

GENERAL AMERICAN INVESTORS CO INC  
Form N-CSR  
February 04, 2011

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  
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GENERAL AMERICAN INVESTORS COMPANY, INC.  
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(Exact name of registrant as specified in charter)

100 Park Avenue, 35th Floor, New York, New York 10017  
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(Address of principal executive offices) (Zip code)

Eugene S. Stark  
General American Investors Company, Inc.  
100 Park Avenue  
35th Floor  
New York, New York 10017  
(Name and address of agent for service)

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

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

Date of fiscal year end: December 31

Date of reporting period: December 31, 2010

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**ITEM 1: REPORTS TO STOCKHOLDERS**

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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<br>Income | Long-Term<br>Capital Gain | Return of<br>Capital | Total     |
|---|---------------|--------------------|---------------------------|----------------------|-----------|
| <b>Common Stock</b>   |               |                    |                           |                      |           |
| Nov. 12, 2010   | Dec. 23, 2010 | \$.113718 (a)      | \$.316282                 |                      | \$.430000 |
| <i>Total from 2010 earnings</i>                                     |               |                    |                           |                      |           |
| (a) Includes short-term gains in the amount of \$.033411 per share. |               |                    |                           |                      |           |
| Nov. 13, 2009   | Dec. 28, 2009 | \$.153697 (b)      | \$.186135                 | \$.010168            | \$.350000 |
| <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 |

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|                       |                |                |            |  |            |
|-----------------------|----------------|----------------|------------|--|------------|
| Jun. 7, 2010          | Jun. 24, 2010  | .098348        | .273527    |  | .371875    |
| Sept. 7, 2010         | Sept. 24, 2010 | .098348        | .273527    |  | .371875    |
| Dec. 7, 2010          | Dec. 27, 2010  | .098348        | .273527    |  | .371875    |
| <i>Total for 2010</i> |                | \$ .393392 (c) | \$1.094108 |  | \$1.487500 |

(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  | .163303       | .197768   | .010804   | .371875    |
| <i>Total for 2009</i> |                | \$.653212 (d) | \$.791072 | \$.043216 | \$1.487500 |

(d) Includes short-term gains in the amount of \$.21426756 per share (\$.05356689 per quarter).

General American Investors Company, Inc.  
 100 Park Avenue, New York, NY 10017  
 (212) 916-8400 (800) 436-8401  
 E-mail: [InvestorRelations@gainv.com](mailto:InvestorRelations@gainv.com)  
[www.generalamericaninvestors.com](http://www.generalamericaninvestors.com)

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 presen-

While it seems evident in the long-term that a solution

to America's sizeable budget and trade deficits, short-

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 com-

PELLING, supported by agreeable interest rates, as the

tation 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.

| <i>Stockholder Return</i> |                       |                   |                    |
|---------------------------|-----------------------|-------------------|--------------------|
| <i>Years</i>              | <i>(Market Value)</i> | <i>NAV Return</i> | <i>S&amp;P 500</i> |
| 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

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

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.

[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

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## Corporate

General American Investors, established in 1927, is one of the nation's oldest closed-end investment companies. It is an independent organi-

zation 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.

The primary objective of the Company is long-term capital appreciation. Lesser emphasis is placed on cur-

## "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.

rent 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.

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.

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.

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

**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

fore 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.

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).

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 |               | NET ASSET VALUE RETURN |               | STANDARD & POOR'S 500 |               |
|------|----------------------------|---------------|------------------------|---------------|-----------------------|---------------|
|      | STOCKHOLDER RETURN         |               | 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         |



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|      |         |        |         |        |        |        |
|------|---------|--------|---------|--------|--------|--------|
| 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)**

| <i>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.</i> | EARNINGS SOURCE |        |                          |               |                         | EARNINGS SOURCE   |      |        |                          |               |                         |
|--|-----------------|--------|--------------------------|---------------|-------------------------|-------------------|------|--------|--------------------------|---------------|-------------------------|
|  | YEAR            | INCOME | SHORT-TERM CAPITAL GAINS |               | LONG-TERM CAPITAL GAINS | RETURN OF CAPITAL | YEAR | INCOME | SHORT-TERM CAPITAL GAINS |               | LONG-TERM CAPITAL GAINS |
|  |                 |        | CAPITAL GAINS            | CAPITAL GAINS | CAPITAL GAINS           |                   |      |        | CAPITAL GAINS            | CAPITAL GAINS |                         |
|  | 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                    |
|  | 2000            | .48    | 1.55                     | —             | 6.16                    | —                 | 2010 | .081   | .033                     | —             | .316                    |

