

December 10, 1979

Mr James E. Fanning
Rockefeller Family and Associates
Room 5500
30 Rockefeller Plaza
New York, New York 10020

Dear Mr Fanning:

I am writing on behalf of the Institute's Investment Management Committee to thank you and your associate for your most interesting and informative presentation on November 30. Our Trustees are actively considering the possibility of working with the Rockefeller Group in the future, and we expect a decision to be made in this regard by early February. Meantime, you may be asked by one or more of the Institute's Trustees to provide information on the functioning of your company. Your cooperation in this matter will be very much appreciated.

With best regards, I am

Sincerely,

John Hunt
Secretary of the Corporation

November 20, 1979

Mr James E. Fanning
Rockefeller Family and Associates
Room 5500
30 Rockefeller Plaza
New York, New York 10020

Dear Mr Fanning:

In accordance with my conversation today with Mr Dilworth, I am writing to confirm the time and place of your presentation to the Committee on Investment Management of the Institute for Advanced Study.

The duration of your presentation will be one half-hour, from 1:30 pm to 2:00 pm on Friday, November 30. The meeting will take place in Room 5600 at 30 Rockefeller Plaza.

If you have any materials which you would like to distribute to members of the Committee, you may wish to discuss this point with Mr Dilworth. In order to gain time, it would perhaps be preferable for you to make such a distribution directly. The names and addresses of those attending the meeting are attached. If you plan to make a slide presentation, I assume that you will set this up directly through Mr Dilworth's office.

Please let me know if there is further information you require.

Sincerely,

John Hunt
Secretary of the Corporation

bcc: J. Richardson Dilworth

THE INSTITUTE FOR ADVANCED STUDY

Ad Hoc Committee on Investment Management

James R. Houghton, Chairman

Mr James R. Houghton
Vice Chairman of the Board
Corning Glass Works
Corning, New York 14830

Mr Howard C. Petersen
Fidelity Bank Building
Room 742
135 South Broad Street
Philadelphia, Pennsylvania 19109

Mr J. Richardson Dilworth
Room 5600
30 Rockefeller Plaza
New York, New York 10020

Mr Ralph E. Hansmann
Room 4201
40 Wall Street
New York, New York 10005

Mr Harold F. Linder
Room 4201
40 Wall Street
New York, New York 10005

Dr Harry Woolf
Director
The Institute for Advanced Study
Olden Lane
Princeton, New Jersey 08540

Mr John Hunt
Secretary of the Corporation
The Institute for Advanced Study
Olden Lane
Princeton, New Jersey 08540

yellow

THE INSTITUTE FOR ADVANCED STUDY

JOHN HUNT
Associate Director
and Secretary of the Corporation

February 8, 1980

Mr Malcolm B. Smith
President
General American Investors Company, Inc.
330 Madison Avenue
New York, New York 10017

Dear Mr Smith:

I am writing on behalf of the Institute's Executive Committee to inform you that the Committee has decided in favor of another company with regard to the future management of the Institute's endowment fund. I have been asked to express the gratitude of those Institute Trustees involved in the decision for your most gracious cooperation in this process. The Committee's choice was dictated by considerations peculiar to the Institute's history and present situation and in no way reflects an adverse opinion with regard to the outstanding record of the General American Investors Company.

Thank you again for giving us an opportunity to pursue the matter with you.

With best regards, I am

Sincerely,

December 10, 1979

Mr Malcolm B. Smith
President
General American Investors Company, Inc.
330 Madison Avenue
New York, New York 10017

Dear Mr Smith:

I am writing on behalf of the Institute's Investment Management Committee to thank you and Mr Kingsberg for your most interesting and informative presentation on November 30. Our Trustees are actively considering the possibility of working with the General American Investors Company, Inc. in the future, and we expect a decision to be made in this regard by early February. Meantime, you may be asked by one or more of the Institute's Trustees to provide information on the functioning of your company. Your cooperation in this matter will be very much appreciated.

With best regards, I am

Sincerely,

John Hunt
Secretary of the Corporation



GENERAL AMERICAN INVESTORS COMPANY, INC.

330 MADISON AVENUE • NEW YORK • N.Y. 10017

December 13, 1979

Mr. John Hunt
Associate Director and Secretary of the Corporation
The Institute for Advanced Study
Princeton, New Jersey 08540

Dear Mr. Hunt:

I was pleased to receive your letter and learn that General American continues to be under consideration to act as investment manager for a portion of the Institute's endowment fund. If you or any members of the Committee would like additional information about General American, as your deliberations proceed, please let me know.

We look forward to hearing from you and hope that you have a pleasant holiday season.

Sincerely,

Malcolm B. Smith
President

MBS:vof

November 20, 1979

Mr Malcolm B. Smith
President
General American Investors Company, Inc.
330 Madison Avenue
New York, New York 10017

Dear Mr Smith:

I am writing to confirm the time and place of the presentation by the General American Investors Company to the Committee on Investment Management of the Institute for Advanced Study.

Your presentation will be one-half-hour in duration, from 2:15 pm to 2:45 pm on Friday, November 30. The meeting will take place in Room 5600 at 30 Rockefeller Plaza.

As soon as I have received your materials, I will distribute them to the members of the Committee. In accordance with our conversation, I have made no arrangements for the use of slides or other visual aids during your presentation.

Please let me know if there is further information you require.

Sincerely,

John Hunt
Associate Director

THE INSTITUTE FOR ADVANCED STUDY

Ad Hoc Committee on Investment Management

James R. Houghton, chairman

Howard C. Petersen, chairman of the Board of Trustees

J. Richardson Dilworth, president and vice-chairman

Ralph E. Hansmann, treasurer

Harry Woolf, director of the Institute for Advanced Study

John Hunt, secretary of the Corporation

Harold F. Linder, trustee emeritus



GENERAL AMERICAN INVESTORS COMPANY, INC.

330 MADISON AVENUE • NEW YORK • N.Y. 10017

November 19, 1979

Mr. John Hunt
Institute for Advanced Study
Olden Lane
Princeton, New Jersey 08540

Dear Mr. Hunt:

I was very glad to have your call expressing the interest of the Institute for Advanced Study in General American's investment management service. As we discussed on the telephone, I am enclosing eight copies each of a brochure which provides some background information about our company, method of operations and investment performance record; the annual report for 1978 which contains the company's financial statements; and the September 1979 quarterly report which shows the latest published portfolio. If you would like any other information in advance of our meeting, please let me know.

I look forward to meeting with you and your associates on November 30th.

Sincerely,

Malcolm B. Smith
President

MBS:ds
Enclosures



GENERAL AMERICAN INVESTORS COMPANY, INC.

330 MADISON AVENUE • NEW YORK • N.Y. 10017

November 19, 1979

Mr. John Hunt
Associate Director
Institute for Advances Study
Olden Lane
Princeton, N.J.

Dear Mr. Hunt:

In response to a request from your secretary, I am enclosing some information on General American Investors. In addition to the latest annual and quarterly reports of our publicly traded investment company, you will find a brochure describing our investment philosophy and decision making process.

General American manages about \$250 million of pension and endowment funds in addition to the investment company which has assets of \$145 million.

Thank you for your interest in General American.

