

GENERAL AMERICAN INVESTORS CO INC
Form N-CSRS
August 03, 2005

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-00041

GENERAL AMERICAN INVESTORS COMPANY, INC.

(Exact name of registrant as specified in charter)

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

(Address of principal executive offices) (Zip code)

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

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

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

Date of fiscal year end: December 31

Date of reporting period: June 30, 2005

2

ITEM 1. REPORTS TO STOCKHOLDERS.

GENERAL AMERICAN INVESTORS
COMPANY, INC.

SEMI-ANNUAL REPORT
JUNE 30, 2005

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

450 LEXINGTON AVENUE

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

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

3

TO THE STOCKHOLDERS

For the six months ended June 30, 2005, the investment return to our stockholders was 3.1% (assuming reinvestment of all dividends). The net asset value per Common Share increased 5.9%. By comparison, the rate of return (including income) for our benchmark, the Standard & Poor's 500 Stock Index, was -0.8%. For the twelve months ended June 30, 2005, the return to our stockholders was 10.2% and the return on the net asset value per Common Share was 14.6%; these compare with a return of 6.2% for the S&P 500. During each period, the discount at which our shares traded increased slightly and at June 30, 2005, it was 14.1%.

As set forth in the accompanying financial statements (unaudited), as of June 30, 2005, the net assets applicable to the Company's Common Stock were \$1,070,178,768, equal to \$37.27 per Common Share.

The increase in net assets resulting from operations for the six months ended June 30, 2005 was \$56,880,773. During this period, the net realized gain on securities sold was \$23,212,019 and the increase in net unrealized appreciation was \$36,256,982. Net investment income for the six months was \$3,361,772 and distributions to Preferred Stockholders amounted to \$5,950,000.

During the six months, 636,204 shares of the Company's Common Stock were repurchased for \$19,701,744 at an average discount from net asset value of 12.7%.

The relatively robust returns generated thus far this year come, in large measure, from our exposure to securities related to the oil and natural gas industries. The discount to net asset value at which our shares trade, meanwhile, has continued to widen, inexplicably. This gap has created the opportunity to repurchase shares on an especially attractive basis. Over the past 10 years the share price has ranged between a 2% premium and a 19% discount to its net asset value.

We remain constructive with respect to security valuations. Concerns abound, of course, including the costs of war finance, the impact of rising energy prices on consumer spending, the loss of manufacturing jobs to foreign producers, and an apparent housing bubble in some regions. There exists, furthermore, the prospect of an inverted yield curve, marked by interest rates that are higher for short-dated securities than for long-term bonds, a phenomenon that characteristically presages recession. Importantly, however, the U.S. is at or near full employment, inflation remains constrained, interest rates are relatively low, liquidity is ample, and earnings and dividends continue to grow.

On June 30, 2005, Eugene L. DeStaebler, Jr., who had been an officer of the Company for thirty years, and for the last twenty-eight, Vice-President, Administration, retired. Mr. DeStaebler's broad knowledge and understanding of the closed-end investment company industry, his expertise in administration, oversight of the accounting function, as well as his guidance regarding compliance, have been highly regarded by the Board of Directors and greatly appreciated by the Company. The Board of Directors is pleased to announce that, at its meeting today, Mr. DeStaebler has agreed to continue as a consultant in his capacity as Chief Compliance Officer until December 31, 2005.

We are also pleased to report that Eugene S. Stark, Vice-President since May 16, 2005, was appointed Vice-President, Administration. Prior to joining the Company

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

in May 2005, Mr. Stark, a CPA, served as the chief financial officer of a business development company. Mr. Stark had been a vice president of Prudential Financial, Inc. (1987-2004) and, prior thereto, gained diverse audit experience at Deloitte & Touche (1982-1987).

The information about the Company, including our investment objective, operating policies and procedures, investment results, record of dividend payments, financial reports and press releases, is contained on our website and has been updated through June 30, 2005. It can be accessed on the Internet at www.generalamericaninvestors.com.

By Order of the Board of Directors,

General American Investors Company, Inc.