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|                  |   | SHARES OR PRINCIPAL AMOUNT TRANSACTED | SHARES OR PRINCIPAL AMOUNT |
|------------------|---|---------------------------------------|----------------------------|
| <b>INCREASES</b> |   |                                       |                            |
| NEW POSITIONS    | Aon Corporation   | 330,490 (b)                           | 330,                       |
|                  | Apple Inc.  | —                                     | 60,                        |
|                  | Celgene Corporation   | 100,000                               | 200,                       |
|                  | MSCI Inc. Class A   | —                                     | 300,                       |
| ADDITIONS        | American Express Company                                    | 50,000                                | 375,                       |
|                  | Microsoft Corporation                                       | 200,000                               | 770,                       |
|                  | PepsiCo, Inc.   | 15,000                                | 315,                       |
|                  | Republic Services, Inc.                                     | 8,100                                 | 957,                       |
|                  | Unilever N.V.   | 104,917                               | 654,                       |
| <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,                       |
|                  | Alexander & Baldwin, Inc.                                   | 46,338                                | 189,                       |
|                  | ASML Holding N.V.   | 125,000                               | 575,                       |
|                  | Dell Inc.   | 275,000                               | 1,015,                     |
|                  | Everest Re Group, Ltd.                                      | 5,000                                 | 245,                       |
|                  | Halliburton Company   | 20,000                                | 780,                       |
|                  | MetLife, Inc.   | 5,000                                 | 275,                       |
|                  | Nelnet, Inc.  | 13,500                                | 590,                       |
|                  | PartnerRe Ltd.  | 5,000                                 | 260,                       |
|                  | Teradata Corporation  | 90,000                                | 360,                       |

- (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.

| <b>DECEMBER 31, 2010</b>            |                          |                  |                   |                                   |
|-------------------------------------|--------------------------|------------------|-------------------|-----------------------------------|
|                                     | <b>INDUSTRY CATEGORY</b> | <b>COST(000)</b> | <b>VALUE(000)</b> | <b>PERCENT COMMON NET ASSETS*</b> |
| <i>The diversification of the</i>   | Finance and Insurance    |                  |                   |                                   |
| <i>Company's net assets applic-</i> | Banking                  | \$29,925         | \$40,183          | 4.3%                              |
| <i>able to its Common Stock by</i>  | Insurance                | 56,173           | 114,131           | 12.0                              |
| <i>industry group as of</i>         | Other                    | 39,168           | 84,411            | 8.9                               |

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|                                    |           |           |        |
|------------------------------------|-----------|-----------|--------|
| <i>December 31, 2010 is shown</i>  | 125,266   | 238,725   | 25.2   |
| <i>in the table.</i> 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    |
|                                    | 764,610   | 1,113,663 | 117.1  |
| Short-Term Securities              | 31,498    | 31,498    | 3.3    |
| Total Investments                  | \$796,108 | 1,145,161 | 120.4  |
| Other Assets and Liabilities - Net |           | (4,103)   | (0.4)  |
| Preferred Stock                    |           | (190,117) | (20.0) |
| Net Assets Applicable to           |           |           |        |
| Common Stock                       |           | \$950,941 | 100.0% |

\* 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.

|   | SHARES    | VALUE        | % COM<br>NET ASS |
|---|-----------|--------------|------------------|
| <i>The statement of</i> <b>THE TJX COMPANIES, INC.</b>  | 1,632,400 | \$72,462,236 | 7                |
| <i>investments as of</i> Through its T.J. Maxx and Marshalls divisions, TJX is the leading      |           |              |                  |
| <i>December 31, 2010,</i> off-price retailer. The continued growth of these divisions in the    |           |              |                  |
| <i>shown on pages 8 and 9</i> U.S. and Europe, along with expansion of related U.S. and foreign |           |              |                  |
| <i>includes 57 security</i> off-price formats, provide ongoing growth opportunities.            |           |              |                  |
| <i>issues. Listed here are</i> <b>WEATHERFORD INTERNATIONAL LTD.</b>                            | 2,150,000 | 49,020,000   | 5.2              |
| <i>the ten largest holdings</i> Weatherford supplies a broad range of oil field services and    |           |              |                  |

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*on that date.* 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.

**COSTCO WHOLESALE CORPORATION**

575,000 41,520,750 4.4

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.

**APACHE CORPORATION**

296,478 35,349,072 3.7

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.

**QUALCOMM INCORPORATED**

700,000 34,643,000 3.6

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.

**HALLIBURTON COMPANY**

780,000 31,847,400 3.4

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.

**WAL-MART STORES, INC.**

550,000 29,661,500 3.1

Wal-Mart is the world's largest retailer offering value to consumers in the U.S. and fifteen foreign countries.

**REPUBLIC SERVICES, INC.**

957,100 28,579,006 3.0

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.

**ARCH CAPITAL GROUP LTD.**

315,000 27,735,750 2.9

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.

**ABB LTD. ADR**

1,200,000 26,940,000 2.8

ABB provides power and automation technologies to customers

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around the world. ABB should benefit from the building of electrical systems in developing countries and the replacement of outdated infrastructure in developed countries.

