



**General American Investors Company, Inc.**

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**GENERAL  
AMERICAN  
INVESTORS**

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**2010  
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 through investment in companies with above average growth potential.

### FINANCIAL SUMMARY (unaudited)

	2010	2009
Net assets applicable to Common Stock - December 31	\$950,940,936	\$864,323,372
Net investment income	5,626,730	3,400,143
Net realized gain	19,636,107	15,219,812
Net increase in unrealized appreciation	109,245,534	204,253,481
Distributions to Preferred Stockholders	(11,311,972)	(11,474,004)
Per Common Share-December 31		
Net asset value	\$31.26	\$27.50
Market price	\$26.82	\$23.46
Discount from net asset value	-14.2%	-14.7%
Common Shares outstanding-Dec. 31	30,423,294	31,425,215
Common Stockholders of record-Dec. 31	3,504	3,689
Market price range* (high-low)	\$26.85-\$21.01	\$24.21-\$12.10
Market volume-shares	13,189,863	12,694,492

\*Unadjusted for dividend payments.

### DIVIDEND SUMMARY (per share) (unaudited)

Record Date	Payment Date	Ordinary Income	Long-Term Capital Gain	Return of Capital	Total
<b>Common Stock</b>					
Nov. 12, 2010	Dec. 23, 2010	<u>\$ .113718</u> (a)	<u>\$ .316282</u>		<u>\$ .430000</u>
<i>Total from 2010 earnings</i>					
(a) Includes short-term gains in the amount of \$.033411 per share.					
Nov. 13, 2009	Dec. 28, 2009	<u>\$ .153697</u> (b)	<u>\$ .186135</u>	<u>\$ .010168</u>	<u>\$ .350000</u>
<i>Total from 2009 earnings</i>					
(b) Includes short-term gains in the amount of \$.050416 per share.					
<b>Preferred Stock</b>					
Mar. 8, 2010	Mar. 24, 2010	\$.098348	\$.273527		\$.371875
Jun. 7, 2010	Jun. 24, 2010	.098348	.273527		.371875
Sept. 7, 2010	Sept. 24, 2010	.098348	.273527		.371875
Dec. 7, 2010	Dec. 27, 2010	<u>.098348</u>	<u>.273527</u>		<u>.371875</u>
<i>Total for 2010</i>		<u>\$.393392</u> (c)	<u>\$1.094108</u>		<u>\$1.487500</u>
(c) Includes short-term gains in the amount of \$.115577 per share (\$.02889425 per quarter).					
Mar. 6, 2009	Mar. 24, 2009	\$.163303	\$.197768	\$.010804	\$.371875
Jun. 8, 2009	Jun. 24, 2009	.163303	.197768	.010804	.371875
Sept. 8, 2009	Sept. 24, 2009	.163303	.197768	.010804	.371875
Dec. 7, 2009	Dec. 24, 2009	<u>.163303</u>	<u>.197768</u>	<u>.010804</u>	<u>.371875</u>
<i>Total for 2009</i>		<u>\$.653212</u> (d)	<u>\$.791072</u>	<u>\$.043216</u>	<u>\$1.487500</u>
(d) Includes short-term gains in the amount of \$.21426756 per share (\$.05356689 per quarter).					

General American Investors' net asset value (NAV) per Common Share (assuming reinvestment of all dividends) increased 15.3% for the year ended December 31, 2010. The U.S. stock market was up 15.1% for the year, as measured by our benchmark, the Standard & Poor's 500 Stock Index (including income). The return to our Common Stockholders increased by 16.2% and the discount at which our shares traded to their NAV continued to fluctuate and on December 31, 2010, it was 14.2%.

The table that follows provides a comprehensive presentation of our performance and compares our returns on an annualized basis with the S&P 500. Stockholder return reflects widening in the discount to NAV to the high end of its historic range, and may not fully illustrate that over many years General American Investors has produced superior investment results.

Years	Stockholder Return (Market Value)	NAV Return	S&P 500
3	-6.2%	-4.6%	-2.9%
5	0.9	1.0	2.2
10	2.6	2.7	1.4
20	11.9	11.5	9.1
30	12.1	12.3	10.7
40	12.5	12.6	10.1
50	12.0	12.2	9.7

The market rally that began in the first part of 2009 continued through this year, with our portfolio participating fully in its rewards. Progress was uneven, but confidence improved markedly in the second half of the year as the fear of a double-dip recession receded and a bipartisan agreement on taxes was achieved. While the Fed's effort to stabilize the housing market, and hence consumer wealth, was not entirely successful, the massive liquidity created in the process was supportive of equities. Easier financial conditions buoyed consumer confidence, as reflected in holiday sales and a resurgent automobile industry.

We enter the new year with Asia continuing to boom, Europe growing modestly, and domestic economic expansion more secure. Profit margins, while elevated, are likely to be maintained owing to an abundance of capacity that exists in many parts of the economy. Wage pressures should remain muted, reflecting the prospect of stubbornly high unemployment in an environment impacted by globalization and rapid technological change.

While it seems evident in the long-term that a solution to America's sizeable budget and trade deficits, short of selling more bonds and printing more money, must be found, such concerns may well be superseded by the fear of inflation and constraints on trade as the year unfolds. With the price of oil flirting with \$100 once again and commodity costs driving a surge in the price of food and other products, most notably in Asia, the investing environment could become more volatile.

Equity valuations appear to be reasonable, if not compelling, supported by agreeable interest rates, as the dollar's relative strength continues to facilitate the Fed's easy money stance. Additionally, we are encouraged by the willingness of companies to raise dividends, buy back shares or even to break themselves apart in order to create shareholder value. In this environment, we remain confident that the companies in our portfolio possess the requisite characteristics to generate superior performance.

As part of an ongoing effort to maximize shareholder value, over 4% of the Company's shares were repurchased in 2010 at an average discount to NAV of 14.6%. The Board of Directors has authorized repurchases of Common Shares when they are trading at a discount to NAV of at least 8%.

In December 2010, the Board of Directors renewed authority originally granted in 2008 to repurchase up to 1 million outstanding shares of its 5.95% Cumulative Preferred Stock when the shares are trading at a market price below the liquidation preference of \$25.00 per share.

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](http://www.generalamericaninvestors.com).

By Order of the Board of Directors,

Spencer Davidson  
*Chairman of the Board*  
*President and Chief Executive Officer*  
 January 19, 2011

### Corporate Overview

General American Investors, established in 1927, is one of the nation's oldest closed-end investment companies. It is an independent organization that is 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 Investment Company Act of 1940 and Sub-Chapter M of the Internal Revenue Code.

### 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 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. The Directors have a broad range of experience in business and financial affairs.

### Portfolio Manager

Mr. Spencer Davidson, Chairman of the Board, President and Chief Executive Officer, has been responsible for the management of the Company since 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, the Company 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 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." Net asset value per share (NAV), market price, and the discount or premium from NAV as of the close of each week, is published in *Barron's* and *The Wall Street Journal*, Monday edition.

While shares of the Company usually sell at a discount to NAV, as do the shares of most other domestic equity closed-end investment companies, they occasionally sell at a premium over NAV. During 2010, the stock sold at discounts to NAV which ranged from 11.5% (May 4) to 16.4% (July 22). At December 31, the price of the stock was at a discount of 14.2%.

Since March 1995, the Board of Directors has authorized the repurchase of Common Stock in the open market when the shares trade at a discount to net asset value of at least 8%.

### "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 rated "Aaa" by Moody's Investors Service, Inc. and are listed and traded on The New York Stock Exchange (symbol, GAM Pr B). The Preferred Shares are available to leverage the investment performance of the Common Stockholders, it may also result in higher market volatility for the Common Stockholders.