Best wishes,

Thomas F. Guillet

TFG:ld
enc.



GENERAL AMERICAN INVESTORS COMPANY, INC.

330 MADISON AVENUE, NEW YORK, N. Y. 10017

Established 1927

Contact: Thomas F. Guillet

212-949-2800

3/15/79



GENERAL AMERICAN INVESTORS COMPANY, INC.

Directors

Arthur G. Altschul

William T. Golden

Marvin A. Asnes

Gabriel Hauge

Eugene P. Berg

Augustus B. Kinzel

Lawrence B. Buttenwieser

Richard R. Pivrotto

Lewis B. Cullman

John C. Sawhill

Gerald M. Edelman

Malcolm B. Smith

Bethuel M. Webster

Officers

Chairman of the Board

Arthur G. Altschul

President

Malcolm B. Smith

Executive Vice-President

Harold J. Kingsberg

Vice-President

William J. Gedale

Vice-President, Administration

Eugene L. DeStaebler, Jr.

Treasurer

Melinda H. Reach

Secretary

James B. Book, IV

Assistant Treasurer & Assistant Secretary

Muriel M. Cook

Counsel – Sullivan & Cromwell

Auditors – Ernst & Ernst

GENERAL AMERICAN INVESTORS, founded in 1927, was one of the earliest investment fund organizations to be established in the country. Its primary investment objective has consistently been long-term capital growth with lesser emphasis on current income. We have always stressed investment research with the emphasis on fundamental security analysis. General American's staff consists of 22 people, eight of whom are directly involved in portfolio management. The other staff members support the investment group with administrative, accounting, library, and secretarial functions. Our organizational structure is designed to support and implement the Company's investment philosophy.

In 1973 General American began to offer investment management services to pension funds. As of December 31, 1978 we had a total of \$227 million under management: the publicly traded investment fund with \$120 million and 3 pension accounts aggregating \$107 million. At the beginning of 1979 we added a fourth pension account of about \$5 million. We believe that General American's approach to portfolio management and clearly defined investment philosophy are applicable to equity oriented funds, and we plan to further expand the number of employee benefit accounts under our management and to offer our services to other large funds including those of foundations, endowments and individuals. General American is a professional and experienced organization with a long record of successful performance in the application of its investment philosophy.

General American Investors is fundamentally different from the typical money management organization in two ways. First, we build portfolios of stocks selected individually to meet defined expected return characteristics rather than by over or under weighting representations in industry groups relative to the S&P 500. Second, General American's decision making process relies on a much closer working relationship between portfolio manager and research analyst than is common in most investment organizations.

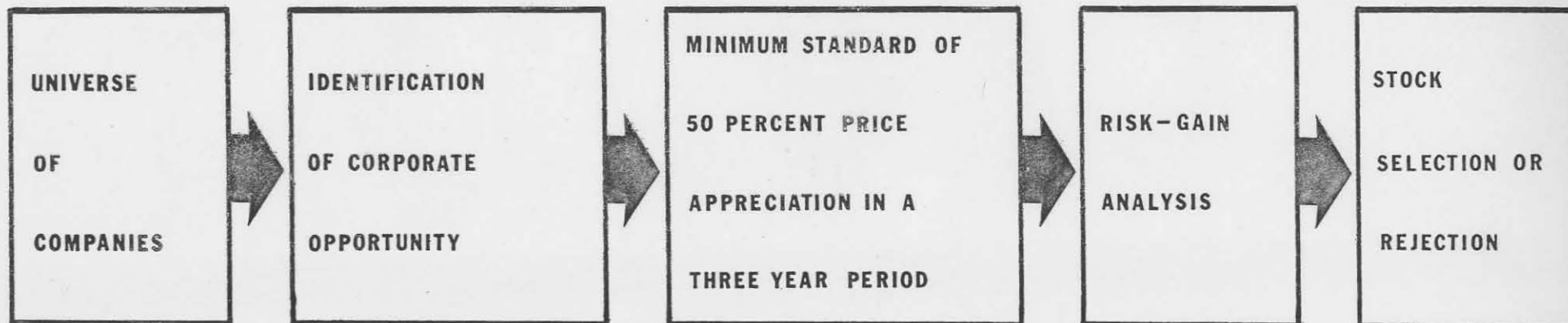
INVESTMENT PHILOSOPHY AND PORTFOLIO STRUCTURING

General American structures portfolios by buying stocks that meet its investment objective for 50% appreciation over a three-year period. We look for companies having a specific and definable corporate opportunity within the two or three year time frame that we believe is clearly visible. The opportunity may arise from a variety of circumstances including above average earnings growth, an important product development, cyclical upturn, or a management change resulting in a turnaround in profitability. The analyst defines as clearly as possible what the particular set of circumstances can do for the Company. Once General American's investment staff identifies the corporate opportunity, if the risk reward characteristics are consistent with the investment objectives of the pension funds, the stock may be a candidate for use in all accounts. Securities chosen for the General American publicly traded investment fund are used selectively and purchased at the same time in the other managed portfolios in a manner designed to treat all accounts fairly. This duplication acts as a control to ensure that all securities held in the portfolios are included in the ongoing process of evaluation to which all holdings are constantly subjected. There is a fundamental assumption that if stocks are well chosen, and a good percentage of them perform up to expectations, each portfolio's overall performance will be good. When each security can stand on its own merits the aggregate will also form a strong portfolio.

Risk avoidance is an important aspect of the stock selection process. We look for companies with opportunities that are significant for the company, and for whom a disappointment in a particular product development or exploration undertaking will not create undue exposure in its business as a whole.



GENERAL AMERICAN INVESTORS COMPANY, INC.



We approach portfolio diversification by selecting companies individually without reference to the S&P weightings. We believe adequate diversification can be achieved with a limited number of company holdings (say 50) in diverse industries. This approach leads to typical positions in the 2% range, although weightings can vary from that norm depending on our assessment of the appreciation potential for an individual stock as well as its marketability.

ORGANIZATION AND DECISION MAKING PROCESS

The General American investment staff consists of eight individuals six of whom have ongoing responsibility for monitoring and evaluating developments in industries in which they specialize. The President, Malcolm B. Smith, supervises and coordinates the investment operations with the principal assistance of the Executive Vice-President, Harold J. Kingsberg. The essential function of the investment staff is to assess social, economic and technological change and to see whether the change gives rise to investment opportunities. The specific assignment of each research analyst is to identify investment opportunities which offer the potential for 50% appreciation within a 2-3 year time frame. General American relies primarily on its internal staff in this process. However, the staff is receptive to ideas from many sources and makes use of supplemental information from outside Wall Street analysts. Each idea is analyzed in depth by the General American staff and, as part of the research, the analyst always meets with representatives of the top management before an investment decision is made. The visit allows the analyst to meet management on a personal level and to discuss the fundamentals and prospects of their business. It also affords the analyst the opportunity to test his concepts about the business. We believe that the development of management relationships in this way is important and useful in the decision making process. General American's investment staff typically develops very close contact with managements of companies in which we invest.