\$377,758,714 39.7%

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

|  | SHARES         | COMMON STOCKS                    | VALUE (NOTE 1a)                  |
|--|----------------|----------------------------------|----------------------------------|
| <b>AEROSPACE/DEFENSE</b><br>(2.7%)                       | 325,000        | United Technologies Corporation  | (COST \$22,957,205) \$25,584,000 |
| <b>BUILDING AND REAL ESTATE (2.2%)</b>                   | 1,946,880      | CEMEX, S.A.B. de C.V. ADR (a)*   | (COST \$23,385,068) 20,851,085   |
| <b>COMMUNICATIONS AND INFORMATION SERVICES</b><br>(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            | 34,643,000                       |
|  |                |                                  | (COST \$47,448,300) 65,751,800   |
| <b>COMPUTER SOFTWARE AND SYSTEMS (9.6%)</b>              | 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)         | 14,817,600                       |
|  |                |                                  | (COST \$84,086,757) 91,650,885   |
| <b>CONSUMER PRODUCTS AND SERVICES (9.8%)</b>             | 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.                    | 20,460,026                       |
|  |                |                                  | (COST \$68,654,249) 93,438,606   |
| <b>ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (5.4%)</b> | 957,100        | Republic Services, Inc.          | 28,579,006                       |
|  | 630,000        | Waste Management, Inc.           | 23,228,100                       |
|  |                |                                  | (COST \$39,190,474) 51,807,106   |
| <b>FINANCE AND INSURANCE (24.9%)</b>                     | 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             | 9,575,500                        |
|  |                |                                  | (COST \$27,690,799) 37,654,000   |

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|                         |           |   |             |
|-------------------------|-----------|---|-------------|
| 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.                                   | 11,142,000  |
|                         |           | (COST \$56,173,146)   | 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.  | 13,977,100  |
|                         |           | (COST \$39,167,898)   | 84,410,783  |
|                         |           | (COST \$123,031,843)  | 236,195,893 |
| <b>HEALTH CARE /</b>    |           |   |             |
|                         | 200,000   | Celgene Corporation (a)   | 11,828,000  |
| <b>PHARMACEUTICALS</b>  |           |   |             |
| (7.4%)                  | 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)                               | 101,579     |
|                         |           | (COST \$71,961,454)   | 70,311,960  |
| <b>MACHINERY AND</b>    |           |   |             |
|                         | 1,200,000 | ABB Ltd. ADR*   | 26,940,000  |
| <b>EQUIPMENT (4.2%)</b> |           |   |             |
|                         | 1,000,000 | The Manitowoc Company, Inc.                                     | 13,110,000  |
|                         |           | (COST \$24,525,812)   | 40,050,000  |

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|                             | SHARES  | COMMON STOCKS (Continued)         | VALUE (NOTE 1a)                |
|-----------------------------|---------|-----------------------------------|--------------------------------|
| <b>METALS (2.1%)</b>        |         |                                   |                                |
|                             | 224,200 | Alpha Natural Resources, Inc. (a) | \$13,458,726                   |
|                             | 150,000 | Nucor Corporation                 | 6,573,000                      |
|                             |         | (COST \$16,054,563)               | 20,031,726                     |
| <b>MISCELLANEOUS (5.0%)</b> |         |                                   |                                |
|                             |         | Other (d)                         | (COST \$47,147,991) 47,667,807 |

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|   |            |   |                      |               |
|---|------------|---|----------------------|---------------|
| <b>OIL AND NATURAL GAS</b>                          | 296,478    | Apache Corporation  |                      | 35,349,072    |
| <b>(INCLUDING SERVICES)</b>                         | 130,062    | Devon Energy Corporation                                      |                      | 10,211,168    |
| <b>(13.3%)</b>                                      |            |   |                      |               |
|   | 780,000    | Halliburton Company   |                      | 31,847,400    |
|   | 2,150,000  | Weatherford International Ltd. (a)                            |                      | 49,020,000    |
|   |            |   | (COST \$66,685,797)  | 126,427,640   |
| <b>RETAIL TRADE (16.5%)</b>                         | 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   |
| <b>SEMICONDUCTORS (2.3%)</b>                        | 575,000    | ASML Holding N.V.   | (COST \$13,463,950)  | 22,045,500    |
| <b>TECHNOLOGY (3.7%)</b>                            | 750,000    | International Game Technology                                 |                      | 13,267,500    |
|   | 1,900,000  | Xerox Corporation   |                      | 21,888,000    |
|   |            |   | (COST \$34,368,474)  | 35,155,500    |
| <b>TRANSPORTATION (0.8%)</b>                        | 189,762    | Alexander & Baldwin, Inc.                                     | (COST \$8,650,439)   | 7,596,173     |
|   |            |   |                      |               |
|   |            | <b>TOTAL COMMON STOCKS (116.8%)</b>                           | (COST \$762,375,699) | 1,111,134,167 |
|   |            |   |                      |               |
|   |            | <b>WARRANTS</b>   |                      |               |
|   |            | <b>WARRANT</b>  |                      |               |
|   |            | JPMorgan Chase & Co. Expires 10/28/2018 (a) (COST             |                      |               |
| <b>BANKING (0.3%)</b>                               | 175,000    | \$2,234,227)  |                      | 2,528,750     |
|   |            |   |                      |               |
|   |            | <b>SHORT-TERM SECURITIES AND OTHER ASSETS</b>                 |                      |               |
|   |            | <b>SHARES</b>   |                      |               |
|   | 31,497,764 | SSgA Prime Money Market Fund (3.3%)                           | (COST \$31,497,764)  | 31,497,764    |
| <b>TOTAL INVESTMENTS (e) (120.4%)</b>               |            |   | (COST \$796,107,690) | 1,145,160,681 |
|   |            | Liabilities in excess of receivables and other assets (-0.4%) |                      | (4,102,570)   |
|   |            |   |                      | 1,141,058,111 |
| <b>PREFERRED STOCK (-20.0%)</b>                     |            |   |                      | (190,117,175) |
| <b>NET ASSETS APPLICABLE TO COMMON STOCK (100%)</b> |            |   |                      | \$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.