On December 10, 2008, the Board of Directors authorized the repurchase of up to 1 million Preferred Shares in the open market at prices below \$25 per share.

#### Dividend and Distribution Policy

The Company's dividend and distribution policy is to distribute to stockholders 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. Ordinarily, if any additional capital gains are realized and available or ordinary income is earned during the last two months of the year, a "spill-over" distribution of these amounts may be paid. 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 1943-2010 (except for the year 1974). (A table listing dividends and distributions paid during the 20-year period 1991-2010 is shown at the bottom of page 4.) 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.

#### Proxy Voting Policies, Procedures and Record

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 12-month period ended June 30, 2010 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](http://www.generalamericaninvestors.com) and (3) on the Securities and Exchange Commission's website at [www.sec.gov](http://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 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](http://www.generalamericaninvestors.com) - click on Distribution & Reports, then Report Downloads.

#### Privacy Policy and Practices

The Company 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 in "street name" registration.

We do not disclose any nonpublic personal information about our current or former stockholders to anyone, except as permitted by law. We also restrict access to nonpublic personal information about our stockholders to those few employees who need to know that information to perform their responsibilities. We maintain safeguards that comply with federal standards to guard our stockholders' personal information.

Total return on \$10,000 investment for 20 years ended December 31, 2010

The investment return for a Common Stockholder of General American Investors (GAM) over the 20 years ended December 31, 2010 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 1991.

**Stockholder Return** is the return a Common Stockholder 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.

**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 at the reinvestment prices indicated above.

**Standard & Poor's 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.

Past performance may not be indicative of future results.

	GENERAL AMERICAN INVESTORS				STANDARD & POOR'S 500	
	STOCKHOLDER RETURN		NET ASSET VALUE RETURN		RETURN	
	CUMULATIVE INVESTMENT	ANNUAL RETURN	CUMULATIVE INVESTMENT	ANNUAL RETURN	CUMULATIVE INVESTMENT	ANNUAL RETURN
1991	\$18,500	85.00%	\$16,109	61.09%	\$13,040	30.40%
1992	21,234	14.78	16,681	3.55	14,030	7.59
1993	17,854	-15.92	16,389	-1.75	15,450	10.12
1994	16,450	-7.86	15,940	-2.74	15,646	1.27
1995	19,941	21.22	19,699	23.58	21,513	37.50
1996	23,826	19.48	23,632	19.97	26,442	22.91
1997	33,971	42.58	31,206	32.05	35,254	33.33
1998	44,607	31.31	42,172	35.14	45,320	28.55
1999	62,102	39.22	57,523	36.40	54,819	20.96
2000	73,964	19.10	67,670	17.64	49,836	-9.09
2001	77,166	4.33	66,858	-1.20	43,910	-11.89
2002	56,169	-27.21	51,467	-23.02	34,188	-22.14
2003	71,341	27.01	65,570	27.40	43,953	28.56
2004	77,611	8.79	72,369	10.37	48,695	10.79
2005	91,116	17.40	84,093	16.20	51,047	4.83
2006	106,405	16.78	94,386	12.24	59,041	15.66
2007	115,684	8.72	101,946	8.01	62,235	5.41
2008	59,924	-48.20	58,089	-43.02	39,164	-37.07
2009	82,012	36.86	76,724	32.08	49,524	26.45
2010	95,331	16.24	88,470	15.31	56,983	15.06

#### DIVIDENDS AND DISTRIBUTIONS PER COMMON SHARE (1991-2010) (UNAUDITED)

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.

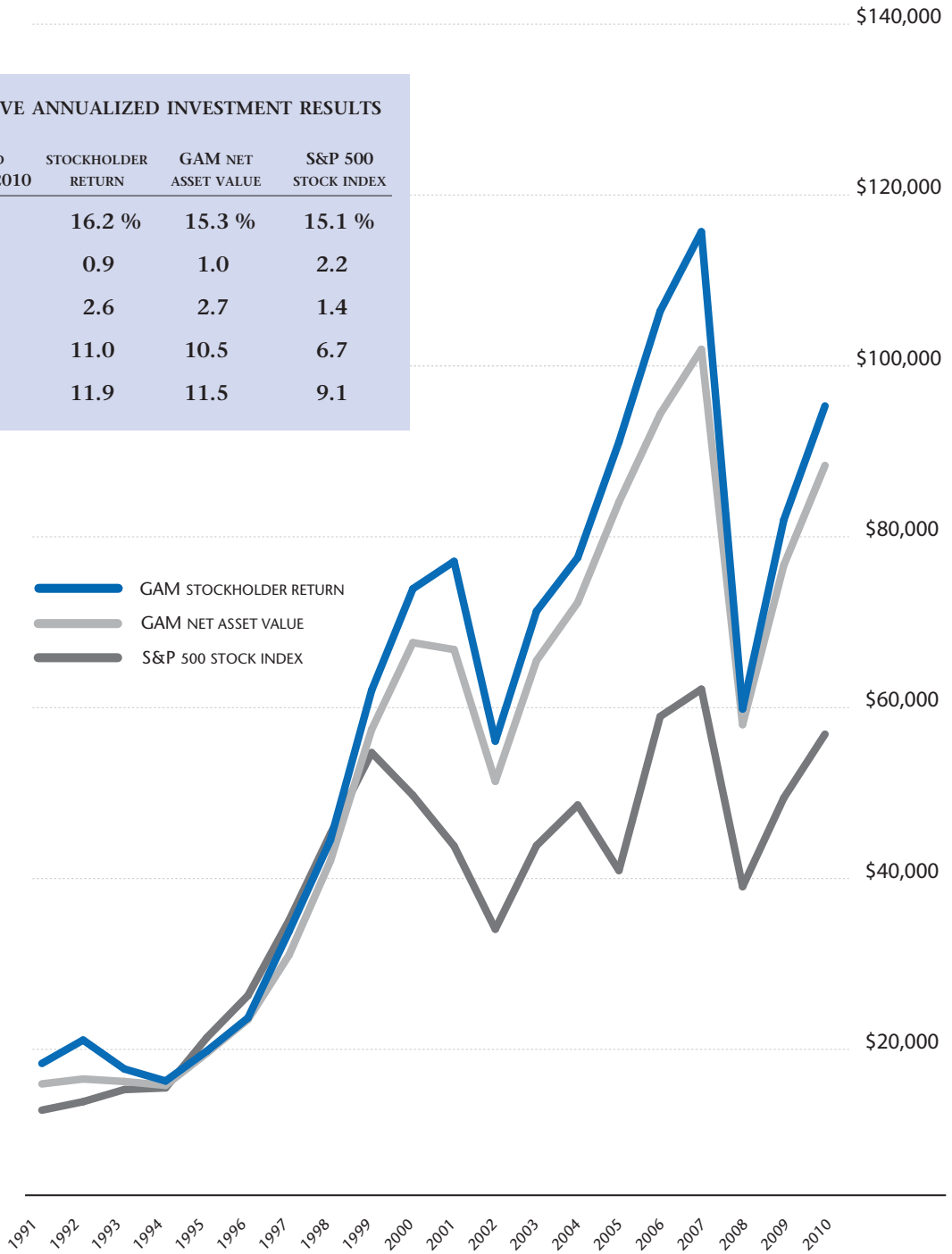
YEAR	EARNINGS SOURCE				YEAR	EARNINGS SOURCE			
	INCOME	SHORT-TERM CAPITAL GAINS	LONG-TERM CAPITAL GAINS	RETURN OF CAPITAL		INCOME	SHORT-TERM CAPITAL GAINS	LONG-TERM CAPITAL GAINS	RETURN OF CAPITAL
1991	\$.09	—	\$3.07	—	2001	\$.37	\$.64	\$1.37	—
1992	.03	—	2.93	—	2002	.03	—	.33	—
1993	.06	—	2.34	—	2003	.02	—	.59	—
1994	.06	—	1.59	—	2004	.217	—	.957	—
1995	.10	\$.03	2.77	—	2005	.547	.041	1.398	—
1996	.20	.05	2.71	—	2006	.334	—	2.666	—
1997	.21	—	2.95	—	2007	.706	.009	5.25	—
1998	.47	—	4.40	—	2008	.186	—	.254	—
1999	.42	.62	4.05	—	2009	.103	.051	.186	\$.01
2000	.48	1.55	6.16	—	2010	.081	.033	.316	—