In presenting new ideas for inclusion in portfolios as well as in monitoring stocks already held, the evaluation of risk and reward is an integral part of the decision making process. Mr. Smith participates in this process from the vantage point of a person who has had direct analytical responsibility, at some time in his career, for almost every industry followed by General American Investors. Consequently there is an active involvement in the analytic process on the part of the president which precludes the compartmentalization that typically exists between portfolio manager and security analyst. In the evaluation process the background and experience of the Chairman of the Board are drawn on and the expertise of each staff member in his special area is available as an additional aid. Once a decision is reached, prompt action is taken.

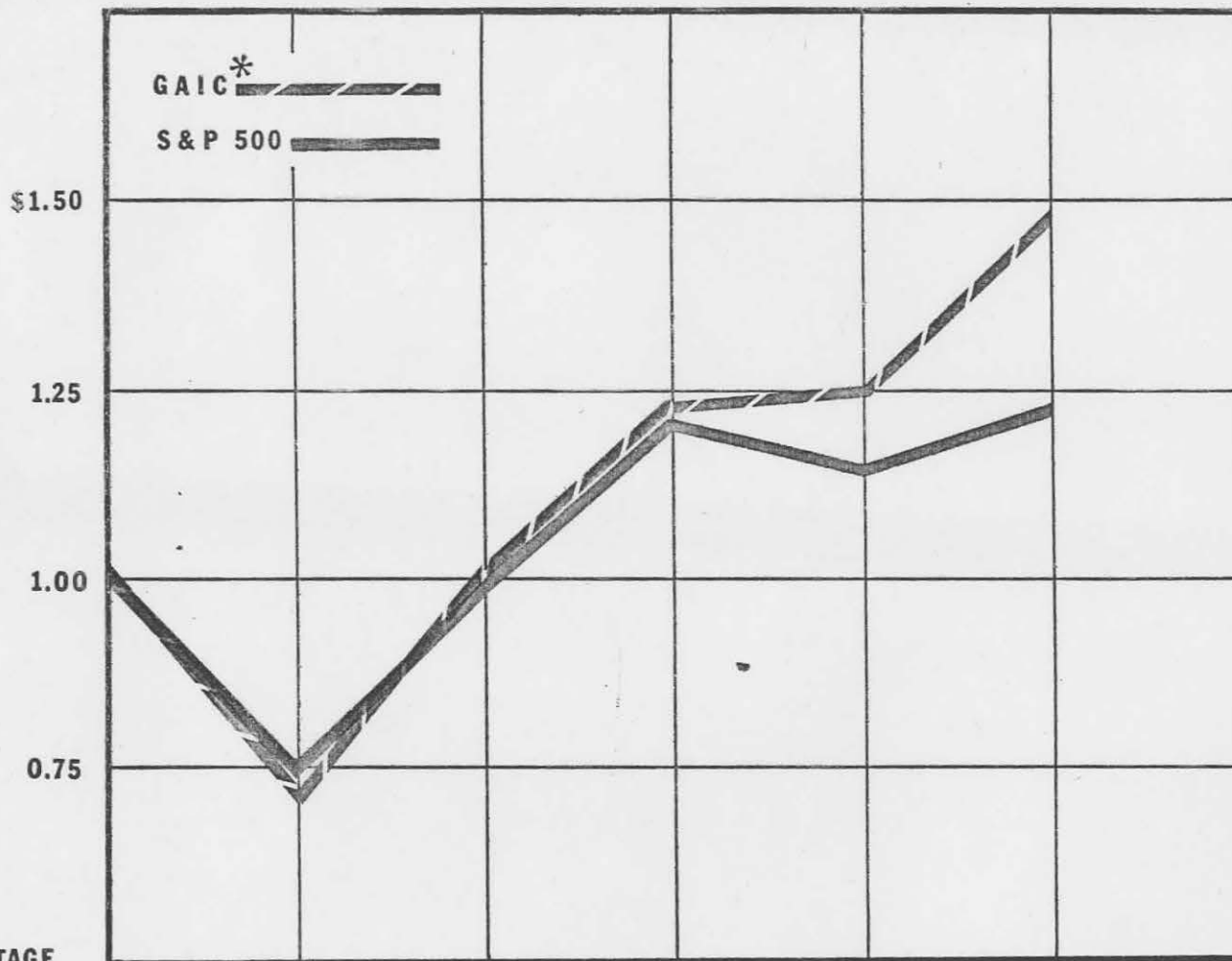
All of General American's investment staff participate in a twice annual formal review of each stock in the portfolio. This insures that each stock assessed continues to offer the stated investment objective for a 50% appreciation potential at the then current price. The Board of Directors meets monthly to review and approve all transactions made in the interim for the Company's portfolio. Each new stock purchased is discussed at the board level and the members of the board provide the General American staff the benefit of their broad business backgrounds and offer comment on the areas in which they have special knowledge.

Fees—General American Investors' fees for investment management are charged at the annual rate of 1/2% of the assets under management, computed quarterly.



GENERAL AMERICAN INVESTORS COMPANY, INC.

GROWTH OF \$1.00 OVER 5 YEARS IN PENSION ACCOUNTS



**ANNUAL PERCENTAGE
RETURN**

GAIC*

S & P 500

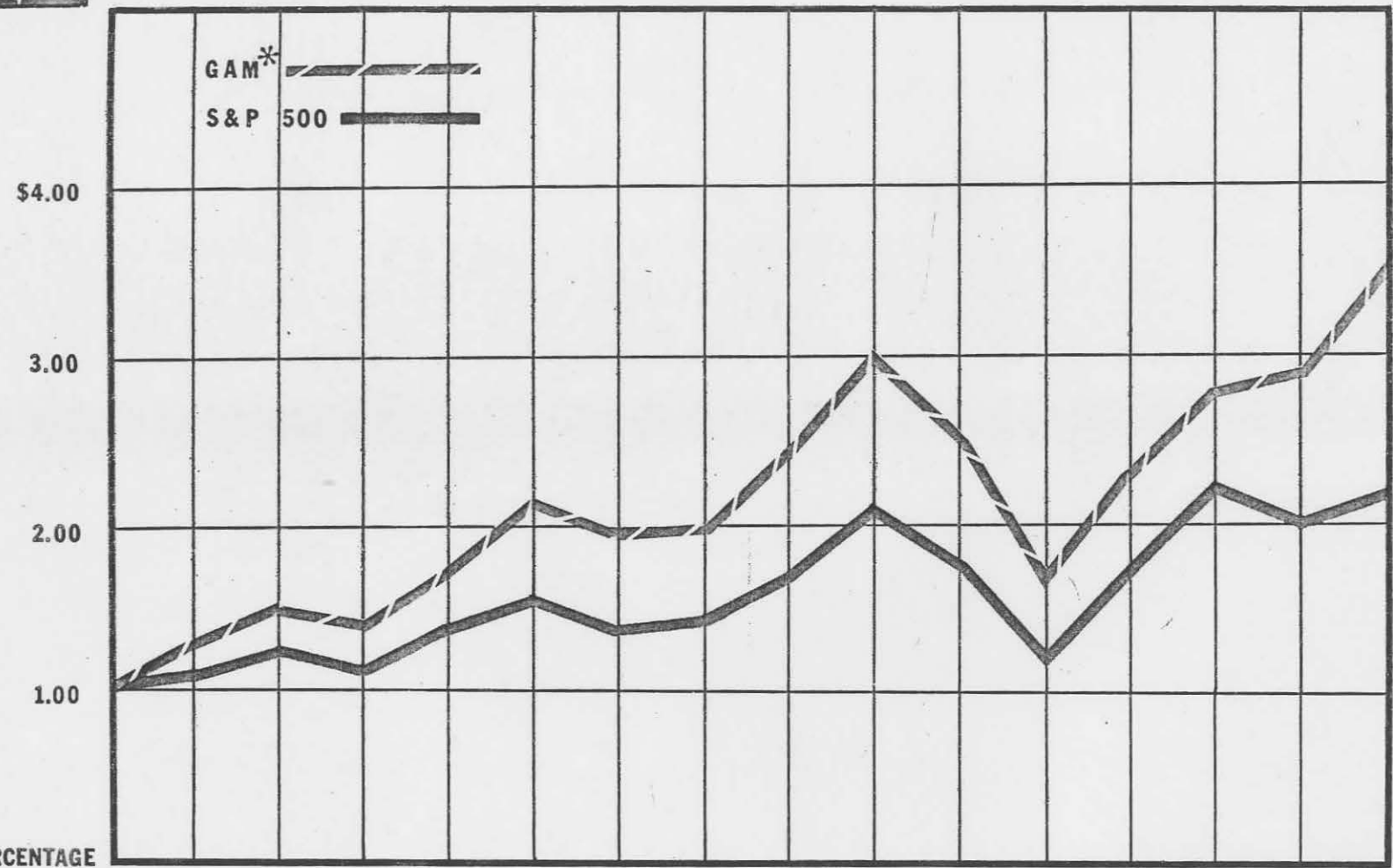
	1974	1975	1976	1977	1978	1979
GAIC*	-30.3	44.7	22.1	1.2	17.3	
S & P 500	-26.5	37.2	24.0	-7.2	6.6	

