

GENERAL AMERICAN INVESTORS CO INC

Form N-30B-2

October 19, 2007

GENERAL AMERICAN INVESTORS  
COMPANY, INC.

THIRD QUARTER REPORT  
SEPTEMBER 30, 2007

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

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

TO THE STOCKHOLDERS

For the nine months ended September 30, 2007, the net asset value per common share increased 13.4%, while the investment return to our stockholders increased 9.8%. By comparison, the rate of return (including income) for our benchmark, the Standard & Poor's 500 Stock Index, was 9.1%. For the twelve months ended September 30, 2007, the return on the net asset value per Common Share was 21.1%, and the return to our stockholders was 17.2%; these compare with a return of 16.3% for the S&P 500. During each period, the discount at which our shares traded continued to fluctuate and on September 30, 2007, it was 11.3%.

As set forth in the accompanying financial statements (unaudited), as of September 30, 2007, the net assets applicable to the Company's Common Stock were \$1,326,467,992 equal to \$45.94 per Common Share.

The increase in net assets resulting from operations for the nine months ended September 30, 2007 was \$155,245,486. During this period, the net realized gain on securities sold was \$168,673,447, and the decrease in net unrealized appreciation was \$14,237,331. Net investment income for the nine months was \$9,734,370, and distributions to Preferred Stockholders amounted to \$8,925,000.

During the nine months, 717,000 shares of the Company's Common Stock were repurchased for \$28,317,915 at an average discount from net asset value of 10.4%.

Our portfolio continued to post respectable results in the quarter just ended, and shareholders can anticipate receiving commensurate long-term capital gain distributions.

While the popular indices approached record levels at the end of September, the period was turbulent as credit concerns drove the market down by over ten percent from the peak in July to the August low. A new high in the price of oil and a low in the dollar, relative to the Euro, together with declining new home sales and the price of houses retreating at a rate not seen in four decades, added to investor uncertainty.

Over the rest of the year, securities may well be buffeted by the tension arising from the positive and negative effects of the weakening dollar and the uncertain direction of interest rates. Exports could continue to benefit and the

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trade deficit may narrow further, moderating the housing collapse's effect on job growth and consumer spending. Should our currency continue along its current trajectory, however, more inflation will be likely and our creditors could demand a higher rate of interest, which might produce a destabilizing impact to the economy.

We are saddened to report that William T. Golden, our esteemed colleague and Director Emeritus, died on October 7, 2007. Mr. Golden, a prominent investor, philanthropist, adviser to the President of the United States, and leader in the scientific community, served as a director of the Company for 35 years, and as Director Emeritus since 1996. His counsel and support will be missed.

Information about the Company, including our investment objectives, operating policies and procedures, investment results, record of dividend and distribution payments, financial reports and press releases, is on our website and has been updated through September 30, 2007. It can be accessed on the internet at [www.generalamericaninvestors.com](http://www.generalamericaninvestors.com).

By Order of the Board of Directors,

General American Investors Company, Inc.

Spencer Davidson  
Chairman of the Board  
President and Chief Executive Officer

October 10, 2007

### 2 STATEMENT OF ASSETS AND LIABILITIES September 30, 2007 (Unaudited)

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

#### ASSETS

##### INVESTMENTS, AT VALUE (NOTE 1a)

Common and preferred stocks (cost \$878,435,480)		\$1,
Corporate note (cost \$24,359,180)		
Money market fund (cost \$7,641,647)		
Total investments (cost \$910,436,307)		1,

##### CASH, RECEIVABLES AND OTHER ASSETS

Cash		\$5,599
Deposits with broker for options written		23,085
Dividends, interest and other receivables		2,045,236
Pension asset, excess funded		9,035,179
Prepaid expenses and other assets		600,445
		-----

