

GENERAL AMERICAN INVESTORS CO INC

Form N-30B-2

April 28, 2006

GENERAL AMERICAN INVESTORS  
COMPANY, INC.

FIRST QUARTER REPORT  
MARCH 31, 2006

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

450 LEXINGTON AVENUE  
NEW YORK, NY 10017  
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E-mail: InvestorRelations@gainv.com  
www.generalamericaninvestors.com

TO THE STOCKHOLDERS

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

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

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

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

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

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

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traditional investment practices.

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

Information about the Company, including our investment objectives, operating policies and procedures, investment results, record of dividend and distribution payments, financial reports and press releases, is on our website and has been updated through March 31, 2006. It can be accessed on the internet at [www.generalamericaninvestors.com](http://www.generalamericaninvestors.com).

By Order of the Board of Directors,

General American Investors Company, Inc.

Spencer Davidson  
 President and Chief Executive Officer  
 April 12, 2006

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

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 General American Investors

ASSETS

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 INVESTMENTS, AT VALUE (NOTE 1a)

Common and preferred stocks (cost \$703,902,460)	\$1,
Corporate note (cost \$33,275,342)	
Corporate discount notes (cost \$19,963,406)	
Money market fund (cost \$28,297,721)	---
Total investments (cost \$785,438,929)	1,

CASH, RECEIVABLES AND OTHER ASSETS

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

TOTAL ASSETS

LIABILITIES

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

TOTAL LIABILITIES

5.95% CUMULATIVE PREFERRED STOCK, SERIES B -

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

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NET ASSETS APPLICABLE TO COMMON STOCK - 28,821,699 shares (note 2) \$1,====

NET ASSET VALUE PER COMMON SHARE

NET ASSETS APPLICABLE TO COMMON STOCK

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

NET ASSETS APPLICABLE TO COMMON STOCK

(see notes to financial statements)

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

General American Investors

INCOME

Dividends (net of foreign withholding taxes of \$75,509)	\$3,674,643	
Interest	1,100,652	\$4,-----

EXPENSES

Investment research	2,226,550	
Administration and operations	725,301	
Office space and general	132,586	
Directors' fees and expenses	72,207	
Auditing and legal fees	60,000	
Transfer agent, custodian and registrar fees and expenses	40,783	
Stockholders' meeting and reports	32,107	
Miscellaneous taxes	25,611	3,-----

NET INVESTMENT INCOME

REALIZED GAIN (LOSS) AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS (NOTES 1e AND 4)

Net realized gain on investments:	
Long transactions	51,154,677
Short sale transaction (note 1b)	(635,004)
	-----
Net realized gain on investments (long-term, except for \$458,004)	50,519,673
Net increase in unrealized appreciation	5,049,472
	-----

NET GAIN ON INVESTMENTS

DISTRIBUTIONS TO PREFERRED STOCKHOLDERS

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INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

\$54,  
=====

(see notes to financial statements)

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STATEMENT OF CHANGES IN NET ASSETS

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	Three Months Ended March 31, 2006 (Unaudited)	D
OPERATIONS		
-----		
Net investment income	\$1,460,150	
Net realized gain on investments	50,519,673	
Net increase in unrealized appreciation	5,049,472	1
	-----	-----
	57,029,295	1
	-----	-----
Distributions to Preferred Stockholders:		
From net investment income	-	
From short-term capital gains	-	
From long-term capital gains	-	
Unallocated distributions on Preferred Stock	(2,975,000)	
	-----	
Decrease in net assets from Preferred Stock distributions	(2,975,000)	
	-----	
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	54,054,295	
	-----	
Distributions to Common Stockholders		
-----		
From net investment income	-	
From short-term capital gains	-	(
From long-term capital gains	(4,000,786)	(
	-----	-----
DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS	(4,000,786)	(
	-----	-----
Capital Share Transactions (Note 2)		
-----		
Value of Common Shares issued in payment of distributions	-	
Cost of Common Shares purchased	(8,315,463)	
	-----	
DECREASE IN NET ASSETS - CAPITAL TRANSACTIONS	(8,315,463)	
	-----	
NET INCREASE IN NET ASSETS	41,738,046	
Net Assets Applicable to Common Stock		
-----		
BEGINNING OF PERIOD	1,132,941,654	1,
	-----	-----
END OF PERIOD (including undistributed net investment income of \$2,992,130 and \$1,531,980, respectively)	\$1,174,679,700	\$1,
	=====	=====
(see notes to financial statements)		

