on a case-by-case basis.

We take voting proxies of securities held in our portfolio very seriously. As indicated above, it is an integral part of the analytical process at General American Investors. Each proposal and any competing interests are reviewed carefully on a case-by-case basis. Generally, we support and vote in accordance with the recommendations of management; however, the overriding basis for the votes we cast is the best long-term interests of the Company.

Date: July 9, 2003

Item 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

As of December 31, 2006 and the date of this filing, Mr. Spencer Davidson, President and Chief Executive Officer, serves as the Portfolio Manager of the registrant and is responsible for its day-to-day management. He has served in this capacity since 1995. Mr. Davidson does not provide such services for any other registered investment companies, pooled investment vehicles, or other accounts. For performing such responsibilities, Mr. Davidson receives cash compensation in the form of a fixed salary and an annual performance bonus. The annual performance bonus is principally based upon the absolute performance of the registrant and its relative performance to a closed-end management investment company peer group (comprised of core equity funds) and the S&P 500 Index. Performance is evaluated in December by the Compensation Committee of the Board of Directors (the members of which are independent and consult with the full Board of Directors), based upon the registrant's net asset value return and total investment return during the twelve months ended October 31. Additional consideration is given to performance during the subsequent intervening period and to market compensation data provided by a noted industry compensation consulting firm. Mr. Davidson beneficially owns in excess of \$1 million of the registrant's outstanding equity securities.

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

REGISTRANT PURCHASES OF EQUITY SECURITIES

| Period 2006 | (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 |
|----------------|---|--|--|
| 07/01-07/31 | 38100 | 35.8238 | 38100 |
| 08/01-08/31 | 52000 | 36.6649 | 52000 |
| 09/01-09/30 | 44200 | 37.1442 | 44200 |
| 10/01-10/31 | 48700 | 38.2654 | 48700 |
| 11/01-11/30 | 82400 | 36.5333 | 82400 |
| 12/01-12/31 | 82700 | 37.3596 | 82700 |
| | ----- | ----- | ----- |
| Total | 348100 ===== | | 348100 ===== |

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, 2006.

ITEM 11. CONTROLS AND PROCEDURES.

Conclusions of principal officers concerning controls and procedures

(a) As of December 31, 2006, an evaluation was performed under the supervision and with the participation of the officers of General American Investors Company, Inc. (the "Registrant"), including the principal executive officer ("PEO") and principal financial officer ("PFO"), to assess the effectiveness of the Registrant's disclosure controls and procedures. Based on that evaluation, the Registrant's officers, including the PEO and PFO, concluded that, as of December 31, 2006, the Registrant's disclosure controls and procedures were reasonably designed so as to ensure: (1) that information required to be disclosed by the Registrant on Form N-CSR and on Form N-Q is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission; and (2) that material information relating to the Registrant is made known to the PEO and PFO as appropriate to allow timely decisions regarding required disclosure.

(b) There have been no significant changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940 (17 CFR 270.30a-3(d)) that occurred during the Registrant's last fiscal quarter that has materially affected, or is reasonably likely to

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materially affect, the Registrant's internal control over financial reporting.

ITEM 12. EXHIBITS

- (a) (1) As indicated in Item 2., the code of ethics is posted on the registrant's Internet website.
- (a) (2) The certifications of the principal executive officer and the principal financial officer pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 are attached hereto as Exhibit 99 CERT.
- (a) (3) There were no written solicitations to purchase securities under the Rule 23c-1 under the Investment Company Act of 1940 during the period covered by the report.
- (b) The certifications of the principal executive officer and the principal financial officer pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 are attached hereto as Exhibit 99.906 CERT.

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SIGNATURES

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

General American Investors Company, Inc.

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

Date: February 9, 2007

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

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

Date: February 9, 2007

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

Date: February 9, 2007