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- (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.

| ASSETS  | DECEMBER 31, 2010 |
|---|-------------------|
| 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)                      | 1,145,160,681     |
| 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                           | 2,513,773         |
| TOTAL ASSETS  | 1,152,456,499     |
| 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                      | 4,409,687         |
| TOTAL LIABILITIES   | 11,398,388        |
| 5.95% CUMULATIVE PREFERRED STOCK, SERIES B -                |                   |
| 7,604,687 at a liquidation value of \$25 per share (note 5) | 190,117,175       |
| NET ASSETS APPLICABLE TO COMMON STOCK - 30,423,294 (note 5) | \$950,940,936     |
| NET ASSET VALUE PER COMMON SHARE                            | \$31.26           |
| 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          | 349,052,991       |
| NET ASSETS APPLICABLE TO COMMON STOCK                       | \$950,940,936     |



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(see notes to financial statements)

|   | YEAR ENDED<br>DECEMBER 31, 2010 |
|---|---------------------------------|
| <b>INCOME</b>   |                                 |
| Dividends (net of foreign withholding taxes of \$589,410)                             | \$16,134,911                    |
| Interest  | 2,682,021                       |
| <b>TOTAL INCOME</b>   | <b>18,816,932</b>               |
| <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                         |
| <b>TOTAL EXPENSES</b>   | <b>13,190,202</b>               |
| <b>NET INVESTMENT INCOME</b>  | <b>5,626,730</b>                |
| 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                         |
|   | 19,636,107                      |
| Net increase in unrealized appreciation   | 109,245,534                     |
| <b>NET INVESTMENT INCOME AND GAIN ON INVESTMENTS</b>                                  | <b>134,508,371</b>              |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS</b>  | <b>(11,311,972)</b>             |
| <b>INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>                               | <b>\$123,196,399</b>            |

(see notes to financial statements)

|                                  | YEAR ENDED DECEMBER 31, |             |
|----------------------------------|-------------------------|-------------|
| <b>OPERATIONS</b>                | <b>2010</b>             | <b>2009</b> |
| Net investment income            | \$5,626,730             | \$3,400,143 |
| Net realized gain on investments | 19,636,107              | 15,219,812  |

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|  |                     |                     |
|--|---------------------|---------------------|
| Net increase in unrealized appreciation  | 109,245,534         | 204,253,481         |
|  | 134,508,371         | 222,873,436         |
| 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  | (11,311,972)        | (11,474,004)        |
| <b>INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>  | <b>123,196,399</b>  | <b>211,399,432</b>  |
| <b>OTHER COMPREHENSIVE INCOME</b>  |                     |                     |
| Funded status of defined benefit plans (note 7)  | 44,177              | 1,911,451           |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS</b>  |                     |                     |
| 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)           |
| <b>DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS</b>  | <b>(13,000,098)</b> | <b>(11,009,130)</b> |
| <b>CAPITAL SHARE TRANSACTIONS (NOTE 5)</b>   |                     |                     |
| 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             |
| <b>DECREASE IN NET ASSETS - CAPITAL TRANSACTIONS</b>   | <b>(23,622,914)</b> | <b>(12,576,182)</b> |
| <b>NET INCREASE IN NET ASSETS</b>  | <b>86,617,564</b>   | <b>189,725,571</b>  |
| <b>NET ASSETS APPLICABLE TO COMMON STOCK</b>   |                     |                     |
| BEGINNING OF YEAR  | 864,323,372         | 674,597,801         |
| END OF YEAR (including undistributed net investment income of \$3,721,504 and \$2,522,662, respectively) | \$950,940,936       | \$864,323,372       |

(see notes to financial statements)

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*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         |
|  | 4.56      | 7.12      | (15.98)   | 3.72        | 5.09        |
| 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)     | —         | —           | —           |
|  | (.37)     | (.36)     | (.38)     | (.41)       | (.41)       |
| Total from investment operations                                     | 4.19      | 6.76      | (16.36)   | 3.31        | 4.68        |
| 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)     | —         | —           | —           |
|  | (.43)     | (.35)     | (.65)     | (5.75)      | (3.14)      |
| Net asset value, end of year   | \$31.26   | \$27.50   | \$21.09   | \$38.10     | \$40.54     |
| Per share market value, end of year                                  | \$26.82   | \$23.46   | \$17.40   | \$34.70     | \$37.12     |
| 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%      |

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### 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   |

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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

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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.