Spencer Davidson
President and Chief Executive Officer

July 13, 2005

4

2 STATEMENT OF ASSETS AND LIABILITIES June 30, 2005 (Unaudited)

General American Investors

ASSETS

INVESTMENTS, AT VALUE (NOTE 1a)

Common stocks (cost \$730,316,780)		\$1,
Corporate note (cost \$709,754)		
Corporate discount notes (cost \$17,948,900)		
Money market fund (cost \$19,634,850)		
Total investments (cost \$768,610,284)		1,

RECEIVABLES AND OTHER ASSETS

Receivable for securities sold		\$4,900,927
Dividends, interest and other receivables		834,883
Prepaid pension cost		7,596,696
Prepaid expenses and other assets		252,987

TOTAL ASSETS

LIABILITIES

Payable for securities purchased		15,584,363
Preferred dividend accrued but not yet declared		231,389
Accrued pension expense		5,621,609
Accrued expenses and other liabilities		2,846,438

TOTAL LIABILITIES

5.95% CUMULATIVE PREFERRED STOCK, SERIES B -

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

NET ASSETS APPLICABLE TO COMMON STOCK - 28,717,595 shares (note 2)

NET ASSET VALUE PER COMMON SHARE

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

Net Assets Applicable To Common Stock

Common Stock, 28,717,595 shares at par value (note 2)	\$28,717,595
Additional paid-in capital (note 2)	507,429,475
Undistributed realized gain on investments	23,180,113
Undistributed net investment income	4,766,184
Unallocated distributions on Preferred Stock	(6,181,389)
Unrealized appreciation on investments	512,266,790

NET ASSETS APPLICABLE TO COMMON STOCK

\$1,

(see notes to financial statements)

5

3 STATEMENT OF OPERATIONS Six Months Ended June 30, 2005 (Unaudited)

General American Investors

INCOME

Dividends (net of foreign withholding taxes of \$213,043)	\$8,853,709
Interest	727,873

EXPENSES

Investment research	3,706,917
Administration and operations	1,848,094
Office space and general	259,286
Directors' fees and expenses	102,520
Transfer agent, custodian and registrar fees and expenses	94,146
Stockholders' meeting and reports	84,755
Auditing and legal fees	73,800
Miscellaneous taxes	50,292

NET INVESTMENT INCOME

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

Net realized gain on investments:	
Long transactions	23,011,600
Short sale transaction (note 1b)	(755,114)
Option transactions (note 1c)	955,533
Net realized gain on investments (long-term, except for \$7,875,871)	23,212,019
Net increase in unrealized appreciation	36,256,982

NET GAIN ON INVESTMENTS

DISTRIBUTIONS TO PREFERRED STOCKHOLDERS

INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

(see notes to financial statements)

6

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

4

STATEMENT OF CHANGES IN NET ASSETS

General American Investors	
	Six Months Ended June 30, 2005 (Unaudited)

OPERATIONS	

Net investment income	\$3,361,772
Net realized gain on investments	23,212,019
Net increase in unrealized appreciation	36,256,982

Distributions to Preferred Stockholders:	
From net investment income	-
From long-term capital gains	-
Unallocated distributions on Preferred Stock	(5,950,000)

Decrease in net assets from Preferred distributions	(5,950,000)

INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	56,880,773

DISTRIBUTIONS TO COMMON STOCKHOLDERS	

From net investment income	(58,303)
From long-term capital gains	(7,929,239)

DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS	(7,987,542)

CAPITAL SHARE TRANSACTIONS	

Value of Common Shares issued in payment of distributions (note 2)	4,594,188
Cost of Common Shares purchased (note 2)	(19,701,744)

DECREASE IN NET ASSETS - CAPITAL TRANSACTIONS	(15,107,556)

NET INCREASE IN NET ASSETS	33,785,675
Net Assets Applicable to Common Stock	

BEGINNING OF PERIOD	1,036,393,093

END OF PERIOD (including undistributed net investment income of \$4,766,184 and \$1,462,715, respectively)	\$1,070,178,768
	=====
(see notes to financial statements)	

7

5

FINANCIAL HIGHLIGHTS

General American Investors

The following table shows per share operating performance data, total investment return, ratios and supplemental data for the six months ended June 30, 2005 and for each year in the five-year period ended December 31, 2004. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