##### TOTAL ASSETS

1,

#### LIABILITIES

Payable for securities purchased		1,330,470
Preferred dividend accrued but not yet declared		231,389
Outstanding options written, at value (premium received \$23,085) (note 1a)		4,460
Pension benefit liability		3,368,348
Accrued thrift plan expense		3,260,976
Accrued expenses and other liabilities		4,071,236

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TOTAL LIABILITIES -----

5.95% CUMULATIVE PREFERRED STOCK, SERIES B -  
8,000,000 shares at a liquidation value of \$25 per share (note 2)

NET ASSETS APPLICABLE TO COMMON STOCK - 28,872,198 shares (note 2)

NET ASSET VALUE PER COMMON SHARE

NET ASSETS APPLICABLE TO COMMON STOCK

-----	
Common Stock, 28,872,198 shares at par value (note 2)	\$28,872,198
Additional paid-in capital (note 2)	510,492,961
Undistributed realized gain on investments	166,958,398
Undistributed net investment income	11,953,287
Accumulated other comprehensive income (note 5)	739,892
Unallocated distributions on Preferred Stock	(9,156,389)
Unrealized appreciation on investments and options written	616,607,645
-----	

NET ASSETS APPLICABLE TO COMMON STOCK

(see notes to financial statements)

3 STATEMENT OF OPERATIONS Nine Months Ended September 30, 2007 (Unaudited)

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General American Investors

INCOME

-----	
Dividends (net of foreign withholding taxes of \$314,063)	\$16,669,058
Interest	2,123,216
-----	

EXPENSES

-----	
Investment research	5,729,089
Administration and operations	2,179,003
Office space and general	446,944
Directors' fees and expenses	204,245
Auditing and legal fees	195,287
Stockholders' meeting and reports	111,703
Transfer agent, custodian and registrar fees and expenses	106,577
Miscellaneous taxes	85,056
-----	

NET INVESTMENT INCOME

REALIZED GAIN AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS AND OPTIONS WRITTEN (NOTES 1d)

-----	
Net realized gain on investments (long-term, except for \$10,765,076)	168,673,447
Net decrease in unrealized appreciation	(14,237,331)
-----	

NET GAIN ON INVESTMENTS

DISTRIBUTIONS TO PREFERRED STOCKHOLDERS

INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

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(see notes to financial statements)

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STATEMENT OF CHANGES IN NET ASSETS

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General American Investors

Nine Months  
Ended  
September 30, 2007  
(Unaudited)

OPERATIONS

Net investment income	\$9,734,370	\$1
Net realized gain on investments	168,673,447	8
Net increase (decrease) in unrealized appreciation	(14,237,331)	5
	-----	-----
	164,170,486	14
	-----	-----
Distributions to Preferred Stockholders:		
From net income	-	(
From short-term capital gains	-	
From long-term capital gains	-	(1
Unallocated distributions	(8,925,000)	
	-----	-----
Decrease in net assets from Preferred distributions	(8,925,000)	(1
	-----	-----
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	155,245,486	13
	-----	-----
OTHER COMPREHENSIVE INCOME	87,333	
	-----	-----
DISTRIBUTIONS TO COMMON STOCKHOLDERS		
From net income	-	(
From short-term capital gains	-	(
From long-term capital gains	-	(7
	-----	-----
DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS	-	(8
	-----	-----
CAPITAL SHARE TRANSACTIONS (NOTE 2)		
Value of Common Shares issued in payment of dividends and distributions	-	
Cost of Common Shares purchased	(28,317,915)	(
	-----	-----
INCREASE (DECREASE) IN NET ASSETS - CAPITAL TRANSACTIONS	(28,317,915)	
	-----	-----
NET INCREASE IN NET ASSETS	127,014,904	
NET ASSETS APPLICABLE TO COMMON STOCK		
BEGINNING OF PERIOD	1,199,453,088	1,1
	-----	-----
END OF PERIOD (including undistributed net investment income of \$11,953,287 and \$2,218,917, respectively)	\$1,326,467,992	\$1,1
	=====	=====