20-YEAR INVESTMENT RESULTS  
ASSUMING AN INITIAL  
INVESTMENT OF \$10,000

CUMULATIVE VALUE  
OF INVESTMENT

**COMPARATIVE ANNUALIZED INVESTMENT RESULTS**

YEARS ENDED DECEMBER 31, 2010	STOCKHOLDER RETURN	GAM NET ASSET VALUE	S&P 500 STOCK INDEX
1 year	16.2 %	15.3 %	15.1 %
5 years	0.9	1.0	2.2
10 years	2.6	2.7	1.4
15 years	11.0	10.5	6.7
20 years	11.9	11.5	9.1





## General American Investors

		SHARES OR PRINCIPAL AMOUNT TRANSACTED	SHARES OR PRINCIPAL AMOUNT HELD
<b>INCREASES</b>			
NEW POSITIONS	Aon Corporation	330,490 (b)	330,490
	Apple Inc.	—	60,000 (c)
	Celgene Corporation	100,000	200,000 (c)
	MSCI Inc. Class A	—	300,000 (c)
ADDITIONS	American Express Company	50,000	375,000
	Microsoft Corporation	200,000	770,000
	PepsiCo, Inc.	15,000	315,000
	Republic Services, Inc.	8,100	957,100
	Unilever N.V.	104,917	654,917
<b>DECREASES</b>			
ELIMINATIONS	Hewitt Associates, Inc. Class A	466,100 (d)	—
	Leap Wireless International, Inc.	78,000	—
	Smithfield Foods, Inc. Corporate Bond 7.75% Due 5/15/2013	\$9,600,000	—
	VeriFone Holdings, Inc. Corporate Bond 1.375% Due 6/15/2012	\$10,000,000	—
REDUCTIONS	Alpha Natural Resources, Inc.	40,000	224,200
	Alexander & Baldwin, Inc.	46,338	189,762
	ASML Holding N.V.	125,000	575,000
	Dell Inc.	275,000	1,015,000
	Everest Re Group, Ltd.	5,000	245,000
	Halliburton Company	20,000	780,000
	MetLife, Inc.	5,000	275,000
	Nelnet, Inc.	13,500	590,000
	PartnerRe Ltd.	5,000	260,000
	Teradata Corporation	90,000	360,000

(a) Common shares unless otherwise noted; excludes transactions in Common Stocks -Miscellaneous - Other.

(b) Shares received in a merger with Hewitt Associates, Inc. Class A.

(c) Shares purchased in prior period and previously carried under Common Stocks - Miscellaneous - Other.

(d) Position eliminated as a result of a merger with Aon Corporation.

## PORTFOLIO DIVERSIFICATION (UNAUDITED)

## General American Investors

	DECEMBER 31, 2010		
	COST(000)	VALUE(000)	PERCENT COMMON NET ASSETS*
<i>The diversification of the Company's net assets applicable to its Common Stock by industry group as of December 31, 2010 is shown in the table.</i>			
<b>INDUSTRY CATEGORY</b>			
Finance and Insurance			
Banking	\$29,925	\$40,183	4.3%
Insurance	56,173	114,131	12.0
Other	39,168	84,411	8.9
	<u>125,266</u>	<u>238,725</u>	<u>25.2</u>
Retail Trade	70,763	156,568	16.5
Oil and Natural Gas			
(Including Services)	66,686	126,428	13.3
Consumer Products and Services	68,654	93,439	9.8
Computer Software and Systems	84,087	91,651	9.6
Health Care/Pharmaceuticals	71,961	70,312	7.4
Communications and			
Information Services	47,448	65,752	6.9
Environmental Control			
(Including Services)	39,191	51,807	5.4
Miscellaneous**	47,148	47,668	5.0
Machinery and Equipment	24,526	40,050	4.2
Technology	34,369	35,155	3.7
Aerospace/Defense	22,957	25,584	2.7
Semiconductors	13,464	22,045	2.3
Building and Real Estate	23,385	20,851	2.2
Metals	16,055	20,032	2.1
Transportation	8,650	7,596	0.8
	<u>764,610</u>	<u>1,113,663</u>	<u>117.1</u>
Short-Term Securities	31,498	31,498	3.3
Total Investments	<u>\$796,108</u>	<u>1,145,161</u>	<u>120.4</u>
Other Assets and Liabilities - Net		(4,103)	(0.4)
Preferred Stock		(190,117)	(20.0)
Net Assets Applicable to			
Common Stock		<u>\$950,941</u>	<u>100.0%</u>

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

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

*The statement of investments as of December 31, 2010, shown on pages 8 and 9 includes 57 security issues. Listed here are the ten largest holdings on that date.*

	SHARES	VALUE	% COMMON NET ASSETS*
<b>THE TJX COMPANIES, INC.</b> Through its T.J. Maxx and Marshalls divisions, TJX is the leading off-price retailer. The continued growth of these divisions in the U.S. and Europe, along with expansion of related U.S. and foreign off-price formats, provide ongoing growth opportunities.	1,632,400	\$72,462,236	7.6%
<b>WEATHERFORD INTERNATIONAL LTD.</b> Weatherford supplies a broad range of oil field services and equipment on a worldwide basis. Its focus on helping customers to increase production from existing fields and to enhance recovery from new wells should lead to earnings growth.	2,150,000	49,020,000	5.2
<b>COSTCO WHOLESALE CORPORATION</b> Costco is the world's largest wholesale club with a record of steady growth in sales and profits as it continues to gain share of the consumer dollar.	575,000	41,520,750	4.4
<b>APACHE CORPORATION</b> 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, Egypt, Australia, and the North Sea.	296,478	35,349,072	3.7
<b>QUALCOMM INCORPORATED</b> QUALCOMM is a leading developer of intellectual property and semiconductors for the mobile communications industry. The company stands to benefit greatly from the global adoption of mobile data applications.	700,000	34,643,000	3.6
<b>HALLIBURTON COMPANY</b> Halliburton offers a broad suite of services and products to customers worldwide for the exploration, development and production of oil and gas. The company has the scale, product depth and technology to provide value-added customer service and produce an attractive long-term return on investment capital and strong shareholder appreciation.	780,000	31,847,400	3.4
<b>WAL-MART STORES, INC.</b> Wal-Mart is the world's largest retailer offering value to consumers in the U.S. and fifteen foreign countries.	550,000	29,661,500	3.1
<b>REPUBLIC SERVICES, INC.</b> 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.	957,100	28,579,006	3.0
<b>ARCH CAPITAL GROUP LTD.</b> Arch Capital, a Bermuda-based insurer/reinsurer, generates premiums of approximately \$3.5 billion and has a high quality, well-reserved A-rated balance sheet. This company has a strong management team that exercises prudent underwriting discipline and efficient expense control, resulting in above-average earnings and book value growth.	315,000	27,735,750	2.9
<b>ABB LTD. ADR</b> ABB provides power and automation technologies to customers around the world. ABB should benefit from the building of electrical systems in developing countries and the replacement of outdated infrastructure in developed countries.	1,200,000	26,940,000	2.8
		<u>\$377,758,714</u>	<u>39.7%</u>