*Time-weighted rates of return are a simple average of all employee benefit funds managed by GENERAL AMERICAN INVESTORS.



GENERAL AMERICAN INVESTORS COMPANY, INC.

GROWTH OF \$1.00 OVER 15 YEARS



ANNUAL PERCENTAGE
RETURN

GAM*

S&P 500

Year	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
GAM*	22.9	18.9	-7.6	26.8	20.6	-5.3	0.7	17.5	24.7	-15.4	-31.8	35.9	23.0	3.3	19.9
S&P 500	16.5	12.5	-10.1	24.0	11.1	-8.4	4.0	14.3	19.0	-14.7	-26.5	37.2	24.0	-7.2	6.6

*Time-weighted rates of return are for the publicly traded investment fund.



GENERAL AMERICAN INVESTORS COMPANY, INC.

From January 1,	To December 31,	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
1969		-5.3	-2.4	3.9	8.7	3.4	-3.5	1.3	3.8	3.7	5.3
1970			0.7	8.8	13.8	5.7	-3.1	2.5	5.2	4.9	6.5
1971				17.5	21.0	7.4	-4.1	2.8	5.9	5.5	7.3
1972					24.7	2.7	-10.4	-0.6	3.8	3.7	5.9
1973						-15.4	-24.0	-7.8	-0.9	-0.1	3.0
1974							-31.8	-3.8	4.5	4.2	7.1
1975								35.9	29.3	19.9	19.9
1976									23.0	12.7	15.1
1977										3.3	11.3
1978											19.9

* Rates of return are for the publicly traded investment fund.

GENERAL AMERICAN *

ANNUALIZED TIME-WEIGHTED RATES OF RETURN

From January 1,	To December 31,	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
1969		-8.4	-2.4	2.9	6.7	2.0	-3.4	1.6	4.1	2.8	3.2
1970			4.0	9.0	12.3	4.8	-2.4	3.3	6.1	4.3	4.5
1971				14.3	16.7	5.1	-3.9	3.2	6.4	4.3	4.6
1972					19.0	-0.8	-9.3	0.6	4.9	2.8	3.3
1973						-14.7	-20.9	-4.9	1.6	-0.2	0.9
1974							-26.5	0.4	7.7	3.8	4.3
1975								37.2	30.4	16.4	13.9
1976									24.0	7.3	7.1
1977										-7.2	-0.6
1978											6.6

S & P 500

BIOGRAPHIES OF INVESTMENT STAFF
&
ADMINISTRATIVE OFFICER

Arthur G. Altschul (58) — *Chairman of the Board*

Graduate of Yale University

Officer and staff member of General American 1955-59

Joined Goldman, Sachs & Co. as a general partner in 1959 (limited partner since 1977), retaining his position as a director of General American Chairman 1961 to date

Many outside affiliations including member of the Board of Associated Dry Goods Corporation, Chairman of the Board of Trustees of Barnard College and Trustee of Whitney Museum of American Art and The American Assembly (Arden House)

Malcolm B. Smith (55) — *President*

Graduate of Dartmouth College; M.A. (Economics) Harvard University

Entire business career at General American, joining the Company in 1948 as a security analyst upon completion of graduate work

Has held several corporate offices

President 1961 to date

Serves as Chairman of the Association of Publicly Traded Investment Funds; Trustee and Chairman of the finance committee of the New York Foundation; Director of Group Health Incorporated; Chairman of the investment committee of the American Association for the Advancement of Science

Member of New York Society of Security Analysts

Harold J. Kingsberg (51) — *Executive Vice-President*

Graduate of Harvard College; M.B.A. Harvard University

Spent 10 years as a security analyst and officer with Central National Corporation, a privately owned pulp and paper broker and investment company

Joined General American in 1963 as a Vice-President

Became Executive Vice-President in January 1978

Member of New York Society of Security Analysts

Member of Paper and Forest Products Industry Analysts Group

Member of Printing & Publishing Industry Analysts

Member of Entertainment Analysts Group

Responsible for the forest products; consumer products; and publishing, broadcasting and communications industries

Eugene L. DeStaebler, Jr., CPA (40) — *Vice-President, Administration*

Graduate of C.W. Post College

Spent 3 years as Supply Officer in U.S. Navy

Spent 10 years with Arthur Andersen & Co., certified public accountants.