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

	Six Months Ended June 30, 2005 (Unaudited)	2004	2003	Year Ended December 2002	2001
PER SHARE OPERATING PERFORMANCE					
Net asset value, beginning of period	\$35.49	\$33.11	\$26.48	\$35.14	\$39.14
Net investment income	.12	.32	.03	.19	.19
Net gain (loss) on securities - realized and unrealized	2.14	3.48	7.72	(7.88)	(1.11)
Distributions on Preferred Stock:					
Dividends from investment income	-	(.09)	(.01)	(.12)	(.12)
Distributions from capital gains	-	(.32)	(.35)	(.23)	(.23)
Unallocated	(.21)	-	-	-	-
	(.21)	(.41)	(.36)	(.35)	(.35)
Total from investment operations	2.05	3.39	7.39	(8.04)	(1.11)
Less distributions on Common Stock:					
Dividends from investment income	-	(.23)	(.02)	(.21)	(.21)
Distributions from capital gains	(.27)	(.78)	(.52)	(.41)	(.41)
	(.27)	(1.01)	(.54)	(.62)	(.62)
Capital Stock transaction - effect of Preferred Stock offering	-	-	(.22)	-	-
Net asset value, end of period	\$37.27	\$35.49	\$33.11	\$26.48	\$35.14
Per share market value, end of period	\$32.00	\$31.32	\$29.73	\$23.85	\$33.11
TOTAL INVESTMENT RETURN - Stockholder Return, based on market price per share	3.08%*	8.79%	27.01%	(27.21)%	4.14%
RATIOS AND SUPPLEMENTAL DATA					
Net assets applicable to Common Stock, end of period (000's omitted)	\$1,070,560	\$1,036,393	\$986,335	\$809,192	\$1,097,192
Ratio of expenses to average net assets applicable to Common Stock	1.22%**	1.15%	1.23%	0.92%	0.92%
Ratio of net income to average net assets applicable to Common Stock	0.66%**	0.94%	0.13%	0.61%	1.11%
Portfolio turnover rate	8.61%*	16.71%	18.62%	22.67%	23.67%
PREFERRED STOCK					
Liquidation value, end of period (000's omitted)	\$200,000	\$200,000	\$200,000	\$150,000	\$150,000
Asset coverage	635%	618%	593%	639%	639%
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Market value per share	\$25.09	\$24.97	\$25.04	\$25.85	\$25.00

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

8

6 STATEMENT OF INVESTMENTS June 30, 2005 (Unaudited)

 General American Investors

Shares or
 Principal Amount COMMON STOCKS

 BUILDING AND REAL ESTATE (4.5%)

1,143,041 CEMEX, S.A. de C.V. ADR (COST \$30,440,830)

 COMMUNICATIONS AND INFORMATION SERVICES (7.2%)

675,000 American Tower Corporation (a)
 550,000 CIENA Corporation (a)
 900,000 Cisco Systems, Inc. (a)
 150,000 Juniper Networks, Inc. (a)
 500,000 Lamar Advertising Company Class A (a)
 4,600,000 Telecom Corporation of New Zealand Limited
 (COST \$69,828,479)

 COMPUTER SOFTWARE AND SYSTEMS (4.6%)

300,000 EMC Corporation (a)
 1,525,000 Microsoft Corporation
 323,000 NetIQ Corporation (a)
 133,500 VeriSign, Inc. (a)
 (COST \$49,555,813)

 CONSUMER PRODUCTS AND SERVICES (3.6%)

350,000 Diageo plc
 275,000 Ethan Allen Interiors Inc.
 150,000 PepsiCo, Inc.
 (COST \$28,303,579)

 ELECTRONICS (1.6%)

715,000 Molex Incorporated Class A (COST \$15,450,691)

 ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (3.9%)

1,175,000 Republic Services, Inc. (COST \$26,227,380)

 FINANCE AND INSURANCE (28.5%)

BANKING (9.3%)

325,000 Bank of America Corporation

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

585,000 Golden West Financial Corporation
 310,000 M&T Bank Corporation
 200,000 SunTrust Banks, Inc.