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

	SHARES	COMMON STOCKS	VALUE (NOTE 1a)
AEROSPACE/DEFENSE (2.7%)	325,000	United Technologies Corporation (COST \$22,957,205)	\$25,584,000
BUILDING AND REAL ESTATE (2.2%)	1,946,880	CEMEX, S.A.B. de C.V. ADR (a)* (COST \$23,385,068)	20,851,085
COMMUNICATIONS AND INFORMATION SERVICES (6.9%)	960,000	Cisco Systems, Inc. (a)	19,420,800
	300,000	MSCI Inc. Class A (a)	11,688,000
	700,000	QUALCOMM Incorporated (COST \$47,448,300)	34,643,000
			65,751,800
COMPUTER SOFTWARE AND SYSTEMS (9.6%)	60,000	Apple Inc. (a)	19,353,600
	1,015,000	Dell Inc. (a)	13,753,250
	770,000	Microsoft Corporation	21,490,700
	168,100	NetEase.com, Inc. (a)	6,076,815
	55,000	Nintendo Co., Ltd.	16,158,920
	360,000	Teradata Corporation (a) (COST \$84,086,757)	14,817,600
			91,650,885
CONSUMER PRODUCTS AND SERVICES (9.8%)	350,000	Diageo plc ADR*	26,015,500
	450,000	Nestle S.A.	26,384,130
	315,000	PepsiCo, Inc.	20,578,950
	654,917	Unilever N.V. (COST \$68,654,249)	20,460,026
			93,438,606
ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (5.4%)	957,100	Republic Services, Inc.	28,579,006
	630,000	Waste Management, Inc. (COST \$39,190,474)	23,228,100
			51,807,106
FINANCE AND INSURANCE (24.9%)		BANKING (4.0%)	
	500,000	Bond Street Holdings LLC (a) (b)	10,050,000
	425,000	JPMorgan Chase & Co.	18,028,500
	110,000	M&T Bank Corporation (COST \$27,690,799)	9,575,500
			37,654,000
		INSURANCE (12.0%)	
	315,000	Arch Capital Group Ltd. (a)	27,735,750
	245,000	Everest Re Group, Ltd.	20,780,900
	700,000	Fidelity National Financial, Inc.	9,576,000
	37,500	Forethought Financial Group, Inc. Class A with Warrants (a) (c)	7,500,000
	275,000	MetLife, Inc.	12,221,000
	260,000	PartnerRe Ltd.	20,891,000
	83,000	Transatlantic Holdings, Inc.	4,284,460
	200,000	The Travelers Companies, Inc. (COST \$56,173,146)	11,142,000
			114,131,110
		OTHER (8.9%)	
	375,000	American Express Company	16,095,000
	330,490	Aon Corporation	15,205,845
	110	Berkshire Hathaway Inc. Class A (a)	13,249,500
	1,666,667	Epoch Holding Corporation	25,883,338
	590,000	Nelnet, Inc. (COST \$39,167,898)	13,977,100
		(COST \$123,031,843)	84,410,783
			236,195,893
HEALTH CARE / PHARMACEUTICALS (7.4%)	200,000	Celgene Corporation (a)	11,828,000
	382,100	Cephalon, Inc. (a)	23,583,212
	529,900	Cytokinetics, Incorporated (a)	1,107,491
	564,500	Gilead Sciences, Inc. (a)	20,457,480
	755,808	Pfizer Inc.	13,234,198
	195,344	Poniard Pharmaceuticals, Inc. (a) (COST \$71,961,454)	101,579
			70,311,960
MACHINERY AND EQUIPMENT (4.2%)	1,200,000	ABB Ltd. ADR*	26,940,000
	1,000,000	The Manitowoc Company, Inc. (COST \$24,525,812)	13,110,000
			40,050,000

	SHARES	COMMON STOCKS (Continued)	VALUE (NOTE 1a)
METALS (2.1%)	224,200	Alpha Natural Resources, Inc. (a)	\$13,458,726
	150,000	Nucor Corporation	6,573,000
		(COST \$16,054,563)	20,031,726
MISCELLANEOUS (5.0%)		Other (d)	(COST \$47,147,991)
			47,667,807
OIL AND NATURAL GAS (INCLUDING SERVICES) (13.3%)	296,478	Apache Corporation	35,349,072
	130,062	Devon Energy Corporation	10,211,168
	780,000	Halliburton Company	31,847,400
	2,150,000	Weatherford International Ltd. (a)	49,020,000
		(COST \$66,685,797)	126,427,640
RETAIL TRADE (16.5%)	575,000	Costco Wholesale Corporation	41,520,750
	400,000	J.C. Penney Company, Inc.	12,924,000
	1,632,400	The TJX Companies, Inc.	72,462,236
	550,000	Wal-Mart Stores, Inc.	29,661,500
		(COST \$70,763,323)	156,568,486
SEMICONDUCTORS (2.3%)	575,000	ASML Holding N.V.	(COST \$13,463,950)
			22,045,500
TECHNOLOGY (3.7%)	750,000	International Game Technology	13,267,500
	1,900,000	Xerox Corporation	21,888,000
		(COST \$34,368,474)	35,155,500
TRANSPORTATION (0.8%)	189,762	Alexander & Baldwin, Inc.	(COST \$8,650,439)
			7,596,173
		TOTAL COMMON STOCKS (116.8%)	(COST \$762,375,699)
			1,111,134,167
	WARRANTS	WARRANT	
BANKING (0.3%)	175,000	JPMorgan Chase & Co. Expires 10/28/2018 (a)	(COST \$2,234,227)
			2,528,750
<b>SHORT-TERM SECURITIES AND OTHER ASSETS</b>			
	SHARES		
	31,497,764	SSgA Prime Money Market Fund (3.3%)	(COST \$31,497,764)
			31,497,764
TOTAL INVESTMENTS (e) (120.4%)			(COST \$796,107,690)
Liabilities in excess of receivables and other assets (-0.4%)			1,145,160,681
			(4,102,570)
			1,141,058,111
PREFERRED STOCK (-20.0%)			(190,117,175)
NET ASSETS APPLICABLE TO COMMON STOCK (100%)			\$950,940,936

\* ADR - American Depository Receipt

(a) Non-income producing security.

(b) Level 3 fair value measurement, restricted security acquired 11/4/09, aggregate cost \$10,000,000, unit cost is \$20.00 and fair value is \$20.10 per share, note 2. Fair value is based upon bid and transaction prices provided via the NASDAQ OMX PORTAL Alliance trading and transfer system for privately placed equity securities traded in the over-the-counter market among qualified investors and an evaluation of book value per share.

(c) Level 3 fair value measurement, restricted security acquired 11/3/09, aggregate cost \$7,500,000, unit cost and fair value is \$200.00 per share, note 2. Fair valuation is based upon a market approach using valuation metrics (market price-earnings and market price-book value multiples), and changes therein, relative to a peer group of companies established by the underwriters.

(d) Securities which have been held for less than one year, not previously disclosed, and not restricted.