Served as audit manager in their New York office financial division during last 5 years

Joined General American in December 1975

Became Treasurer in 1976 and Vice-President, Administration in January 1978

Member American Institute of Certified Public Accountants

Member New York State Society of Certified Public Accountants

Responsible for administration

William J. Gedale (36) — Vice-President

Graduate of Syracuse University; Woodrow Wilson fellow at University of Chicago; M.B.A. New York University; J.D. Fordham University
Spent 4½ years with Citibank as a security analyst
Joined General American in 1969
Became Secretary in December 1971 and Vice-President in January 1978
Member of New York Society of Security Analysts
Former President of Machinery Analysts of New York
Member of Health Industries Analysts Group
Member of Environmental Control Analysts of New York
Responsible for coverage of the medical, machinery and education industries

James B. Book, IV (40) — Secretary

Graduate of University of Michigan; M.B.A. and M.S. (Geology) University of Michigan
Was a geologist with Texaco and then a security analyst for 2½ years with Citibank
Joined General American in 1971
Became Secretary in January 1978
Member of New York Society of Security Analysts
Member of New York Metals and Mining Analysts Group
Member of Oil Analysts Group of New York
Covers oil and gas and metals and mining

Melinda H. Reach (30) — Treasurer

Graduate of Skidmore College
Spent 4 years as a security analyst with Metropolitan Life Insurance Company and 3 years with Schroder, Naess and Thomas
Joined General American in 1976
Became Treasurer in January 1978
Member of New York Society of Security Analysts
Member of Electronic and Electrical Analysts Group
Member of Electrosience Analysts Group
Member of Computer Industry Analysts Group
Follows office equipment, data processing, and electrical and electronics industries

R. Kim Kiley (29)

Graduate of Harvard College; M.B.A. Harvard University
Spent 2½ years as a security analyst for Brown Brothers Harriman Co.
Joined General American in 1977
Member of New York Society of Security Analysts
Follows the retail trade and insurance industries

Robert F. Starbuck (29)

Graduate of Columbia University; M.B.A. Columbia University
Spent 3 years as a financial analyst with General Foods and 1 year as a security analyst with Bank of New York
Joined General American in 1978
Follows chemicals

DIRECTORS, WITH SOME OF THEIR AFFILIATIONS

ARTHUR G. ALTSCHUL

General American Investors Company, Inc.,
Chairman
Goldman, Sachs & Co., *Limited Partner*
Associated Dry Goods Corporation, *Director*
Barnard College, *Chairman,*
Board of Trustees
Whitney Museum of American Art, *Trustee*

MARVIN A. ASNES

Becton, Dickinson and Company, *Executive*
Vice President and Chief Operating
Officer, Director
The Bank Street College of Education,
Treasurer and Trustee
Harper & Row Publishers, Inc., *Director*
Massachusetts Institute of Technology,
Member of Corporation Visiting
Committee for Sponsored Research
Mt. Sinai School of Medicine, *Trustee*

EUGENE P. BERG

Bucyrus-Erie Company, *Director*
Abex Corporation, *Director*
Interlake Incorporated, *Director*
Kearney & Trecker Corp., *Director*
Purdue University Alumni Foundation,
Trustee

LAWRENCE B. BUTTENWIESER

Rosenman Colin Freund Lewis & Cohen,
Partner
Warner Communications Inc., *Director*

LEWIS B. CULLMAN

Cullman Ventures, Inc., *President*
Allied Graphic Arts Inc., *Chairman*
Gulton Industries, Inc., *Director*
Keith Clark, Inc., *Chairman*

GERALD M. EDELMAN

The Rockefeller University, *Vincent Astor*
Distinguished Professor
University of Pennsylvania, *Member Board*
of Overseers, Faculty of Arts and Sciences
Rockefeller Brothers Fund, *Trustee*
Salk Institute for Biological Studies, *Trustee*
and Non-Resident Fellow

WILLIAM T. GOLDEN

American Association for the Advancement
of Science, *Treasurer and Director*
American Museum of Natural History,
Vice President and Trustee
Barnard College, *Trustee*
Carnegie Institution of Washington,
Secretary and Trustee
John Simon Guggenheim Memorial
Foundation, *Trustee*

GABRIEL HAUGE

Manufacturers Hanover Corporation and
Manufacturers Hanover Trust Company,
Chairman
AMAX Inc., *Director*
American Home Products Corporation,
Director
Chrysler Corporation, *Director*
New York Telephone Company, *Director*

AUGUSTUS B. KINZEL

National Academy of Engineering,
Founding President
California Institute of Technology, *Trustee*
System Development Foundation, *Trustee*

RICHARD R. PIVIROTTO

Associated Dry Goods Corporation,
Chairman and Chief Executive Officer
The Bowery Savings Bank, *Trustee*
Chemical New York Corporation and
Chemical Bank, *Director*
New York Life Insurance Company, *Director*
Westinghouse Electric Corporation, *Director*

JOHN C. SAWHILL

New York University, *President*
American International Group, Inc., *Director*
Automatic Data Processing, Inc., *Director*
New York State Financial Control
Board, *Member*
RCA Corporation, *Director*

MALCOLM B. SMITH

General American Investors Company, Inc.,
President

BETHUEL M. WEBSTER

Webster & Sheffield, *Partner*
Drug Abuse Council, Inc., *Chairman*



UNIVERSE OF

INVESTMENT ADVISOR SEPARATE ACCOUNTS

Fred Alger & Company, Incorporated, New York
Alliance Capital Management Corporation
American Investment Managers, Inc., Rockville
Argus Investors' Counsel, Inc., New York
Atlanta Capital Corporation, New York
Atlanta Capital Management Company
E. W. Axe and Co., Inc., Tarrytown
Batterymarch Financial Management Corporation, Boston
BEA Associates, Inc., New York
Bernstein-Macaulay, Inc., New York
George D. Bjurman & Associates, Los Angeles
Blalack-Loop, Incorporated, Pasadena
Boston Company, Inc.
Brown Brothers Harriman & Co., New York
Neil F. Campbell Co., Inc., Los Angeles
Capitoline Investment Services, Inc., Richmond
Century Capital Associates, New York
Cole, Yeager & Wood, Inc., New York
Colonial Management Associates, Inc., Boston
Columbia Management Company, Portland
Delaware Investment Advisers, Inc., Philadelphia
Donelan-Phelps Investment Advisers, Inc., St. Louis
Dreyfus Management, Inc., New York
Edie Asset Management, New York
Endowment Management & Research Corporation, Boston
Fiduciary Trust Company of New York
FMR Investment Management Service, Inc., Boston
Forstmann-Leff Associates, New York
Founders Capital Management Corporation, Denver
Funds Advisory Co., Houston
General American Investors Company, Inc., New York
Harris, Bretall & McEldowney, Inc., San Francisco
Everett Harris & Co., Los Angeles
Heritage Investment Advisers, Inc., Milwaukee
IDS Advisory Corporation, Minneapolis
INA Capital Management Corp., Philadelphia
ISI Corporation, San Francisco
Investment Advisers, Inc., Minneapolis
Investment Advisers, Incorporated, Houston
Investment & Capital Management Corp., Chicago
Kemper Financial Services, Inc., Chicago
Kleinwort Benson McCowan Incorporated, New York
Lazard Freres & Co., New York
Lincoln Capital Management Company, Chicago
Loomis, Sayles & Company
Massachusetts Financial Services, Inc., Boston
McGlinn Investment Services, Inc., Reading
Miller, Anderson & Sherrerd, Bala-Cynwyd
NSR Asset Management Corporation, New York
National Investment Services of America, Inc., Milwaukee
Neuberger & Berman Pension Management, Inc., New York
New Court Capital Management, Inc., New York
Oppenheimer Capital Corporation, New York
Phoenix Investment Counsel of Boston, Inc.
T. Rowe Price Associates, Inc., Baltimore
Pringle, Flinn, Elvins & Donahoe, Inc., Seattle
Putnam Advisory Company, Inc., Boston
Redwood Capital Management, Inc., Baltimore
Reich & Tang, Inc., New York
Rosenberg Capital Management, San Francisco
Roulston & Company, Inc., Cleveland
M. D. Sass Investors Services, Inc., New York
Schroder, Naess & Thomas, New York
Scudder, Stevens & Clark, Inc.
Smith, Barney, Harris Upham & Co., Inc., New York
Southland Trust Company, Dallas
Stein Roe & Farnham, Chicago
Stralem & Company, Incorporated, New York
Tallasi Management Company, New York
Thorndike, Doran, Paine & Lewis, Inc., Boston
Torrays Clark & Co. Incorporated, Washington, D.C.
Transamerica Investment Management Company, Los Angeles
Trust Company of the West, Los Angeles
Vestaur Corporation, San Francisco
Wall, Patterson, McGrew & Richards, Inc., Atlanta
Webster Management Corporation, New York
Weiss, Peck & Greer Investments, Inc., New York
Wentworth, Hauser & Violich, San Francisco
Wertheim Asset Management Services, Incorporated, New York
Wilkins & Nanovic Associates, Greenwich
Wright Investors Service, Bridgeport