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FINANCIAL HIGHLIGHTS

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 General American Investors

The following table shows per share operating performance data, total investment return, ratios and supplemental data for the three months ended March 31, 2006 and for each year in the five-year period ended December 31, 2005. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

	Three Months Ended March 31, 2006 (Unaudited)	Year Ended December			
		2005	2004	2003	2002
PER SHARE OPERATING PERFORMANCE					
Net asset value, beginning of period	\$39.00	\$35.49	\$33.11	\$26.48	\$35.49
Net investment income	.05	.19	.32	.03	.03
Net gain (loss) on investments - realized and unrealized	1.95	5.85	3.48	7.72	(7.72)
Less distributions on Preferred Stock:					
Dividends from net investment income	-	(.03)	(.09)	(.01)	(.01)
Distributions from net short-term capital gains	-	(.08)	-	-	-
Distributions from net long-term capital gains	-	(.30)	(.32)	(.35)	(.35)
Unallocated	(.10)	-	-	-	-
	(.10)	(.41)	(.41)	(.36)	(.36)
Total from investment operations	1.90	5.63	3.39	7.39	(8.74)
Less distributions on Common Stock:					
Dividends from net investment income	-	(.15)	(.23)	(.02)	(.02)
Distributions from net short-term capital gains	-	(.44)	-	-	-
Distributions from net long-term capital gains	(.14)	(1.53)	(.78)	(.52)	(.52)
	(.14)	(2.12)	(1.01)	(.54)	(.54)
Capital Stock transaction - effect of Preferred Stock offering	-	-	-	(.22)	(.22)
Net asset value, end of period	\$40.76	\$39.00	\$35.49	\$33.11	\$26.48
Per share market value, end of period	\$37.84	\$34.54	\$31.32	\$29.73	\$23.43
TOTAL INVESTMENT RETURN - Stockholder return, based on market price per share	9.98%*	17.40%	8.79%	27.01%	(27.01)%

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### RATIOS AND SUPPLEMENTAL DATA

Net assets applicable to Common Stock, end of period (000's omitted)	\$1,174,680	\$1,132,942	\$1,036,393	\$986,335	\$809
Ratio of expenses to average net assets applicable to Common Stock	1.14%**	1.25%	1.15%	1.23%	0
Ratio of net investment income to average net assets applicable to Common Stock	0.50%**	0.51%	0.94%	0.13%	0
Portfolio turnover rate	5.39%*	20.41%	16.71%	18.62%	22

### PREFERRED STOCK

Liquidation value, end of period (000's omitted)	\$200,000	\$200,000	\$200,000	\$200,000	\$150,
Asset coverage	687%	666%	618%	593%	
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00	\$25
Market value per share	\$24.69	\$24.07	\$24.97	\$25.04	\$25

\*Not annualized

\*\*Annualized

### 6 STATEMENT OF INVESTMENTS March 31, 2006 (Unaudited)

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

Shares	COMMON AND PREFERRED STOCKS	
-----		
BUILDING AND REAL ESTATE (6.4%)		
-----		
1,143,041	CEMEX, S.A. de C.V. ADR	(COST \$30,440,830)
COMMUNICATIONS AND INFORMATION SERVICES (5.0%)		
-----		
675,000	American Tower Corporation (a)	
900,000	Cisco Systems, Inc. (a)	
350,000	Lamar Advertising Company Class A (a)	
		(COST \$34,761,823)
COMPUTER SOFTWARE AND SYSTEMS (3.9%)		
-----		
300,000	EMC Corporation (a)	
1,400,000	Microsoft Corporation	
133,500	VeriSign, Inc. (a)	
		(COST \$41,604,314)
CONSUMER PRODUCTS AND SERVICES (2.7%)		
-----		
350,000	Diageo plc	
175,000	PepsiCo, Inc.	
		(COST \$22,493,511)
ELECTRONICS (1.4%)		
-----		
550,000	Molex Incorporated Class A	(COST \$12,287,441)

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ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (4.2%)

Republic Services, Inc.

(COST \$26,227,380)

FINANCE AND INSURANCE (27.0%)

BANKING (9.9%)

280,000 Bank of America Corporation  
 585,000 Golden West Financial Corporation  
 310,000 M&T Bank Corporation  
 475,000 North Fork Bancorporation, Inc.  
 200,000 SunTrust Banks, Inc.