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### 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             | \$1,127,610,681 | —       | \$17,550,000 | \$1,145,160,681 |

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  | \$17,550,000 |

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                        | (1,955)       | (343,502) | (250)               | (46,223) |
| Options outstanding, December 31, 2010 | 0             | \$0       | 0                   | \$0      |

**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

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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:

|  | <b>SHARES</b> |         | <b>AMOUNT</b>  |                |
|--|---------------|---------|----------------|----------------|
|  | 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   |               |         | 7,219,220      | 6,430,088      |
| 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  |               |         | (29,562,658)   | (18,716,221)   |
| Total decrease   |               |         | (30,842,134)   | (19,553,159)   |
| Net decrease   |               |         | (\$23,622,914) | (\$13,123,071) |

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 comp



hensive income.

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

| OBLIGATIONS AND FUNDED STATUS OF DEFINED BENEFIT PLANS:   | DECEMBER 31, 2010 (MEASURED AT) |                      |
|---|---------------------------------|----------------------|
|   | QUALIFIED<br>PLAN               | SUPPLEMENTAL<br>PLAN |
| CHANGE IN BENEFIT OBLIGATION:   |                                 |                      |
| Benefit obligation at beginning of year   | \$10,333,572                    | \$3,347,928          |
| Service cost  | 301,470                         | 97,773               |
| Interest cost   | 598,073                         | 193,844              |
| Benefits paid   | (572,732)                       | (174,387)            |
| Actuarial (gains)/losses  | 983,014                         | 292,292              |
| Projected benefit obligation at end of year   | 11,643,397                      | 3,757,450            |
| CHANGE IN PLAN ASSETS:  |                                 |                      |
| Fair value of plan assets at beginning of year  | 13,900,164                      | —                    |
| Actual return on plan assets  | 2,206,313                       | —                    |
| Employer contributions  | —                               | 174,387              |
| Benefits paid   | (572,732)                       | (174,387)            |
| Fair value of plan assets at end of year  | 15,533,745                      | —                    |
| FUNDED STATUS AT END OF YEAR  | \$3,890,348                     | (\$3,757,450)        |
| Accumulated benefit obligation at end of year   | \$10,659,798                    | \$3,432,054          |
| CHANGE IN FUNDED STATUS:  |                                 |                      |
| Noncurrent benefit asset  | \$3,566,593                     | \$323,755            |
| LIABILITIES   |                                 |                      |
| Current benefit liability   | —                               | (219,784)            |
| Noncurrent benefit liability  | —                               | (3,537,666)          |
| ACCUMULATED OTHER COMPREHENSIVE INCOME  | 4,865,158                       | (44,177)             |
| AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME CONSIST OF:  |                                 |                      |
| Net actuarial gain  | \$4,577,154                     | \$1,833              |
| Prior service cost  | 288,004                         | (46,010)             |
|   | \$4,865,158                     | (\$44,177)           |
| WEIGHTED-AVERAGE ASSUMPTIONS AS OF DECEMBER 31, 2010 AND FOR DETERMINING<br>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                  |

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|                         |       |       |
|-------------------------|-------|-------|
| Salary scale assumption | 4.25% | 4.25% |
|-------------------------|-------|-------|

COMPONENTS OF NET PERIODIC BENEFIT COST:

|                                |             |           |
|--------------------------------|-------------|-----------|
| Service cost                   | \$301,470   | \$97,773  |
| Interest cost                  | 598,073     | 193,844   |
| Expected return on plan assets | (1,135,259) | —         |
| Amortization of:               |             |           |
| Prior service cost             | 45,837      | 173       |
| Recognized net actuarial loss  | 202,420     | —         |
| Net periodic benefit cost      | \$12,541    | \$291,790 |

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 provisions 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 20

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through 2012, \$1,183,000 in 2013 through 2017, and \$99,000 in 2018.

### 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 expressing-

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.

| NAME (AGE)                             | PRINCIPAL OCCUPATION  | NAME (AGE)                              | PRINCIPAL OCCUPATION   |
|--|---|---|--|
| EMPLOYEE SINCE                         | DURING PAST 5 YEARS   | EMPLOYEE SINCE                          | DURING PAST 5 YEARS  |
| <b>Spencer Davidson</b> (68)<br>1994   | <i>Chairman of the Board since 2007</i><br><i>President and Chief</i><br><i>Executive Officer of the</i><br><i>Company since 1995</i> | <b>Michael W. Robinson</b> (38)<br>2006 | <i>Vice-President of the</i><br><i>Company since 2010</i><br><br>securities analyst (general industries) |
| <b>Andrew V. Vindigni</b> (51)<br>1988 | <i>Senior Vice-President of the</i><br><i>Company since 2006</i><br><br>Vice-President 1995-2006<br>securities analyst (financial     | <b>Diane G. Radosti</b> (58)<br>1980    | <i>Treasurer of the</i><br><i>Company since 1990</i><br><br>Principal Accounting Officer since 2003      |