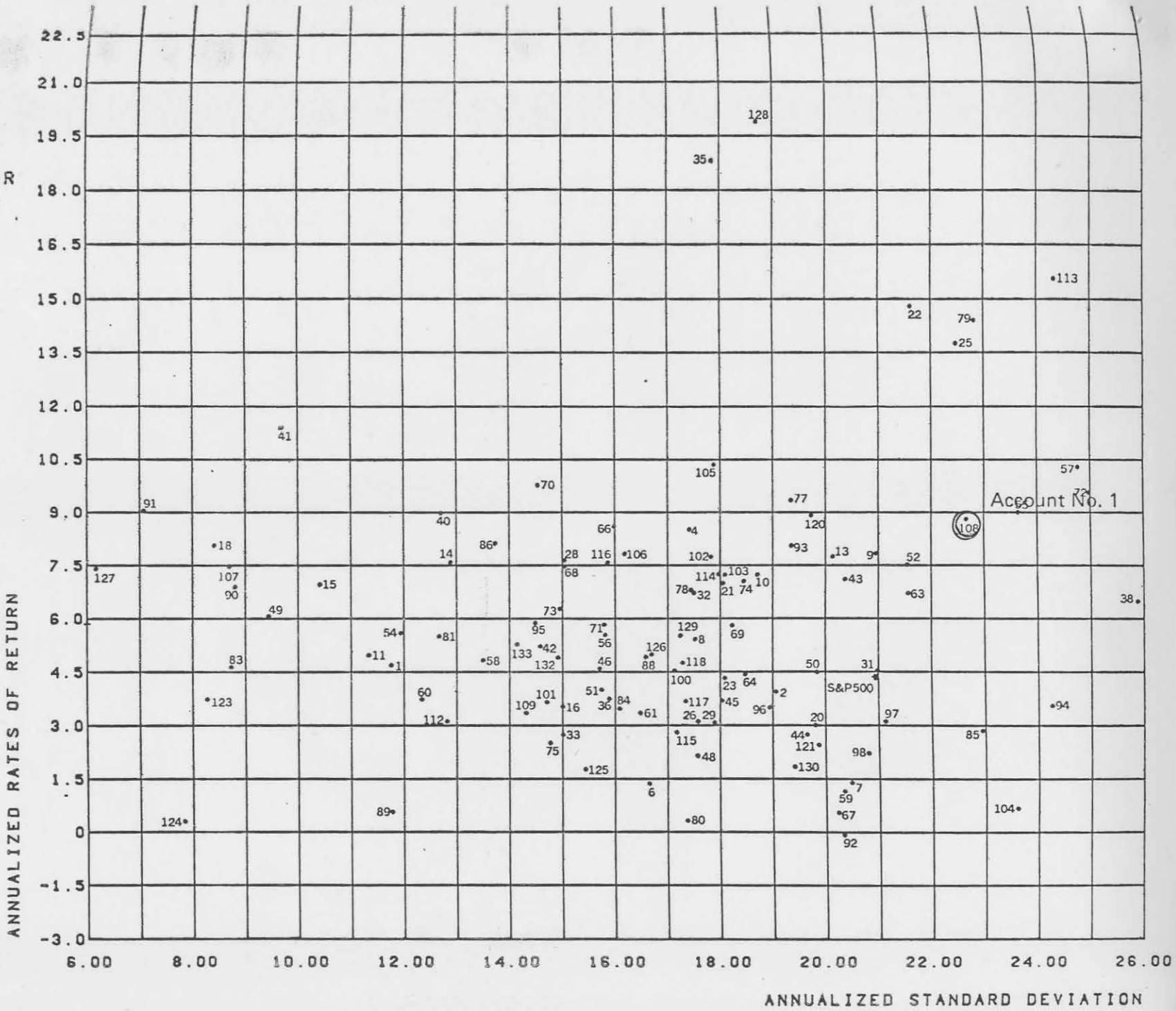
December 31, 1978

HIGH-RETURN
 PERFORMANCE
 COMPARISONS

INVESTMENT ADVISOR
 SEPARATE ACCOUNTS

5 YEARS
 1/1/74 - 12/31/78

110 PORTFOLIOS

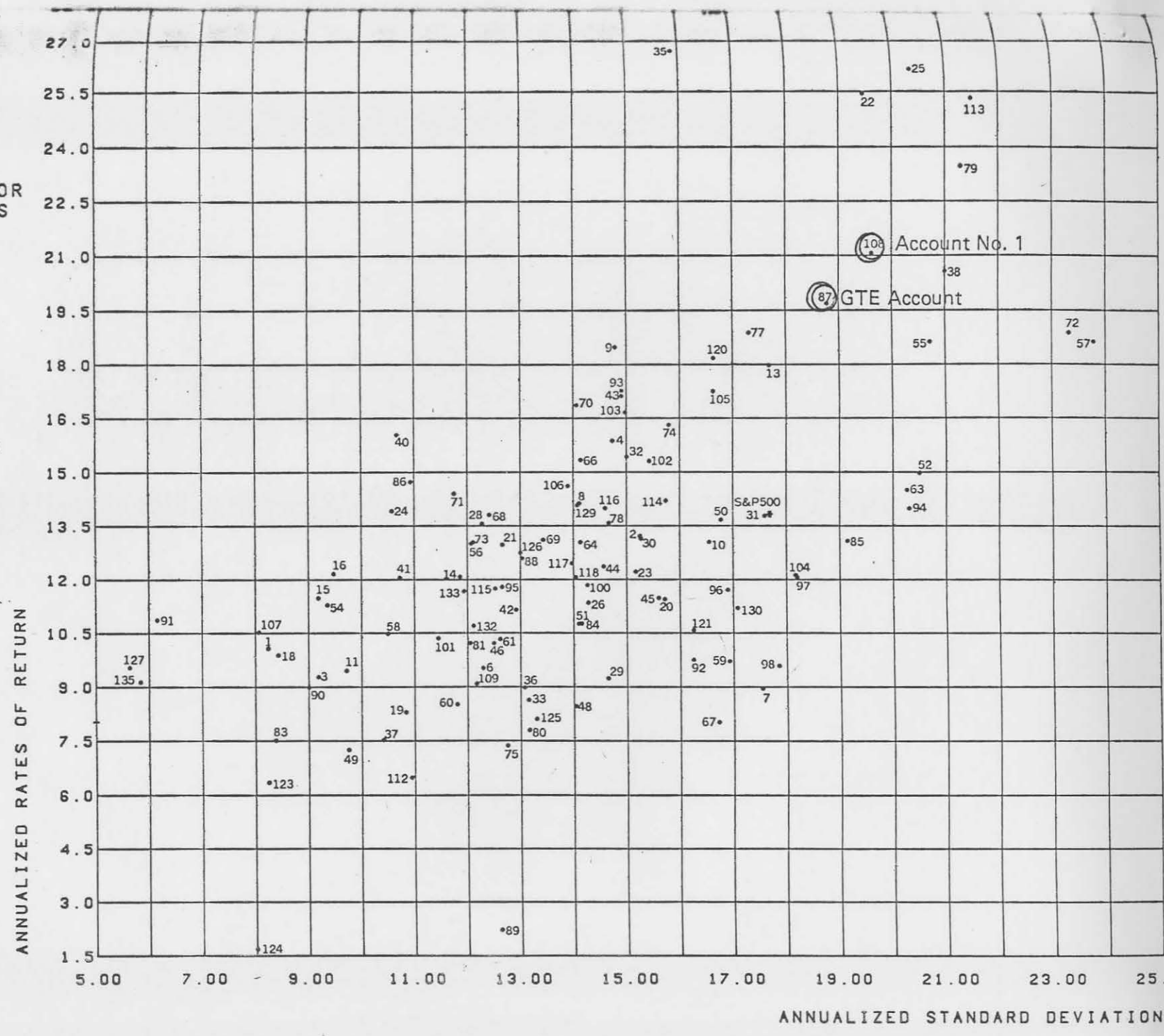


RISK-RETURN
 PERFORMANCE
 COMPARISONS

INVESTMENT ADVISOR