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(see notes to financial statements)

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## FINANCIAL HIGHLIGHTS

### General American Investors

The following table shows per share operating performance data, total investment return, ratios and supplemental data for the nine months ended September 30, 2007 and for each year in the five-year period ended December 31, 2006. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

	Nine Months Ended September 30, 2007 (Unaudited)	Year Ended December 31		
	-----	2006	2005	2004
<b>PER SHARE OPERATING PERFORMANCE</b>				
Net asset value, beginning of period	\$40.54	\$39.00	\$35.49	\$33.11
Net investment income	.34	.34	.19	.32
Net gain (loss) on investments - realized and unrealized	5.37	4.72	5.85	3.48
Other comprehensive income	-	.03	-	-
	-----	-----	-----	-----
<b>Distributions on Preferred Stock:</b>				
Dividends from net investment income	-	(.04)	(.03)	(.09)
Distributions from net short-term capital gains	-	(.01)	(.08)	-
Distributions from net long-term capital gains	-	(.36)	(.30)	(.32)
Unallocated	(.31)	-	-	-
	-----	-----	-----	-----
	(.31)	(.41)	(.41)	(.41)
	-----	-----	-----	-----
Total from investment operations	5.40	4.68	5.63	3.39
	-----	-----	-----	-----
<b>Distributions on Common Stock:</b>				
Dividends from net investment income	-	(.29)	(.15)	(.23)
Distributions from net short-term capital gains	-	(.04)	(.44)	-
Distributions from net long-term capital gains	-	(2.81)	(1.53)	(.78)
	-----	-----	-----	-----
	-	(3.14)	(2.12)	(1.01)
	-----	-----	-----	-----
Capital Stock transaction - effect of Preferred Stock offering	-	-	-	-
	-----	-----	-----	-----
Net asset value, end of period	\$45.94	\$40.54	\$39.00	\$35.49
	=====	=====	=====	=====
Per share market value, end of period	\$40.77	\$37.12	\$34.54	\$31.32

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	=====	=====	=====	=====
TOTAL INVESTMENT RETURN - Stockholder				
return, based on market price per share	9.83%*	16.78%	17.40%	8.79%
RATIOS AND SUPPLEMENTAL DATA				
Net assets applicable to Common Stock,				
end of period (000's omitted)	\$1,326,468	\$1,199,453	\$1,132,942	\$1,036,393
Ratio of expenses to average net assets				
applicable to Common Stock	0.96%**	1.06%	1.25%	1.15%
Ratio of net income to average net assets				
applicable to Common Stock	1.03%**	0.86%	0.51%	0.94%
Portfolio turnover rate	29.72%*	19.10%	20.41%	16.71%
PREFERRED STOCK				
Liquidation value, end of				
period (000's omitted)	\$200,000	\$200,000	\$200,000	\$200,000
Asset coverage	763%	700%	666%	618%
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00
Market value per share	\$23.05	\$25.44	\$24.07	\$24.97

\*Not annualized

\*\*Annualized

6 STATEMENT OF INVESTMENTS September 30, 2007 (Unaudited)

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General American Investors

Shares	COMMON AND PREFERRED STOCKS	
-----		
AEROSPACE/DEFENSE (4.4%)		
-----		
509,800	Textron Inc.	
325,000	United Technologies Corporation	
		(COST \$47,844,103)
BUILDING AND REAL ESTATE (5.1%)		
-----		
2,280,483	CEMEX, S.A. de C.V. ADR	(COST \$31,628,612)
COMMUNICATIONS AND INFORMATION SERVICES (8.3%)		
-----		
90,000	Avaya Inc. (a)	
900,000	Cisco Systems, Inc. (a)	
400,000	Lamar Advertising Company Class A (a)	
800,000	QUALCOMM Incorporated	
1,325,000	Sprint Nextel Corporation	
		(COST \$84,175,425)
COMPUTER SOFTWARE AND SYSTEMS (8.7%)		
-----		
700,000	Activision, Inc. (a)	
1,550,000	Dell Inc. (a)	
720,000	Microsoft Corporation	
55,000	Nintendo Co., Ltd.	
315,000	THQ Inc. (a)	

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(COST \$92,410,373)

CONSUMER PRODUCTS AND SERVICES (8.4%)

350,000 Diageo plc ADR  
 300,000 Heineken N. V.  
 630,000 Hewitt Associates, Inc. Class A (a)  
 45,000 Nestle S.A.  
 250,000 PepsiCo, Inc.