(e) At December 31, 2010: (1) the cost of investments for Federal income tax purposes was the same as the cost for financial reporting purposes,

(2) aggregate gross unrealized appreciation was \$374,670,047, (3) aggregate gross unrealized depreciation was \$25,617,056, and (4) net unrealized appreciation was \$349,052,991.

(see notes to financial statements)

## STATEMENT OF ASSETS AND LIABILITIES

General American Investors

ASSETS	DECEMBER 31, 2010
<hr/>	
INVESTMENTS, AT VALUE (NOTE 1a)	
Common stocks (cost \$762,375,699)	\$1,111,134,167
Warrant (cost \$2,234,227)	2,528,750
Money market fund (cost \$31,497,764)	31,497,764
Total investments (cost \$796,107,690)	<u>1,145,160,681</u>
RECEIVABLES AND OTHER ASSETS	
Cash	23,503
Dividends, interest and other receivables	868,194
Qualified pension plan asset, net excess funded (note 7)	3,890,348
Prepaid expenses and other assets	<u>2,513,773</u>
TOTAL ASSETS	<u>1,152,456,499</u>
<hr/>	
LIABILITIES	
Accrued preferred stock dividend not yet declared	219,955
Accrued supplemental pension plan liability (note 7)	3,757,450
Accrued supplemental thrift plan liability (note 7)	3,011,296
Accrued expenses and other liabilities	<u>4,409,687</u>
TOTAL LIABILITIES	<u>11,398,388</u>
5.95% CUMULATIVE PREFERRED STOCK, SERIES B - 7,604,687 at a liquidation value of \$25 per share (note 5)	<u>190,117,175</u>
NET ASSETS APPLICABLE TO COMMON STOCK - 30,423,294 (note 5)	<u>\$950,940,936</u>
NET ASSET VALUE PER COMMON SHARE	<u>\$31.26</u>
<hr/>	
NET ASSETS APPLICABLE TO COMMON STOCK	
Common Stock, 30,423,294 shares at par value (note 5)	\$30,423,294
Additional paid-in capital (note 5)	572,919,395
Undistributed realized loss on securities sold	(135,312)
Undistributed net investment income (note 5)	3,721,504
Accumulated other comprehensive income (loss) (note 7)	(4,820,981)
Unallocated distributions on Preferred Stock	(219,955)
Unrealized appreciation on investments and options	<u>349,052,991</u>
NET ASSETS APPLICABLE TO COMMON STOCK	<u>\$950,940,936</u>

(see notes to financial statements)

## STATEMENT OF OPERATIONS

General American Investors

	YEAR ENDED DECEMBER 31, 2010
<b>INCOME</b>	
Dividends (net of foreign withholding taxes of \$589,410)	\$16,134,911
Interest	2,682,021
TOTAL INCOME	<u>18,816,932</u>
<b>EXPENSES</b>	
Investment research	7,414,909
Administration and operations	3,012,116
Office space and general	1,660,435
Auditing and legal fees	303,500
Directors' fees and expenses	271,311
Miscellaneous taxes	236,450
Transfer agent, custodian and registrar fees and expenses	148,314
Stockholders' meeting and reports	143,167
TOTAL EXPENSES	<u>13,190,202</u>
NET INVESTMENT INCOME	<u>5,626,730</u>
Realized Gain And Change In Unrealized Appreciation On Investments (Notes 1, 3 and 4)	
Net realized gain on investments:	
Securities transactions (long-term, except for \$1,712,872)	19,475,376
Written option transactions (notes 1b and 4)	160,731
	<u>19,636,107</u>
Net increase in unrealized appreciation	<u>109,245,534</u>
NET INVESTMENT INCOME AND GAIN ON INVESTMENTS	134,508,371
DISTRIBUTIONS TO PREFERRED STOCKHOLDERS	<u>(11,311,972)</u>
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$123,196,399</u>

(see notes to financial statements)

## STATEMENT OF CHANGES IN NET ASSETS

General American Investors

OPERATIONS	YEAR ENDED DECEMBER 31,	
	2010	2009
Net investment income	\$5,626,730	\$3,400,143
Net realized gain on investments	19,636,107	15,219,812
Net increase in unrealized appreciation	109,245,534	204,253,481
	<u>134,508,371</u>	<u>222,873,436</u>
Distributions to Preferred Stockholders:		
From net investment income	(2,112,684)	( 3,389,107)
From short-term capital gains	(878,926)	(1,654,369)
From long-term capital gains	(8,320,362)	(6,107,907)
Return of capital	—	(333,668)
Unallocated distributions	—	11,047
Decrease in net assets from Preferred distributions	<u>(11,311,972)</u>	<u>(11,474,004)</u>
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>123,196,399</u>	<u>211,399,432</u>
OTHER COMPREHENSIVE INCOME		
Funded status of defined benefit plans (note 7)	<u>44,177</u>	<u>1,911,451</u>
DISTRIBUTIONS TO COMMON STOCKHOLDERS		
From net investment income	(2,427,967)	(3,248,669)
From short-term capital gains	(1,010,091)	(1,585,814)
From long-term capital gains	(9,562,040)	(5,854,806)
Return of capital	—	(319,841)
DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS	<u>(13,000,098)</u>	<u>(11,009,130)</u>
CAPITAL SHARE TRANSACTIONS (NOTE 5)		
Value of Common Shares issued in payment of dividends and distributions	7,219,220	6,430,088
Cost of Common Shares purchased	(30,842,134)	(19,553,159)
Benefit to Common Shareholders resulting from Preferred Shares purchased	—	546,889
DECREASE IN NET ASSETS - CAPITAL TRANSACTIONS	<u>(23,622,914)</u>	<u>(12,576,182)</u>
NET INCREASE IN NET ASSETS	86,617,564	189,725,571
NET ASSETS APPLICABLE TO COMMON STOCK		
BEGINNING OF YEAR	<u>864,323,372</u>	<u>674,597,801</u>
END OF YEAR (including undistributed net investment income of \$3,721,504 and \$2,522,662, respectively)	<u>\$950,940,936</u>	<u>\$864,323,372</u>

(see notes to financial statements)

The 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, 2010. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

	2010	2009	2008	2007	2006
PER SHARE OPERATING PERFORMANCE					
Net asset value, beginning of year	\$27.50	\$21.09	\$38.10	\$40.54	\$39.00
Net investment income	.19	.11	.42	.31	.34
Net gain (loss) on securities - realized and unrealized	4.37	6.94	(16.15)	3.39	4.72
Other comprehensive income	—	.07	(.25)	.02	.03
	<u>4.56</u>	<u>7.12</u>	<u>(15.98)</u>	<u>3.72</u>	<u>5.09</u>
Distributions on Preferred Stock:					
Dividends from net investment income	(.07)	(.11)	(.11)	(.02)	(.04)
Distributions from net short-term capital gains	(.03)	(.05)	—	(.03)	(.01)
Distributions from net long-term capital gains	(.27)	(.19)	(.27)	(.36)	(.36)
Distributions from return of capital	—	(.01)	—	—	—
	<u>(.37)</u>	<u>(.36)</u>	<u>(.38)</u>	<u>(.41)</u>	<u>(.41)</u>
Total from investment operations	<u>4.19</u>	<u>6.76</u>	<u>(16.36)</u>	<u>3.31</u>	<u>4.68</u>
Distributions on Common Stock:					
Dividends from net investment income	(.08)	(.10)	(.19)	(.33)	(.29)
Distributions from net short-term capital gains	(.03)	(.05)	—	(.38)	(.04)
Distributions from net long-term capital gains	(.32)	(.19)	(.46)	(5.04)	(2.81)
Distributions from return of capital	—	(.01)	—	—	—
	<u>(.43)</u>	<u>(.35)</u>	<u>(.65)</u>	<u>(5.75)</u>	<u>(3.14)</u>
Net asset value, end of year	<u>\$31.26</u>	<u>\$27.50</u>	<u>\$21.09</u>	<u>\$38.10</u>	<u>\$40.54</u>
Per share market value, end of year	<u>\$26.82</u>	<u>\$23.46</u>	<u>\$17.40</u>	<u>\$34.70</u>	<u>\$37.12</u>
TOTAL INVESTMENT RETURN - Stockholder					
Return, based on market price per share	16.24%	36.86%	(48.20%)	8.72%	16.78%
RATIOS AND SUPPLEMENTAL DATA					
Net assets applicable to Common Stock, end of year (000's omitted)	\$950,941	\$864,323	\$674,598	\$1,202,923	\$1,199,453
Ratio of expenses to average net assets applicable to Common Stock	1.54%	1.93%	0.87%	1.11%	1.06%
Ratio of net income to average net assets applicable to Common Stock	0.66%	0.46%	1.31%	0.78%	0.86%
Portfolio turnover rate	18.09%	24.95%	25.52%	31.91%	19.10%
PREFERRED STOCK					
Liquidation value, end of year (000's omitted)	\$190,117	\$190,117	\$199,617	\$200,000	\$200,000
Asset coverage	600%	555%	438%	701%	700%
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Market value per share	\$24.95	\$24.53	\$21.90	\$21.99	\$24.44
(see notes to financial statements)					