 SEPARATE ACCOUNTS

4 YEARS
 1/1/75 - 12/31/78

117 PORTFOLIOS

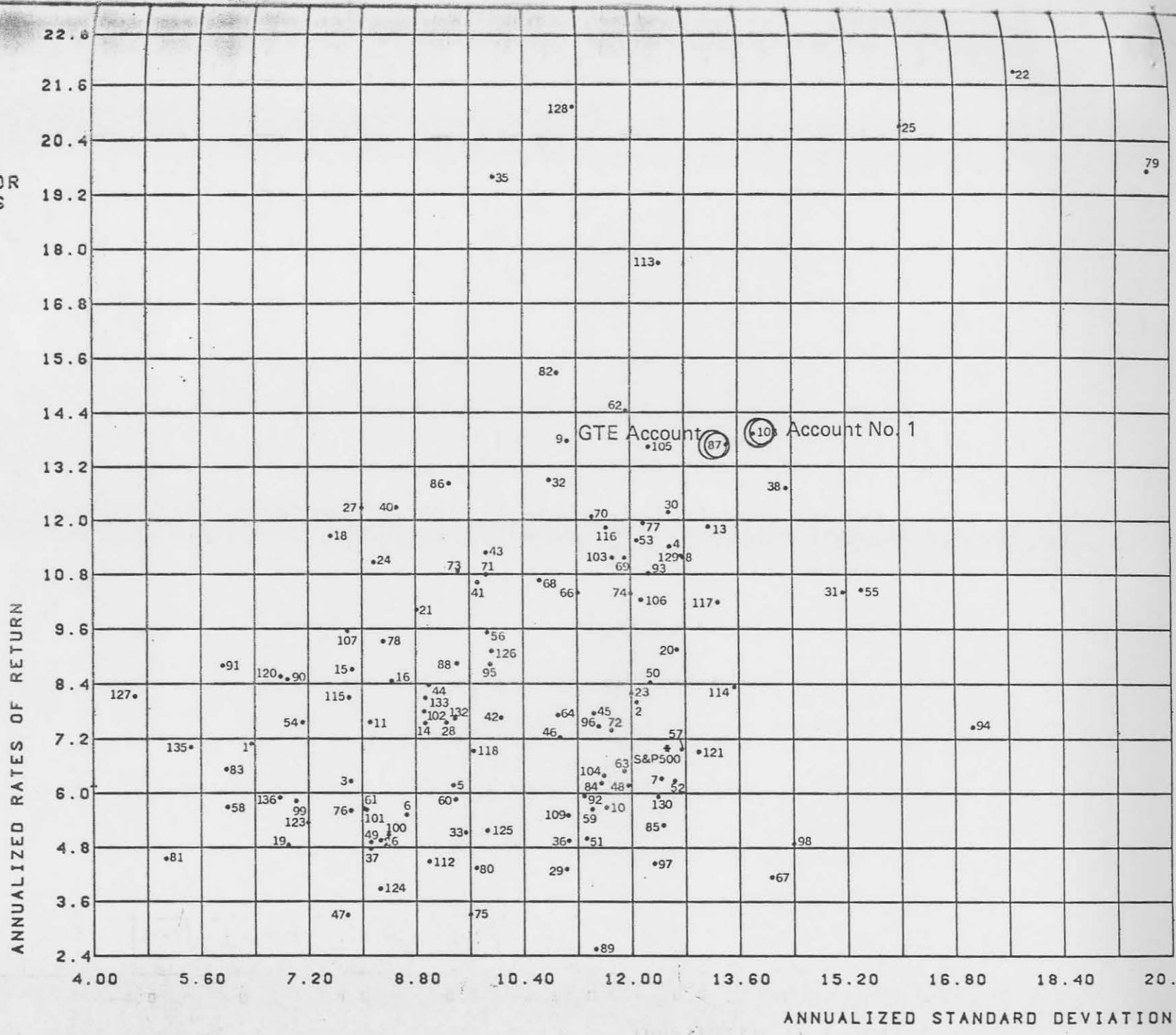


RISK-RETURN
PERFORMANCE
COMPARISONS

INVESTMENT ADVISOR
SEPARATE ACCOUNTS

3 YEARS
1/1/76 - 12/31/78

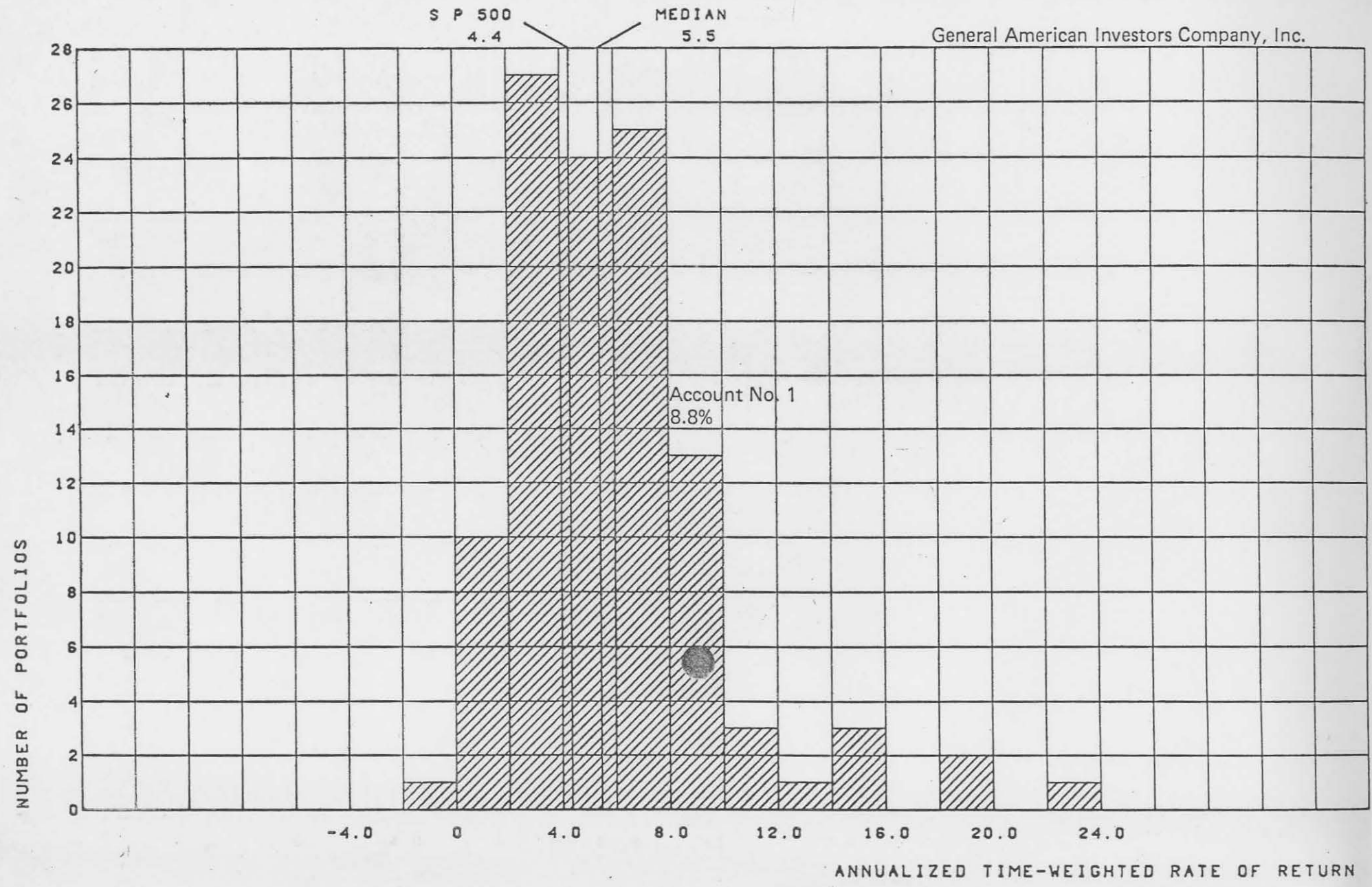
126 PORTFOLIOS



DISTRIBUTION OF RETURNS