(COST \$31,006,675)

INSURANCE (15.9%)

275,000 The Allstate Corporation  
 350,000 American International Group, Inc.  
 500,000 Annuity and Life Re (Holdings), Ltd. (a)  
 350,000 Arch Capital Group Ltd. (a)  
 300 Berkshire Hathaway Inc. Class A (a)  
 550,000 Everest Re Group, Ltd.  
 285,000 MetLife, Inc.  
 365,000 PartnerRe Ltd.  
 225,000 Transatlantic Holdings, Inc.

(COST \$82,551,050)

OTHER (1.2%)

500,000 Annaly Mortgage Management, Inc.  
 1,300,000 MFA Mortgage Investments, Inc.

(COST \$16,084,154)

(COST \$129,641,879)

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

General American Investors

Shares COMMON AND PREFERRED STOCKS (continued)

HEALTH CARE (11.0%)

PHARMACEUTICALS (9.1%)

240,000 Alkermes, Inc. (a)  
 170,000 Biogen Idec Inc. (a)  
 604,900 Cytokinetics, Incorporated (a)  
 305,000 Genentech, Inc. (a)  
 400,000 MedImmune, Inc. (a)  
 1,947,000 Pfizer Inc

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(COST \$67,179,843)

MEDICAL INSTRUMENTS AND DEVICES (1.9%)

450,000 Medtronic, Inc. (COST \$10,483,716)

(COST \$77,663,559)

MISCELLANEOUS (4.5%)

Other (b) (COST \$51,274,394)

OIL & NATURAL GAS (INCLUDING SERVICES) (23.4%)

665,000 Apache Corporation  
 200,000 EOG Resources, Inc.  
 440,000 Halliburton Company  
 1,000,000 Patterson-UTI Energy, Inc.  
 1,000,000 Talisman Energy Inc.  
 330,000 Total S.A. ADR  
 1,220,000 Weatherford International Ltd. (a)

(COST \$174,256,353)

RETAIL TRADE (17.6%)

700,000 Costco Wholesale Corporation  
 750,000 Dollar General Corporation  
 1,570,000 The Home Depot, Inc. (c)  
 2,500,000 The TJX Companies, Inc.  
 575,000 Wal-Mart Stores, Inc.

(COST \$70,534,121)

SEMICONDUCTORS (0.5%)

323,000 Brooks Automation, Inc. (a)  
 100,000 EMCORE Corporation (a)

(COST \$4,024,001)

SPECIAL HOLDING (a) (d) (0.0%)

546,000 Standard MEMS, Inc. Series A Convertible Preferred (COST \$3,003,000)

TECHNOLOGY (2.4%)

1,900,000 Xerox Corporation (a) (COST \$25,689,854)

TOTAL COMMON AND PREFERRED STOCKS (110.0%) (COST \$703,902,460)

Principal Amount CORPORATE NOTE

CONSUMER PRODUCTS AND SERVICES (2.5%)

\$35,000,000 General Motors Nova Scotia Finance Company



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6.85% Guaranteed Notes due 10/15/08

(COST \$33,275,342)

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

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General American Investors

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

(see notes to financial statements)

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PORTFOLIO DIVERSIFICATION March 31, 2006 (Unaudited)

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General American Investors

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

Industry Category	March 31, 2006		Percent Common Net March 31	
	Cost (000)	Value (000)	2006	2005
Finance and Insurance				
Banking	\$31,007	\$116,102	9.9%	9.9%
Insurance	82,551	186,334	15.9	19.9
Other	16,084	14,325	1.2	1.1
	-----	-----	-----	-----
	129,642	316,761	27.0	30.9
Oil and Natural Gas (Including Services)	174,256	274,519	23.4	26.6
Retail Trade	70,534	206,788	17.6	19.9
	-----	-----	-----	-----
Health Care				
Pharmaceuticals	67,180	106,636	9.1	8.8
Medical Instruments and Devices	10,484	22,837	1.9	2.1
	-----	-----	-----	-----
	77,664	129,473	11.0	10.9
Building and Real Estate	30,441	74,618	6.4	3.1
Consumer Products and Services	55,769	62,064	5.2	3.1