(COST \$19,811,943)

INSURANCE (18.0%)

350,000 American International Group, Inc.
 500,000 Annuity and Life Re (Holdings), Ltd. (a)
 340,000 Arch Capital Group Ltd. (a)
 300 Berkshire Hathaway Inc. Class A (a)
 585,000 Everest Re Group, Ltd.
 365,000 MetLife, Inc.
 110,000 Montpelier Re Holdings Ltd.
 425,000 PartnerRe Ltd.
 325,000 Reinsurance Group of America, Incorporated
 257,500 Transatlantic Holdings, Inc.

(COST \$84,798,680)

OTHER (1.2%)

250,000 Annaly Mortgage Management, Inc.
 95,194 Central Securities Corporation
 825,000 MFA Mortgage Investments, Inc.

(COST \$12,310,420)

(COST \$116,921,043)

9

7 STATEMENT OF INVESTMENTS June 30, 2005 (Unaudited) - continued

General American Investors

Shares or
 Principal Amount COMMON STOCKS (continued)

HEALTH CARE (11.5%)

PHARMACEUTICALS (9.3%)

340,000 Alkermes, Inc. (a)
 200,000 Biogen Idec Inc. (a)
 240,000 Bristol-Myers Squibb Company
 550,000 Cytokinetics, Incorporated (a)
 270,000 Genaera Corporation (a)
 365,000 Genentech, Inc. (a)
 455,000 MedImmune, Inc. (a)
 120,000 Millennium Pharmaceuticals, Inc. (a)
 1,275,000 Pfizer Inc

(COST \$72,502,935)

MEDICAL INSTRUMENTS AND DEVICES (2.2%)

450,000 Medtronic, Inc.

(COST \$10,483,716)

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

(COST \$82,986,651)

MISCELLANEOUS (3.7%)

Other (b)

(COST \$38,078,961)

OIL & NATURAL GAS (INCLUDING SERVICES) (26.7%)

665,000	Apache Corporation
1,600,000	Devon Energy Corporation
600,000	EOG Resources, Inc.
525,000	Halliburton Company
650,000	Patterson-UTI Energy, Inc.
645,000	Talisman Energy Inc.
330,000	Total S.A. ADR
325,000	Unocal Corporation

(COST \$178,177,362)

RETAIL TRADE (19.6%)

700,000	Costco Wholesale Corporation
500,000	Dollar General Corporation
1,920,000	The Home Depot, Inc. (c)
2,500,000	The TJX Companies, Inc.
675,000	Wal-Mart Stores, Inc.

(COST \$78,446,127)

SEMICONDUCTORS (0.7%)

491,500	Brooks Automation, Inc. (a)
197,000	EMCORE Corporation (a)

(COST \$9,890,144)

SPECIAL HOLDINGS (a) (d) (NOTE 5) (0.0%)

144,000	Silicon Genesis Corporation
546,000	Standard MEMS, Inc. Series A Convertible Preferred

(COST \$6,009,720)

TOTAL COMMON STOCKS (116.1%)

(COST \$730,316,780)

CORPORATE NOTE

COMMUNICATIONS AND INFORMATION SERVICES (0.1%)

\$678,000	American Tower Corporation 9 3/8% due 2/1/09
-----------	--

(COST \$709,754)

10

8 STATEMENT OF INVESTMENTS June 30, 2005 (Unaudited) - continued

General American Investors

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

Principal Amount	SHORT-TERM SECURITIES AND OTHER ASSETS	
\$6,000,000	American General Finance Corporation note due 7/11/05; 3.08%	
6,000,000	General Electric Capital Corporation note due 7/18/05; 3.12%	
6,000,000	Prudential Funding, LLC note due 7/25/05; 3.20%	
19,634,850	SSgA Prime Money Market Fund	
	TOTAL SHORT-TERM SECURITIES (3.5%)	(COST \$37,583,750)
	TOTAL INVESTMENTS (f) (119.7%)	(COST \$768,610,284)
	Liabilities in excess of receivables and other assets (-1.0%)	
	PREFERRED STOCK (-18.7%)	
	NET ASSETS APPLICABLE TO COMMON STOCK (100%)	

PORTFOLIO DIVERSIFICATION (Unaudited)

General American Investors

The diversification of the Company's net assets applicable to its Common Stock by industry group as of June 30, 2005 and 2004 is shown in the following table.