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## 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** Equity securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the period. Equity securities reported on the NASDAQ national market are valued at the official closing price on that day. Listed and NASDAQ equity securities for which no sales are reported on that day and other securities traded in the over-the-counter market are valued at the last bid price (asked price for options written) on the valuation date. Equity securities traded primarily in foreign markets are valued at the closing price of such securities on their respective exchanges or markets. Corporate debt securities, domestic and foreign, are generally traded in the over-the-counter market rather than on a securities exchange. The Company utilizes the latest bid prices provided by independent dealers and information with respect to transactions in such securities to determine current market value. If, after the close of foreign markets, conditions change significantly, the price of certain foreign securities may be adjusted to reflect fair value as of the time of the valuation of the portfolio. Investments in money market funds are valued at their net asset value. 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. **OPTIONS** The Company may purchase and write (sell) put and call options. The Company typically purchases put options or writes call options to hedge the value of portfolio investments while it typically purchases call options and writes put options to obtain equity market exposure under specified circumstances. 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 are reported as a liability on the Statement of Assets and Liabilities. Those that expire unexercised are treated by the Company on the expiration date as realized gains on written option transactions in the Statement of Operations. 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 on written option transactions in the Statement of Operations. 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 on investments in the Statement of Operations. If a put option is exercised, the premium reduces the cost basis for the securities purchased by the Company and is parenthetically disclosed under cost of investments on the Statement of Assets and Liabilities. 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. See Note 4 for written option activity.

c. **SECURITIES TRANSACTIONS AND INVESTMENT INCOME** 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.

d. **FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS** Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies versus U.S. dollars on the date of valuation. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Company's Board of Directors. The Company does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. companies as a result of, among other factors, the possibility of political or economic instability or the level of governmental supervision and regulation of foreign securities markets.

e. **DIVIDENDS AND DISTRIBUTIONS** The Company expects to pay dividends of net investment income and distributions of net realized capital and currency gains, if any, annually to common shareholders and quarterly to preferred shareholders. Dividends and distributions to common and preferred shareholders, which are determined in accordance with Federal income tax regulations are recorded on the ex-dividend date. Distributions for tax and book purposes are substantially the same. Permanent book/tax differences relating to income and gains are reclassified to paid-in capital as they arise.

f. **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. As of and during the year ended December 31, 2010, the Company did not have any liabilities for any unrecognized tax positions. The Company recognizes interest and penalties, if any, related to unrecognized tax positions as income tax expense in the Statement of Operations. During the year, the Company did not incur any interest or penalties.

**1. SIGNIFICANT ACCOUNTING POLICIES - (Continued from previous page.)**

g. **CONTINGENT LIABILITIES** Amounts related to contingent liabilities are accrued if it is probable that a liability has been incurred and an amount is reasonably estimable. Management evaluates whether there are incremental legal or other costs directly associated with the ultimate resolution of a matter that are reasonably estimable and, if so, they are included in the accrual.

h. **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.

**2. FAIR VALUE MEASUREMENTS**

Various data inputs are used in determining the value of the Company's investments. These inputs are summarized in a hierarchy consisting of the three broad levels listed below:

Level 1 - quoted prices in active markets for identical securities (including money market funds which are valued using amortized cost and which transact at net asset value, typically \$1 per share),

Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.), and

Level 3 - significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Company's net assets as of December 31, 2010:

Assets	Level 1	Level 2	Level 3	Total
Common stocks	\$1,093,584,167	—	\$17,550,000	\$1,111,134,167
Warrant	2,528,750	—	—	2,528,750
Money market fund	31,497,764	—	—	31,497,764
Total	<u>\$1,127,610,681</u>	<u>—</u>	<u>\$17,550,000</u>	<u>\$1,145,160,681</u>

The aggregate value of Level 3 portfolio investments changed during the twelve months ended December 31, 2010 as follows:

Change in portfolio valuations using significant unobservable inputs (Level 3)	Level 3
Fair value at December 31, 2009	\$16,850,000
Net change in unrealized appreciation on investments	700,000
Fair value at December 31, 2010	<u>\$17,550,000</u>

The amount of net unrealized gain included in the results of operations attributable to Level 3 assets held at December 31, 2010 and reported within the caption

*Net change in unrealized appreciation/depreciation* in the Statement of Operations: \$700,000

**3. PURCHASES AND SALES OF SECURITIES**

Purchases and sales of securities (other than short-term securities and options) during 2010 amounted to \$180,720,253 and \$200,591,115, on long transactions, respectively.

**4. WRITTEN OPTIONS**

Transactions in written covered call and collateralized put options during the year ended December 31, 2010 were as follows:

	Covered Calls		Collateralized Puts	
	Contracts	Premiums	Contracts	Premiums
Options outstanding, December 31, 2009	—	—	250	\$46,223
Options written	1,955	\$343,502	—	—
Options expired	<u>(1,955)</u>	<u>(343,502)</u>	<u>(250)</u>	<u>(46,223)</u>
Options outstanding, December 31, 2010	<u>0</u>	<u>\$0</u>	<u>0</u>	<u>\$0</u>

**5. 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. With respect to the Common Stock, 30,423,294 shares were issued and outstanding; 8,000,000 Preferred Shares were originally issued and 7,604,687 were outstanding on December 31, 2010.

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 were noncallable for the 5 year period ended September 24, 2008 and have a liquidation preference of \$25.00 per share plus accumulated and unpaid dividends to the date of redemption. On December 10, 2008, the Board of Directors authorized the repurchase of up to 1 million Preferred Shares in the open market at prices below \$25.00 per share.

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.

**5. 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% of the Preferred Stock. In addition, pursuant to Moody's Investor Service, Inc. Rating Agency Guidelines, the Company is required to maintain a certain discounted asset coverage for its portfolio that equals or exceeds a Basic Maintenance Amount. 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. In addition, failure to meet the foregoing asset coverage requirements could restrict the Company's 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.

Holders of Preferred Stock will elect two members to 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 presents its Preferred Stock, for which its redemption is outside of the Company's control, outside of the net assets applicable to Common Stock in the Statement of Assets and Liabilities.