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Communications and Information Services	34,762	58,382	5.0	7.
Miscellaneous**	51,274	53,090	4.5	1.
Environmental Control (Including Services)	26,227	49,949	4.2	3.
Computer Software and Systems	41,604	45,386	3.9	5.
Technology	25,690	28,880	2.4	0.
Electronics	12,288	16,346	1.4	1.
Semiconductors	4,024	5,620	0.5	0.
Special Holdings	3,003	-	0.0	0.
	-----	-----	----	----
	737,178	1,321,876	112.5	114.
Short-Term Securities	48,261	48,261	4.1	4.
	-----	-----	----	----
Total Investments	\$785,439	1,370,137	116.6	119.
	=====			
Other Assets and Liabilities - Net		4,543	0.4	0.
Preferred Stock		(200,000)	(17.0)	(19.
		-----	----	----
Net Assets Applicable to Common Stock		\$1,174,680	100.0%	100.
		=====	=====	=====

\* Net Assets applicable to the Company's Common Stock.

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

9 NOTES TO FINANCIAL STATEMENTS (Unaudited)

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General American Investors

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

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

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

b. SHORT SALES The Company may make short sales of securities for either speculative or hedging purposes. When the Company makes a short sale, it borrows the securities sold short from a broker; in addition, the Company places cash with that broker and securities in a segregated account with the custodian, both

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as collateral for the short position. The Company may be required to pay a fee to borrow the securities and may also be obligated to pay any dividends declared on the borrowed securities. The Company will realize a gain if the security price decreases and a loss if the security price increases between the date of the short sale and the date on which the Company replaces the borrowed securities.

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

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

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

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

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

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

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

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

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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.

### 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 three months ended March 31, 2006 and the year ended December 31, 2005 were as follows:

	SHARES		AMOUNT	
	2006	2005	2006	
Shares issued in payment of dividends (includes 1,067,491 shares issued from treasury for 2005)	-	1,067,491	-	\$1
Increase in paid-in capital			-	35
Total increase			-	36
Shares purchased (at an average discount from net asset value of 10.2% and 12.4%, respectively)	228,700	1,222,404	(\$228,700)	(1)
Decrease in paid-in capital			(8,086,763)	(38)
Total decrease			(8,315,463)	(39)
Net decrease			(\$8,315,463)	(\$3)

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

3. OFFICERS' COMPENSATION - The aggregate compensation paid by the Company

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during the three months ended March 31, 2006 to its officers amounted to \$1,536,125.

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

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

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

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

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

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

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

11 MAJOR STOCK CHANGES\* Three Months Ended March 31, 2006 (Unaudited)

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General American Investors

INCREASES	SHARES	SHAR MARCH
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NEW POSITION

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The Allstate Corporation	105,000	27
ADDITIONS		
American International Group, Inc.	5,000	35
Everest Re Group, Ltd.	10,000	55
Pfizer Inc	697,000	1,94
DECREASES		
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ELIMINATIONS		
Devon Energy Corporation	758,000	
Ethan Allen Interiors Inc.	275,000	
Telecom Corporation of New Zealand Limited	4,600,000	
REDUCTIONS		
Alkermes, Inc.	25,000	24
Biogen Idec Inc.	10,000	17
EMCORE Corporation	97,000	10
EOG Resources, Inc.	400,000	20
Genentech Corporation	25,000	30
The Home Depot, Inc.	125,000	1,57
North Fork Bancorporation, Inc.	125,000	47
PartnerRe Ltd.	10,000	36
Transatlantic Holdings, Inc.	25,000	22

### OTHER MATTERS (Unaudited)

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

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

The policies and procedures used by the Company to determine how to vote proxies relating to portfolio securities and the Company's proxy voting record for the twelve-month period ended June 30, 2005 are available: (1) without charge, upon request, by calling us at our toll-free telephone number (1-800-436-8401), (2) on the Company's website at [www.generalamericaninvestors.com](http://www.generalamericaninvestors.com) and (3) on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

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

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

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to, among other things, the Company's disclosure controls and procedures and internal control over financial reporting, as applicable.

### DIRECTORS

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

William T. Golden, Director Emeritus

### OFFICERS

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

### SERVICE COMPANIES

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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

### RESULTS OF THE ANNUAL MEETING OF STOCKHOLDERS

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

Election of Directors:

FOR                      WITHHELD

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

Elected by holders of Preferred Stock:

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

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

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