INDUSTRY CATEGORY	JUNE 30, 2005		PERCENT COMMON NE JUNE 30
	Cost (000)	Value (000)	2005
Finance and Insurance			
Banking	\$19,812	\$99,533	9.3%
Insurance	84,799	192,557	18.0
Other	12,310	12,931	1.2
	116,921	305,021	28.5
Oil and Natural Gas (Including Services)	178,177	285,256	26.7
Retail Trade	78,446	209,589	19.6
	82,987	122,699	11.5
Health Care			
Pharmaceuticals	72,503	99,393	9.3
Medical Instruments and Devices	10,484	23,306	2.2
	70,538	77,613	7.3
Communications and Information Services	49,556	49,493	4.6
Computer Software and Systems	30,441	48,488	4.5
Building and Real Estate	26,227	42,312	3.9
Environmental Control (Including Services)	38,079	39,861	3.7
Miscellaneous**	28,303	38,060	3.6
Consumer Products and Services	15,451	16,788	1.6
Electronics	9,890	8,112	0.7
Semiconductors	6,010	1	0.0
Special Holdings			

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

	-----	-----	-----
	731,026	1,243,293	116.2
Short-Term Securities	37,584	37,584	3.5
	-----	-----	-----
Total Investments	\$768,610	1,280,877	119.7
	=====		
Liabilities in excess of Other Assets - Net		(10,698)	(1.0)
Preferred Stock		(200,000)	(18.7)
		-----	-----
Net Assets Applicable to Common Stock		\$1,070,179	100.0%
		=====	=====

11

9 NOTES TO FINANCIAL STATEMENTS (Unaudited)

General American Investors

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

a. SECURITY VALUATION Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the period. Securities reported on the NASDAQ national market are valued at the official closing price on that day. Listed and NASDAQ securities for which no sales are reported on that day and other securities traded in the over-the-counter market are valued at the last bid price 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. Special holdings (restricted securities) and other securities for which quotations are not readily available are valued at fair value determined in good faith pursuant to procedures established by and under the general supervision of the Board of Directors.

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

c. 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

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

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 28,717,595 shares and 8,000,000 shares, respectively, were outstanding at June 30, 2005.

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

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

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

12

10 NOTES TO FINANCIAL STATEMENTS (Unaudited) - continued

General American Investors

2. CAPITAL STOCK AND DIVIDEND DISTRIBUTIONS -

(Continued from bottom of previous page.)

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.

Transactions in Common Stock during the six months ended June 30, 2005 and the year ended December 31, 2004 were as follows:

	SHARES	
	2005	2004
Shares issued in payment of dividends (includes 148,487 and 508,849 shares issued from treasury, respectively)	148,487	508,849
Increase in paid-in capital		
Total increase		
Shares purchased (at an average discount from net asset value of 12.7% and 10.3%, respectively)	636,204	1,092,800
Decrease in paid-in capital		
Total decrease		
Net decrease		

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

At June 30, 2005, the Company held in its treasury 2,513,968 shares of Common Stock with an aggregate cost in the amount of \$65,687,956.

Distributions for tax and book purposes are substantially the same.

3. OFFICERS' COMPENSATION

The aggregate compensation paid by the Company during the six months ended June 30, 2005 to its officers amounted to \$2,936,250.

4. PURCHASES AND SALES OF SECURITIES

Purchases and sales of securities and securities sold short (other than short-term securities and options) for the six months ended June 30, 2005 amounted to on long transactions \$106,261,670 and \$102,262,247, respectively, and, with respect to short sale transactions, purchases for the six months amounted to \$3,825,799.

5. RESTRICTED SECURITIES

	DATE ACQUIRED	COST	VALUE (NOTE 1a)
	-----	-----	-----
Silicon Genesis Corporation	2/16/01	\$3,006,720	\$1,440
Standard MEMS, Inc. Series A Convertible Preferred	12/17/99	3,003,000	-
		-----	-----
Total		\$6,009,720	\$1,440
		=====	=====

6. 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 six months ended June 30, 2005 were:

Service cost	\$153,864
Interest cost	324,005
Expected return on plan assets	(538,968)
Amortization of:	
Prior service cost	18,837
Recognized net actuarial loss (gain)	76,498

Net periodic benefit cost (income)	\$34,236
	=====

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 six months ended June 30, 2005 was \$235,465. The unfunded

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

liability included in accrued expenses and other liabilities at June 30, 2005 was \$2,589,851.