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|   |  |  |   |
|---|--|--|---|
|   | services and consumer<br>non-durables industries)  | <b>Carole Anne Clementi</b> (64)<br>1982 | <i>Secretary of the<br/>Company since 1994</i>                |
| <b>Eugene S. Stark</b> (52)<br>2005       | <i>Vice-President, Administration<br/>of the Company and<br/>Principal Financial Officer<br/>since 2005, Chief Compliance<br/>Officer since 2006</i> |  | shareholder relations<br>and office management                |
|   |  | <b>Craig A. Grassi</b> (42)<br>1991      | <i>Assistant Vice-President of<br/>the Company since 2005</i> |
| <b>Jesse Stuart</b> (44)<br>2003          | <i>Vice-President of the<br/>Company since 2006</i>  |  | information technology  |
|   | securities analyst (general<br>industries)   | <b>Maureen E. LoBello</b> (60)<br>1992   | <i>Assistant Secretary of the<br/>Company since 2005</i>      |
| <b>Sally A. Lynch, Ph.D.</b> (51)<br>1997 | <i>Vice-President of the<br/>Company since 2006</i><br>securities analyst<br>(biotechnology industry)  |  | benefits administration                                       |

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

#### INDEPENDENT AUDITORS

Ernst & Young LLP

New York, NY 10038

1-800-413-5499

[www.amstock.com](http://www.amstock.com)

#### 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

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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)                                  | PRINCIPAL OCCUPATION  |  |
|---|---|--|
| DIRECTOR SINCE                              | DURING PAST 5 YEARS   | OTHER DIRECTORSHIPS AND AFFILIATIONS   |
| <b>INDEPENDENT DIRECTORS</b>                |   |  |
| <b>Arthur G. Altschul, Jr.</b> (46)<br>1995 | <i>Co-Founder and Chairman</i><br>Kolltan Pharmaceuticals, Inc.<br><br><i>Managing Member</i><br>Diaz & Altschul Capital<br>Management, LLC<br>(private investment company) | <i>Delta Opportunity Fund, Ltd., Director</i><br><i>Diversified Natural Products, Inc., Director (term ended 8/31/2010)</i><br><i>Medicis Pharmaceutical Corporation, Director</i><br><i>Medrium, Inc., Chairman, Board of Directors</i><br><i>National Public Radio Foundation, Trustee</i><br><i>Neurosciences Research Foundation, Trustee</i><br><i>The Overbrook Foundation, Director</i>           |
| <b>Rodney B. Berens</b> (65)<br>2007        | <i>Founding Partner</i><br>Berens Capital Management, LLC   | <i>Alfred P. Sloan Foundation, Member of Investment Committee</i><br><i>Peterson Institute for International Economics, Member of Investment Committee</i><br><i>Pierpont Morgan Library, Trustee and Head of Investment Sub-Committee</i><br><i>The Woods Hole Oceanographic Institute, Trustee and Member of Investment Committee</i>  |
| <b>Lewis B. Cullman</b> (92)<br>1961        | <i>Philanthropist</i>   | <i>Chess-in-the-Schools, Chairman Emeritus</i><br><i>Metropolitan Museum of Art, Honorary Trustee</i><br><i>Municipal Arts Society, Trustee</i><br><i>Museum of Modern Art, Vice Chairman, International Council and Honorary Trustee</i><br><i>Neurosciences Research Foundation, Vice Chairman, Board of Trustees</i><br><i>The New York Botanical Garden, Senior Vice Chairman, Board of Managers</i> |