(COST \$78,354,580)

ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (4.1%)

881,500 Republic Services, Inc.  
 680,000 Waste Management, Inc.

(COST \$39,285,764)

FINANCE AND INSURANCE (25.2%)

BANKING (5.6%)

200,000 Bank of America Corporation  
 300,000 M&T Bank Corporation  
 650,000 Wachovia Corporation

(COST \$14,094,309)

INSURANCE (16.3%)

275,000 The Allstate Corporation  
 325,000 American International Group, Inc.  
 275,000 Annuity and Life Re (Holdings), Ltd. (a)  
 335,000 Arch Capital Group Ltd. (a)  
 365,000 AXIS Capital Holdings Limited  
 275 Berkshire Hathaway Inc. Class A (a)  
 350,000 Everest Re Group, Ltd.  
 900,000 Fidelity National Financial, Inc.  
 250,000 MetLife, Inc.  
 310,000 PartnerRe Ltd.  
 155,000 Transatlantic Holdings, Inc.

(COST \$92,296,799)

OTHER (3.3%)

60,000 Ameriprise Financial, Inc.  
 10,000 Epoch Holding Corporation Series A Convertible Preferred 4.6% ( d)  
 925,000 Nelnet, Inc.

(COST \$34,359,009)

(COST \$140,750,117)

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Shares	COMMON AND PREFERRED STOCKS (continued)	
-----		
HEALTH CARE / PHARMACEUTICALS (4.5%)		
-----		
80,000	Alkermes, Inc. (a)	
100,000	Biogen Idec Inc. (a)	
604,900	Cytokinetics, Incorporated (a)	
200,000	Genentech, Inc. (a)	
275,000	Novo Nordisk B	
		(COST \$30,082,866)
MACHINERY AND EQUIPMENT (2.0%)		
-----		
1,000,000	ABB Ltd. ADR	(COST \$10,779,026)
METAL (1.5%)		
-----		
150,500	Carpenter Technology Corporation	(COST \$18,726,632)
MISCELLANEOUS (4.2%)		
-----		
	Other (b)	(COST \$60,137,934)
OIL & NATURAL GAS (INCLUDING SERVICES) (17.7%)		
-----		
600,000	Apache Corporation	
800,000	Halliburton Company	
1,000,000	Patterson-UTI Energy, Inc.	
3,000,000	Talisman Energy Inc.	
1,025,000	Weatherford International Ltd. (a)	
		(COST \$125,958,179)
RETAIL TRADE (14.5%)		
-----		
575,000	Costco Wholesale Corporation	
1,278,000	The Home Depot, Inc. (c)	
533,000	Target Corporation	
2,100,000	The TJX Companies, Inc.	
470,000	Wal-Mart Stores, Inc.	
		(COST \$72,476,622)
TECHNOLOGY (3.2%)		
-----		
130,000	Intermec, Inc. (a)	
2,250,000	Xerox Corporation (a)	
		(COST \$34,820,215)
TRANSPORTATION (0.9%)		
-----		
236,100	Alexander & Baldwin, Inc.	(COST \$11,005,032)
TOTAL COMMON AND PREFERRED STOCKS (112.7%)		
		(COST \$878,435,480)



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Principal Amount CORPORATE NOTE