13

11 NOTES TO FINANCIAL STATEMENTS (Unaudited) - continued

General American Investors

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 \$148,000 for the six months ended June 30, 2005. Minimum rental commitments under the operating lease are approximately \$505,000 per annum in 2005 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 2005 through 2007. The Company will also receive its proportionate share of operating expenses and real property taxes under the sublease.

MAJOR STOCK CHANGES* Three Months Ended June 30, 2005 (Unaudited)

General American Investors

INCREASES	SHARES	S JUN
<hr/>		
NEW POSITIONS		
Dollar General Corporation	-	
Talisman Energy Inc.	645,000	
ADDITIONS		
American Tower Corporation	125,000	
MFA Mortgage Investments, Inc.	50,000	
Transatlantic Holdings, Inc.	8,000	
DECREASES		
<hr/>		
REDUCTIONS		
American International Group, Inc.	30,000	
Annaly Mortgage Management, Inc.	25,000	
Bank of America Corporation	43,000	
Bristol-Myers Squibb Company	60,000	
Everest Re Group, Ltd.	40,000	
Genentech, Inc.	35,000	
Golden West Financial Corporation	15,000	
MetLife, Inc.	35,000	
NetIQ Corporation	300,000	

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

PartnerRe Ltd.	50,000
Reinsurance Group of America, Incorporated	25,000
SunTrust Banks, Inc.	5,000
Unocal Corporation	425,000

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 and (3) on the Securities and Exchange Commission's website at 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 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 is available on the Company's website as shown above.

14

DIRECTORS

Lawrence B. Buttenwieser, 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 O. Baker, Director Emeritus
William T. Golden, Director Emeritus

OFFICERS

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

SERVICE COMPANIES

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying statement of assets and liabilities of General American Investors Company, Inc., including the statement of investments, as of June 30, 2005, and the related statements of operations and changes in net assets and financial highlights for the six-month period ended June 30, 2005. These financial statements and financial highlights are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board, the statement of changes in net assets for the year ended December 31, 2004 and financial highlights for each of the five years in the period then ended and in our report, dated January 19, 2005, we expressed an unqualified opinion on such financial statements and financial highlights.

New York, New York
July 13, 2005

ERNST & YOUNG LLP

15
ITEM 2. CODE OF ETHICS.

Not applicable to this semi-annual report.

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

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this semi-annual report.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this semi-annual report.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable to this semi-annual report.

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 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

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

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.

Not applicable to this semi-annual report.

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

REGISTRANT PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) D t
2005				
01/01-01/31	72700	30.6667	72700	
02/01-02/28	77300	31.0622	77300	
03/01-03/31	157200	31.2879	157200	
04/01-04/30	105900	30.3646	105900	
05/01-05/31	96100	30.2055	76100	
06/01-06/30	127004	31.7654	127004	
Total	----- 636204 =====	-----	----- 636204 =====	

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

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, 2005.

ITEM 11. CONTROLS AND PROCEDURES.

Conclusions of principal officers concerning controls and procedures

(a) As of July 13, 2005, an evaluation was performed under the supervision and with the participation of the officers of General American Investors Company, Inc. (the "Registrant"), including the principal executive officer ("PEO") and principal financial officer ("PFO"), to assess the effectiveness of the Registrant's disclosure controls and procedures. Based on that evaluation, the Registrant's officers, including the PEO and PFO, concluded that, as of July 13, 2005, 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 is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission, and (2) that material information relating to the Registrant is made known to the PEO and PFO as appropriate to allow timely discussions regarding required disclosure.

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

ITEM 12. EXHIBITS

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

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

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

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

16

SIGNATURES

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

General American Investors Company, Inc.

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

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

Date: August 3, 2005

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

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

Date: August 3, 2005

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

Date: August 3, 2005