Transactions in Common Stock during 2010 and 2009 were as follows:

	SHARES		AMOUNT	
	2010	2009	2010	2009
Shares issued in payment of dividends and distributions (includes 277,555 and 281,281 shares issued from treasury, respectively)	277,555	281,281	\$277,555	\$281,281
Increase in paid-in capital			6,941,665	6,148,807
Total increase			<u>7,219,220</u>	<u>6,430,088</u>
Shares purchased (at an average discount from net asset value of 14.6% and 13.6%, respectively)	1,279,476	836,938	(1,279,476)	(836,938)
Decrease in paid-in capital			<u>(29,562,658)</u>	<u>(18,716,221)</u>
Total decrease			<u>(30,842,134)</u>	<u>(19,553,159)</u>
Net decrease			<u>(\$23,622,914)</u>	<u>(\$13,123,071)</u>

At December 31, 2010, the Company held in its treasury 1,557,578 shares of Common Stock with an aggregate cost in the amount of \$37,302,822.

Distributions for tax and book purposes are substantially the same. As of December 31, 2010, distributable earnings on a tax basis included \$349,052,991 from unrealized appreciation. Reclassifications arising from permanent "book/tax" differences reflect non-tax deductible expenses incurred during the year ended December 31, 2010. As a result, undistributed net investment income was increased by \$112,763 and additional paid-in capital was decreased by \$112,763. Net assets were not affected by this reclassification.

**6. OFFICERS' COMPENSATION**

The aggregate compensation accrued and paid by the Company during the year ended December 31, 2010 to its officers (identified on page 20) amounted to \$6,793,000.

**7. BENEFIT PLANS**

The Company has funded (Qualified) and unfunded (Supplemental) defined contribution thrift plans that are available to its employees. The aggregate cost of such plans for 2010 was \$743,113. The qualified thrift plan acquired 35,449 shares of the Company's Common Stock during the year ended December 31, 2010 and held 552,135 shares of the Company's Common Stock at December 31, 2010. The Company also has both funded (Qualified) and unfunded (Supplemental) noncontributory defined benefit pension plans that cover its employees. The pension plan provides a defined benefit based on years of service and final average salary with an offset for a portion of Social Security covered compensation.

The Company recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the Statement of Assets and Liabilities and recognizes changes in funded status in the year in which the changes occur through other comprehensive income.

## 7. BENEFIT PLANS - (Continued from previous page.)

## OBLIGATIONS AND FUNDED STATUS OF DEFINED BENEFIT PLANS:

	DECEMBER 31, 2010 (MEASUREMENT DATE)		
	QUALIFIED PLAN	SUPPLEMENTAL PLAN	TOTAL
CHANGE IN BENEFIT OBLIGATION:			
Benefit obligation at beginning of year	\$10,333,572	\$3,347,928	\$13,681,500
Service cost	301,470	97,773	399,243
Interest cost	598,073	193,844	791,917
Benefits paid	(572,732)	(174,387)	(747,119)
Actuarial (gains)/losses	983,014	292,292	1,275,306
Projected benefit obligation at end of year	11,643,397	3,757,450	15,400,847
CHANGE IN PLAN ASSETS:			
Fair value of plan assets at beginning of year	13,900,164	—	13,900,164
Actual return on plan assets	2,206,313	—	2,206,313
Employer contributions	—	174,387	174,387
Benefits paid	(572,732)	(174,387)	(747,119)
Fair value of plan assets at end of year	15,533,745	—	15,533,745
FUNDED STATUS AT END OF YEAR	\$3,890,348	(\$3,757,450)	\$132,898
Accumulated benefit obligation at end of year	\$10,659,798	\$3,432,054	\$14,091,852
CHANGE IN FUNDED STATUS:			
Noncurrent benefit asset	\$3,566,593	\$323,755	\$3,890,348
LIABILITIES			
Current benefit liability	—	(219,784)	(219,784)
Noncurrent benefit liability	—	(3,537,666)	(3,537,666)
ACCUMULATED OTHER COMPREHENSIVE INCOME	4,865,158	(44,177)	4,820,981
AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME CONSIST OF:			
Net actuarial gain	\$4,577,154	\$1,833	\$4,578,987
Prior service cost	288,004	(46,010)	241,994
	\$4,865,158	(\$44,177)	\$4,820,981
WEIGHTED-AVERAGE ASSUMPTIONS AS OF DECEMBER 31, 2010 AND FOR DETERMINING NET PERIODIC BENEFIT COST FOR THE YEAR ENDED DECEMBER 31, 2010:			
Discount rate	5.75%	5.75%	
Expected return on plan assets	7.50%	N/A	
Salary scale assumption	4.25%	4.25%	
COMPONENTS OF NET PERIODIC BENEFIT COST:			
Service cost	\$301,470	\$97,773	\$399,243
Interest cost	598,073	193,844	791,917
Expected return on plan assets	(1,135,259)	—	(1,135,259)
Amortization of:			
Prior service cost	45,837	173	46,010
Recognized net actuarial loss	202,420	—	202,420
Net periodic benefit cost	\$12,541	\$291,790	\$304,331

## PLAN ASSETS

The Company's qualified pension plan asset allocation by asset class at December 31, 2010, is as follows:

ASSET CATEGORY	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Equity securities	\$11,533,256	\$2,514,276	—	\$14,047,532
Debt securities	1,020,688	—	—	1,020,688
Money Market Fund	625,556	—	—	625,556
Total	\$13,179,500	\$2,514,276	—	\$15,693,776

## EXPECTED CASH FLOWS

	QUALIFIED PLAN	SUPPLEMENTAL PLAN	TOTAL
Expected Company contributions for 2011	—	\$219,784	\$219,784
Expected benefit payments:			
2011	\$603,905	\$219,784	\$823,689
2012	629,360	237,497	866,857
2013	680,337	254,341	934,678
2014	740,358	259,674	1,000,032
2015	770,357	260,759	1,031,116
2016-2020	3,949,747	1,283,550	5,233,297

**8. OPERATING LEASE COMMITMENT**

In September 2007, the Company entered into an operating lease agreement for office space which expires in February 2018 and provides for future rental payments in the aggregate amount of approximately \$10,755,000, net of construction credits. The lease agreement contains clauses whereby the Company receives free rent for a specified number of months and credit towards construction of office improvements, and incurs escalations annually relating to operating costs and real property taxes and to annual rent charges beginning in February 2013. The Company has the option to renew the lease after February 2018 for five years at market rates. Rental expense approximated \$1,101,500 for the year ended December 31, 2010. Minimum rental commitments under the operating lease are approximately \$1,075,000 per annum in 2011 through 2012, \$1,183,000 in 2013 through 2017, and \$99,000 in 2018.

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**9. LITIGATION**

The Company is subject to a legal action arising from a construction worker's personal injury that is covered under the terms of its insurance policies. Defense and legal costs are being funded by the insurer; damages of an amount that is immaterial to the Company are being negotiated at this time. No liabilities or expenses have been incurred by the Company to date.

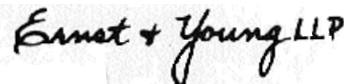
TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF  
GENERAL AMERICAN INVESTORS COMPANY, INC.

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, 2010, and the related statement of operations for the year then ended, the statement of 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 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 express-

ing 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, 2010, 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, 2010, the results of its operations for the year then ended, 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.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink. The text "Ernst & Young LLP" is clearly legible.