-----  
 CONSUMER PRODUCTS AND SERVICES (1.9%)  
 -----

\$25,000,000 General Motors Nova Scotia Finance Company  
 6.85% Guaranteed Notes due 10/15/08 (COST \$24,359,180)

8 STATEMENT OF INVESTMENTS September 30, 2007 (Unaudited) - continued  
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General American Investors

Shares SHORT-TERM SECURITIES AND OTHER ASSETS  
 -----

7,641,647 SSgA Prime Money Market Fund (0.5%) (COST \$7,641,647)

TOTAL INVESTMENTS (e) (115.1%) (COST \$910,436,307) 1,5

Liabilities in excess of cash, receivables and other assets (0.0%)

PREFERRED STOCK (-15.1%) (2)

NET ASSETS APPLICABLE TO COMMON STOCK (100%) \$1,3  
 =====

-----  
 STATEMENT OF CALL OPTIONS WRITTEN September 30, 2007 (Unaudited)  
 -----

General American Investors

Contracts  
 (100 shares each) COMMON STOCK/EXPIRATION DATE/EXERCISE PRICE (

-----  
 COMMUNICATIONS AND INFORMATION SERVICES  
 -----

446 Avaya Inc./January '08/\$17.50 (PREMIUMS RECEIVED \$23,085)

(see notes to financial statements)  
 -----

-----  
 PORTFOLIO DIVERSIFICATION September 30, 2007 (Unaudited)  
 -----

General American Investors

The diversification of the Company's net assets applicable to its Common Stock by industry group as of September 30, 2007 and 2006 is shown in the following table.

Industry Category	September 30, 2007		Percent Common Ne September
	Cost (000)	Value (000)	
-----	-----	-----	-----
Finance and Insurance			2007

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Banking	\$14,094	\$73,686	5.6%
Insurance	92,297	216,776	16.3
Other	34,359	44,181	3.3
	-----	-----	----
	140,750	334,643	25.2
	-----	-----	----
Oil and Natural Gas (Including Services)	125,958	235,286	17.7
Retail Trade	72,477	192,191	14.5
Consumer Products and Services	102,714	135,647	10.3
Computer Software and Systems	92,410	115,485	8.7
Communications and Information Services	84,175	109,914	8.3
Building and Real Estate	31,629	68,232	5.1
	-----	-----	----
Health Care			
Pharmaceuticals	30,083	59,913	4.5
Medical Instruments and Devices	-	-	-
	-----	-----	----
	30,083	59,913	4.5
	-----	-----	----
Aerospace/Defense	47,844	57,871	4.4
Miscellaneous**	60,138	55,661	4.2
Environmental Control (Including Services)	39,286	54,497	4.1
Technology	34,820	42,411	3.2
Machinery & Equipment	10,779	26,230	2.0
Metals	18,727	19,567	1.5
Transportation	11,005	11,836	0.9
Electronics	-	-	-
Special Holdings	-	-	-
	-----	-----	----
	902,795	1,519,384	114.6
Short-Term Securities	7,641	7,641	0.5
	-----	-----	----
Total Investments	\$910,436	1,527,025	115.1
Other Assets and Liabilities - Net	=====	(557)	(0.0)
Preferred Stock		(200,000)	(15.1)
		-----	----
Net Assets Applicable to Common Stock		\$1,326,468	100.0%
		=====	=====

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NOTES TO FINANCIAL STATEMENTS (Unaudited)

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General American Investors

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

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

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

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valuation date. Securities traded primarily in foreign markets are generally valued at the preceding closing price of such securities on their respective exchanges or markets. If, after the close of the foreign market, conditions change significantly, the price of certain foreign securities may be adjusted to reflect fair value as of the time of the valuation of the portfolio. Investments in money market funds are valued at their net asset value. The restricted security is valued at par value (cost), divided by the conversion price of \$6.00 multiplied by the last reported sales price of the publicly traded common stock of the corporation.

b. **OPTIONS** The Company may purchase and write (sell) put and call options. The risk associated with purchasing an option is that the Company pays a premium whether or not the option is exercised. Additionally, the Company bears the risk of loss of the premium and a change in market value should the counterparty not perform under the contract. Put and call options purchased are accounted for in the same manner as portfolio securities. Premiums received from writing options that expire unexercised are treated by the Company on the expiration date as realized gains from investments. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Company has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis for the securities purchased by the Company. The Company as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option.