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| <p><b>Gerald M. Edelman</b> (81)<br/>1976</p>   | <p><i>Member, Professor and Chairman of the<br/>Department of Neurobiology</i><br/>The Scripps Research Institute</p>   | <p>Neurosciences Institute of the Neurosciences Research Foundation<br/><i>Director and President</i><br/>NGN Capital, <i>Chairman, Advisory Board</i><br/>Promosome, LLC, <i>Chairman, Scientific Advisory Board</i></p>  |
| <p><b>John D. Gordan, III</b> (65)<br/>1986</p> | <p><i>Senior Counsel (Partner prior thereto)</i><br/>Morgan, Lewis &amp; Bockius LLP<br/>(law firm)</p>   |  |
| <p><b>Betsy F. Gotbaum</b> (72)<br/>2010</p>    | <p><i>New York City's Public Advocate</i><br/>(January 2002-December 2009)</p>  | <p>Alzheimer's Association, <i>Trustee</i><br/>Community Service Society, <i>Trustee</i><br/>Coro Leadership, <i>Trustee</i><br/>Learning Leaders, <i>Trustee</i><br/>Medrium, Inc., <i>Consultant</i><br/>Visiting Nurse Association of New York, <i>Trustee</i></p>  |
| <p><b>Sidney R. Knafel</b> (80)<br/>1994</p>    | <p><i>Lead Independent Director</i><br/><i>Managing Partner</i><br/>SRK Management Company<br/>(private investment company)</p>   | <p>IGENE Biotechnology, Inc., <i>Director</i><br/>Insight Communications Company, Inc., <i>Chairman, Board of Directors</i><br/>VirtualScopics, Inc., <i>Director</i><br/>Vocollect, Inc., <i>Director</i></p>   |
| <p><b>Daniel M. Neidich</b> (61)<br/>2007</p>   | <p><i>Chief Executive Officer</i><br/>Dune Real Estate Partners<br/><br/><i>Founding Partner and Co-Chief<br/>Executive Officer</i><br/>Dune Capital Management LP<br/>(March 2005-December 2009)</p> | <p>Capmark, <i>Director</i><br/>Child Mind Institute, <i>Director</i><br/>NY Child Study Center, <i>Director</i> (term expired 2009)<br/>Prep for Prep, <i>Director</i><br/>Real Estate Roundtable, <i>Chairman, Board of Directors</i><br/>Urban Land Institute, <i>Trustee</i></p>   |
| <p><b>D. Ellen Shuman</b> (55)<br/>2004</p>     | <p><i>Vice President and<br/>Chief Investment Officer</i><br/>Carnegie Corporation of New York</p>  | <p>Academy of Arts and Letters, <i>Investment Advisor</i><br/>Bowdoin College, <i>Trustee</i><br/>Community Foundation of Greater New Haven, <i>Investment Advisor</i><br/>Edna McConnell Clark Foundation, <i>Trustee</i><br/>The Investment Fund for Foundations, <i>Trustee</i> (term expired 9/30/2009)</p>              |
| <p><b>Raymond S. Troubh</b> (84)<br/>1989</p>   | <p><i>Financial Consultant</i></p>  | <p>Diamond Offshore Drilling, Inc., <i>Director</i><br/>Gentiva Health Services, Inc., <i>Director</i><br/>Petrie Stores Liquidating Trust, <i>Trustee</i> (term expired 2006)<br/>Portland General Electric Company, <i>Director</i> (term expired 2006)<br/>Sun Times Media Group, <i>Director</i> (term expired 2007)</p> |

Triarc Companies, Inc. *Director* (merged with Wendy's International,  
Wendy's International, Inc., *Director*

INTERESTED DIRECTOR

|                              |  |   |
|------------------------------|--|---|
| <b>Spencer Davidson</b> (68) | <i>Chairman of the Board</i>                 | Medicis Pharmaceutical Corporation, <i>Director</i> |
| 1995                         | <i>President and Chief Executive Officer</i> | Neurosciences Research Foundation, <i>Trustee</i>   |
|                              | General American Investors<br>Company, Inc.  |   |

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  
address

for each Director is the Company's office.

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ITEM 2. CODE OF ETHICS.

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

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

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

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(a) **AUDIT FEES** The aggregate fees paid and accrued by the registrant for professional services rendered by its independent auditors, Ernst & Young LLP, for the audit of the registrant's annual financial statements and the review of the registrant's semi-annual financial statements for 2010 and 2009 were \$103,780 and \$101,250, respectively.

(b) **AUDIT RELATED FEES** The aggregate fees paid or accrued by the registrant for audit-related professional services rendered by Ernst & Young LLP for 2010 and

2009 were \$32,800 and \$32,000, respectively. Such services and related fees for 2010 and 2009 included: performance of agreed upon procedures relating to the preferred stock basic maintenance reports (\$8,300 and \$8,100, respectively), review of quarterly employee security transactions and issuance of report thereon (\$19,320 and \$18,850, respectively) and other audit-related services (\$5,180 and \$5,050, respectively).

(c) TAX FEES The aggregate fees paid or accrued by the registrant for professional services rendered by Ernst & Young LLP for the review of the registrant's federal, state and city income tax returns and excise tax calculations for 2010 and 2009 were \$17,320 and \$16,900, respectively.

(d) ALL OTHER FEES No such fees were billed to the registrant by Ernst & Young LLP for 2010 or 2009.

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

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services performed during 2010 and 2009 were pre-approved by the committee.

(2) Not applicable.

(f) Not applicable.

(g) The aggregate fees paid or accrued by the registrant for non-audit professional services rendered by Ernst & Young LLP to the registrant for 2010 and 2009 were \$50,120 and \$48,900, respectively.

(h) Not applicable.

#### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

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

(b) Not applicable.

#### ITEM 6. SCHEDULE OF INVESTMENTS

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

#### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR



CLOSED-END  
MANAGEMENT INVESTMENT COMPANIES.

General American Investors Company, Inc.

PROXY VOTING POLICIES AND PROCEDURES

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

Our investment approach stresses fundamental security analysis, which includes an evaluation of the integrity, as well as the effectiveness of management personnel. In proxy material, we review management proposals and

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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 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.