New York, New York  
February 3, 2011

**OFFICERS***General American Investors*

NAME (AGE) EMPLOYEE SINCE	PRINCIPAL OCCUPATION DURING PAST 5 YEARS	NAME (AGE) EMPLOYEE SINCE	PRINCIPAL OCCUPATION DURING PAST 5 YEARS
<b>Spencer Davidson</b> (68) 1994	<i>Chairman of the Board since 2007 President and Chief Executive Officer of the Company since 1995</i>	<b>Michael W. Robinson</b> (38) 2006	<i>Vice-President of the Company since 2010 securities analyst (general industries)</i>
<b>Andrew V. Vindigni</b> (51) 1988	<i>Senior Vice-President of the Company since 2006 Vice-President 1995-2006 securities analyst (financial services and consumer non-durables industries)</i>	<b>Diane G. Radosti</b> (58) 1980	<i>Treasurer of the Company since 1990 Principal Accounting Officer since 2003</i>
<b>Eugene S. Stark</b> (52) 2005	<i>Vice-President, Administration of the Company and Principal Financial Officer since 2005, Chief Compliance Officer since 2006</i>	<b>Carole Anne Clementi</b> (64) 1982	<i>Secretary of the Company since 1994 shareholder relations and office management</i>
<b>Jesse Stuart</b> (44) 2003	<i>Vice-President of the Company since 2006 securities analyst (general industries)</i>	<b>Craig A. Grassi</b> (42) 1991	<i>Assistant Vice-President of the Company since 2005 information technology</i>
<b>Sally A. Lynch, Ph.D.</b> (51) 1997	<i>Vice-President of the Company since 2006 securities analyst (biotechnology industry)</i>	<b>Maureen E. LoBello</b> (60) 1992	<i>Assistant Secretary of the the Company since 2005 benefits administration</i>

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 the inside back cover of this report.

**SERVICE ORGANIZATIONS**

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

Previous purchases of the Company's Common and Preferred Stock are set forth in Note 5, on pages 15 and 16. Prospective purchases of Common and Preferred 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, 2010 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 April 30, 2010, the Company submitted a CEO annual certification to the New York Stock Exchange ("NYSE") on which the Company's principal executive officer certified that he was not aware, as of that date, of any violation by the Company of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Company's principal executive and principal financial officer made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q relating to, among other things, the Company's disclosure controls and procedures and internal control over financial reporting, as applicable.

## DIRECTORS

General American Investors

NAME (AGE) DIRECTOR SINCE	PRINCIPAL OCCUPATION DURING PAST 5 YEARS	OTHER DIRECTORSHIPS AND AFFILIATIONS
INDEPENDENT DIRECTORS		
<b>Arthur G. Altschul, Jr.</b> (46) 1995	<i>Co-Founder and Chairman</i> Kolltan Pharmaceuticals, Inc.  <i>Managing Member</i> Diaz & Altschul Capital Management, LLC (private investment company)	Delta Opportunity Fund, Ltd., <i>Director</i> Diversified Natural Products, Inc., <i>Director</i> (term ended 8/31/2010) Medicis Pharmaceutical Corporation, <i>Director</i> Medrium, Inc., <i>Chairman, Board of Directors</i> National Public Radio Foundation, <i>Trustee</i> Neurosciences Research Foundation, <i>Trustee</i> The Overbrook Foundation, <i>Director</i>
<b>Rodney B. Berens</b> (65) 2007	<i>Founding Partner</i> Berens Capital Management, LLC	Alfred P. Sloan Foundation, <i>Member of Investment Committee</i> Peterson Institute for International Economics, <i>Member of Investment Committee</i> Pierpont Morgan Library, <i>Trustee and Head of Investment Sub-Committee</i> The Woods Hole Oceanographic Institute, <i>Trustee and Member of Investment Committee</i>
<b>Lewis B. Cullman</b> (92) 1961	<i>Philanthropist</i>	Chess-in-the-Schools, <i>Chairman Emeritus</i> Metropolitan Museum of Art, <i>Honorary Trustee</i> Municipal Arts Society, <i>Trustee</i> Museum of Modern Art, <i>Vice Chairman, International Council and Honorary Trustee</i> Neurosciences Research Foundation, <i>Vice Chairman, Board of Trustees</i> The New York Botanical Garden, <i>Senior Vice Chairman, Board of Managers</i> The New York Public Library, <i>Trustee</i>
<b>Gerald M. Edelman</b> (81) 1976	<i>Member, Professor and Chairman of the Department of Neurobiology</i> The Scripps Research Institute	Neurosciences Institute of the Neurosciences Research Foundation <i>Director and President</i> NGN Capital, <i>Chairman, Advisory Board</i> Promosome, LLC, <i>Chairman, Scientific Advisory Board</i>
<b>John D. Gordan, III</b> (65) 1986	<i>Senior Counsel (Partner prior thereto)</i> Morgan, Lewis & Bockius LLP (law firm)	
<b>Betsy F. Gotbaum</b> (72) 2010	<i>New York City's Public Advocate</i> (January 2002-December 2009)	Alzheimer's Association, <i>Trustee</i> Community Service Society, <i>Trustee</i> Coro Leadership, <i>Trustee</i> Learning Leaders, <i>Trustee</i> Medrium, Inc., <i>Consultant</i> Visiting Nurse Association of New York, <i>Trustee</i>
<b>Sidney R. Knafel</b> (80) <i>Lead Independent Director</i> 1994	<i>Managing Partner</i> SRK Management Company (private investment company)	IGENE Biotechnology, Inc., <i>Director</i> Insight Communications Company, Inc., <i>Chairman, Board of Directors</i> VirtualScopics, Inc., <i>Director</i> Vocollect, Inc., <i>Director</i>
<b>Daniel M. Neidich</b> (61) 2007	<i>Chief Executive Officer</i> Dune Real Estate Partners  <i>Founding Partner and Co-Chief Executive Officer</i> Dune Capital Management LP (March 2005-December 2009)	Capmark, <i>Director</i> Child Mind Institute, <i>Director</i> NY Child Study Center, <i>Director</i> (term expired 2009) Prep for Prep, <i>Director</i> Real Estate Roundtable, <i>Chairman, Board of Directors</i> Urban Land Institute, <i>Trustee</i>
<b>D. Ellen Shuman</b> (55) 2004	<i>Vice President and Chief Investment Officer</i> Carnegie Corporation of New York	Academy of Arts and Letters, <i>Investment Advisor</i> Bowdoin College, <i>Trustee</i> Community Foundation of Greater New Haven, <i>Investment Advisor</i> Edna McConnell Clark Foundation, <i>Trustee</i> The Investment Fund for Foundations, <i>Trustee</i> (term expired 9/30/2008)
<b>Raymond S. Troubh</b> (84) 1989	<i>Financial Consultant</i>	Diamond Offshore Drilling, Inc., <i>Director</i> Gentiva Health Services, Inc., <i>Director</i> Petrie Stores Liquidating Trust, <i>Trustee</i> (term expired 2006) Portland General Electric Company, <i>Director</i> (term expired 2006) Sun Times Media Group, <i>Director</i> (term expired 2007) Triarc Companies, Inc., <i>Director</i> (merged with Wendy's International, Inc. 2008) Wendy's International, Inc., <i>Director</i>
INTERESTED DIRECTOR		
<b>Spencer Davidson</b> (68) 1995	<i>Chairman of the Board</i> <i>President and Chief Executive Officer</i> General American Investors Company, Inc.	Medicis Pharmaceutical Corporation, <i>Director</i> Neurosciences Research Foundation, <i>Trustee</i>

All Directors serve for a term of one year and are elected by Stockholders at the time of the annual meeting on the second Wednesday in April. The address for each Director is the Company's office.