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

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

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

2. **CAPITAL STOCK** - The authorized capital stock of the Company consists of 50,000,000 shares of Common Stock, \$1.00 par value, and 10,000,000 shares of Preferred Stock, \$1.00 par value, of which 28,872,198 shares and 8,000,000 shares, respectively, were outstanding at September 30, 2007.

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

The Company is required to allocate distributions from long-term capital gains and other types of income proportionately among holders of shares of Common Stock and Preferred Stock. To the extent that dividends on the shares of



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Shares purchased (at an average discount from net asset value of 10.4% and 9.0%, respectively)	717,000	787,700	(\$717,000)
Decrease in paid-in capital			(27,600,915) (28
			-----
Total decrease			(28,317,915) (29
			-----
Net decrease			(\$28,317,915) (\$19
			=====

At September 30, 2007, the Company held in its treasury 2,359,365 shares of Common Stock with an aggregate cost in the amount of \$85,805,687. Distributions for tax and book purposes are substantially the same.

3. OFFICERS' COMPENSATION - The aggregate compensation paid and accrued by the Company during the nine months ended September 30, 2007 to its officers (identified on back cover) amounted to \$5,454,375.

4. PURCHASES AND SALES OF SECURITIES - Purchases and sales of securities (other than short-term securities and options) for the nine months ended September 30, 2007 amounted to \$432,766,957 and \$462,292,131.

5. BENEFIT PLANS - The Company has funded (Qualified) and unfunded (Supplemental) noncontributory defined benefit pension plans that cover its employees. The plans provide defined benefits based on years of service and final average salary with an offset for a portion of social security covered compensation. The components of the net periodic benefit cost of the plans for the nine months ended September 30, 2007 were:

Service cost	\$226,170
Interest cost	540,224
Expected return on plan assets	(940,031)
Amortization of:	
Prior service cost	16,570
Recognized net actuarial loss (gain)	72,155
	-----
Net periodic benefit cost (income)	(\$84,912)
	=====

The Company also has funded and unfunded defined contribution thrift plans that are available to its employees. The aggregate cost of such plans for the nine months ended September 30, 2007 was \$505,006. The unfunded liability at September 30, 2007 was \$3,260,976.

Effective December 31, 2006, the Company adopted the recognition provisions of Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("FAS158") which was released on September 2006. FAS 158 improves financial reporting by requiring employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the statement of assets and liabilities and to recognize changes in funded status in the year in which the changes occur through other comprehensive income.

6. OPERATING LEASE COMMITMENTS - In July 1992, the Company entered into an operating lease agreement for office space which expires on December 31, 2007 and provided for future rental payments in the aggregate amount of approximately \$5.6 million. The lease agreement contains a clause whereby the Company received a specified number of months of free rent beginning in December 1992 and escalation clauses relating to rent charges, operating costs, and real property

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taxes.

In January 2003, the Company extended a sublease agreement (originally entered into in March 1996) which expires on December 31, 2007 and provides for future rental receipts. Minimum rental receipts under the sublease are approximately \$254,000 in 2007. The Company will also be charged its proportionate share of operating expenses and real property taxes under the sublease.

Net rental expense approximated \$258,000 for the nine months ended September 30, 2007. On a gross basis, minimum rental commitments under the operating lease are approximately \$505,000 in 2007.