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

Date: July 9, 2003

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

As of December 31, 2010 and the date of this filing, Mr. Spencer Davidson, Chairman, President and Chief Executive Officer, serves as the Portfolio Manager of the registrant and is responsible for its day-to-day management. He has served in this capacity since 1995. Mr. Davidson does not provide such services for any other registered investment companies, pooled investment vehicles, or other accounts. For performing such responsibilities, Mr. Davidson receives cash compensation in the form of a fixed salary and an annual performance bonus. The annual performance bonus is principally based upon the absolute performance of the registrant and its relative performance to a closed-end management investment company peer group (comprised of core equity funds) and the S&P 500 Index. Performance is evaluated in December by the Compensation Committee of the Board of Directors (the members of which are independent and consult with the full Board of Directors), based upon the registrant's net asset value return and total investment return during the twelve months ended October 31. Additional consideration is given to performance during the subsequent intervening period and to market compensation data provided by a noted industry compensation consulting firm. Mr. Davidson beneficially owns in excess of \$1 million of the registrant's outstanding equity securities.

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

(a) General American Investors Company, Inc. Common Stock (GAM)

| Period         | (a) Total Number<br>of shares (or Units)<br>Purchased | (b) Average Price<br>Paid per Share<br>(or Unit) | (c) Total Number of Shares<br>(or Units) Purchased as Part<br>of Publicly Announced Plans<br>or Programs | (d) Maximum Number (or Approximate<br>Dollar Value) of Shares (or Units)<br>that May Yet Be Purchased Under<br>the Plans or Programs |
|----------------|---|--|--|--|
| 07/01-07/31    |   |  |  | 1,121,186  |
| 08/01-08/31    |   |  |  | 1,121,186  |
| 09/01-09/30    |   |  |  | 1,121,186  |
| 10/01-10/31    |   |  |  | 1,121,186  |
| 11/01-11/30    | 87,047  | 25.2585  | 87,047   | 1,034,139  |
| 12/01-12/31    |   |  |  | 1,034,139  |
| Total for year | 87,047  |  | 87,047   |  |

Note- On July 21, 2010, the Board of Directors and the registrant announced the repurchase of an additional 1,000,000 of the registrant's common stock when the shares are trading at a discount from the underlying net asset value of at least 8%. This represents a continuation of the repurchase program which began in March 1995.

As of the beginning of the period, July 1, 2010, there were 121,186 shares available for repurchase under such authorization. As of the end of the period, December 31, 2010, there were 1,034,139 shares available for repurchase under this program.

(b) General American Investors Company, Inc. Preferred Stock (GAMpB)

| Period         | (a) Total Number<br>of shares (or Units)<br>Purchased | (b) Average Price<br>Paid per Share<br>(or Unit) | (c) Total Number of Shares<br>(or Units) Purchased as Part<br>of Publicly Announced Plans<br>or Programs | (d) Maximum Number (or Approximate<br>Dollar Value) of Shares (or Units)<br>that May Yet Be Purchased Under<br>the Plans or Programs |
|----------------|---|--|--|--|
| 07/01-07/31    |   |  |  | 604,687  |
| 08/01-08/31    |   |  |  | 604,687  |
| 09/01-09/30    |   |  |  | 604,687  |
| 10/01-10/31    |   |  |  | 604,687  |
| 11/01-11/30    |   |  |  | 604,687  |
| 12/01-12/31    |   |  |  | 604,687  |
| Total for year |   |  |  |  |

Note- The Board of Directors has authorized the repurchase of the registrant's preferred stock when the shares are trading at a prices not in excess of \$25.00 per share. As of the beginning of the period, July 1, 2010, there were 604,687 shares available for repurchase under such authorization. As of the end of the period, December 31, 2010, there were 604,687 shares available for repurchase under this program.

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#### 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 22, 2010.

#### ITEM 11. CONTROLS AND PROCEDURES.

Conclusions of principal officers concerning controls and procedures

(a) As of December 31, 2010, an evaluation was performed under the supervision and with the participation of the officers of General American Investors Company, Inc. (the "Registrant"), including the principal executive officer ("PEO") and principal financial officer ("PFO"), to assess the effectiveness of the Registrant's disclosure controls and procedures. Based on that evaluation, the Registrant's officers, including the PEO and PFO, concluded that, as of December 31, 2010, the Registrant's disclosure controls and procedures were reasonably designed so as to ensure: (1) that information required to be disclosed by the Registrant on Form N-CSR and on Form N-Q is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission; and (2) that material information relating to the Registrant is made known to the PEO and PFO as appropriate to allow timely decisions regarding required disclosure.

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

#### ITEM 12. EXHIBITS

(a)(1) As indicated in Item 2., the code of ethics is posted on the registrant's Internet website.

(a)(2) The certifications of the principal executive officer and the principal financial officer pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 are attached hereto as Exhibit 99 CERT.

(a)(3) There were no written solicitations to purchase securities under

the Rule 23c-1 under the Investment Company Act of 1940 during the period covered by the report.

(b) The certifications of the principal executive officer and the principal financial officer pursuant to Rule 30a-2(b) under the Investment Company

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Act of 1940 are attached hereto as Exhibit 99.906 CERT.

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