In June 2007, the Company entered into an operating lease agreement for new office space which expires in February 2018 and provides for future rental payments in the aggregate amount of approximately \$10.8 million. The lease agreement contains clauses whereby the Company receives free rent for a specified number of months and credit towards construction of office improvements, and incurs escalations annually relating to operating costs and real property taxes and to annual rent charges beginning in February 2013. The Company has the option to renew the lease after February 2018 for five years at market rates.

Minimum rental commitments under the operating lease are approximately \$0.9 million in 2008, \$1.0 million per annum in 2009 through 2012, \$1.1 million in 2013 through 2017, and \$0.1 million in 2018.

7. RECENT ACCOUNTING PRONOUNCEMENTS - On September 20, 2006, the FASB released Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("FAS 157"). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. The application of FAS 157 is required for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Management does not believe that the application of this standard will have a material impact on the financial statements of the Company.

### 11 MAJOR STOCK CHANGES\* Three Months Ended September 30, 2007 (Unaudited)

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General American Investors

INCREASES	SHARES	SHARES SEPTEMBER
 NEW POSITIONS		
Alexander & Baldwin, Inc.	25,000	
Ameriprise Financial, Inc.	-	
Fidelity National Financial, Inc.	900,000	
Hewitt Associates, Inc. Class A	130,000	
Nelnet, Inc.	325,000	
THQ Inc.	-	
 ADDITIONS		
Carpenter Technology Corporation	4,400	
Dell Inc.	190,000	1
Lamar Advertising Company Class A	75,900	
Microsoft Corporation	300,000	
Nestle S.A.	4,000	
PepsiCo, Inc.	15,000	
Sprint Nextel Corporation	100,000	1
Target Corporation	50,000	

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Wachovia Corporation

25,000

DECREASES

ELIMINATIONS

Dollar General Corporation	591,000	(b)
Dow Jones & Company, Inc.	525,000	
MFA Mortgage Investments, Inc.	913,300	
Medtronic, Inc.	170,000	

REDUCTIONS

ABB Ltd. ADR	150,000	1
Alkermes, Inc.	20,000	
American International Group, Inc.	10,000	
Avaya Inc.	256,000	
Bank of America Corporation	150,000	
Biogen Idec Inc.	70,000	
Costco Wholesale Corporation	55,000	
Everest Re Group, Ltd.	40,000	
Halliburton Company	50,000	
The Home Depot, Inc.	100,000	1
M&T Bank Corporation	15,000	
MetLife, Inc.	15,000	
Transatlantic Holdings, Inc.	20,000	
Wal-Mart Stores, Inc.	105,000	
Weatherford International Ltd.	195,000	1

OTHER MATTERS (Unaudited)

General American Investors

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

The policies and procedures used by the Company to determine how to vote proxies relating to portfolio securities and the Company's proxy voting record for the twelve-month period ended June 30, 2007 are available: (1) without charge, upon request, by calling us at our toll-free telephone number (1-800-436-8401), (2) on the Company's website at [www.generalamericaninvestors.com](http://www.generalamericaninvestors.com) and (3) on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

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

On May 2, 2007, the Company submitted a CEO annual certification to the New York Stock Exchange ("NYSE") on which the Company's principal executive officer certified that he was not aware, as of that date, of any violation by the Company of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Company's principal executive and principal financial officer made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q relating

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

### DIRECTORS

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Spencer Davidson, Chairman  
Joseph T. Stewart, Jr. Lead Independent Director  
Arthur G. Altschul, Jr.      Sidney R. Knafel  
Rodney B. Berens              Daniel M. Neidich  
Lewis B. Cullman              D. Ellen Shuman  
Gerald M. Edelman             Raymond S. Troubh  
John D. Gordan, III

### OFFICERS

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

### SERVICE COMPANIES

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#### COUNSEL

Sullivan & Cromwell LLP

#### INDEPENDENT AUDITORS

Ernst & Young LLP

#### CUSTODIAN

State Street Bank and  
Trust Company

#### TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust  
Company  
59 Maiden Lane  
New York, NY 10038  
1-800-413-5499  
www.amstock.com