INVESTMENT ADVISOR SEPARATE ACCOUNTS
110 PORTFOLIOS

5 YEARS 1/1/74 - 12/31/78
RATE OF RETURN IN PERCENT

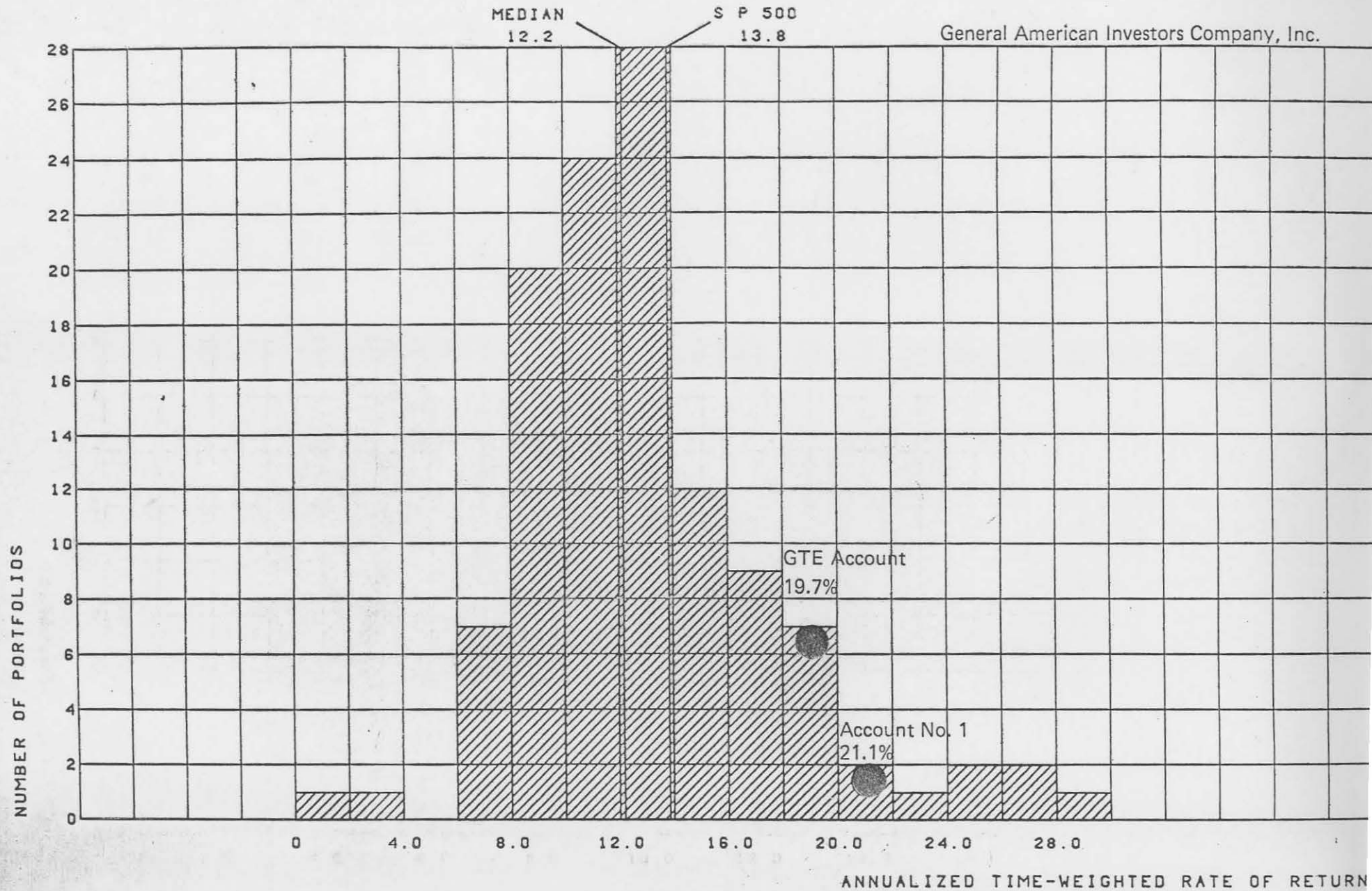


DISTRIBUTION OF RETURNS

INVESTMENT ADVISOR SEPARATE ACCOUNTS
117 PORTFOLIOS

4 YEARS 1/1/75 - 12/31/78
RATE OF RETURN IN PERCENT

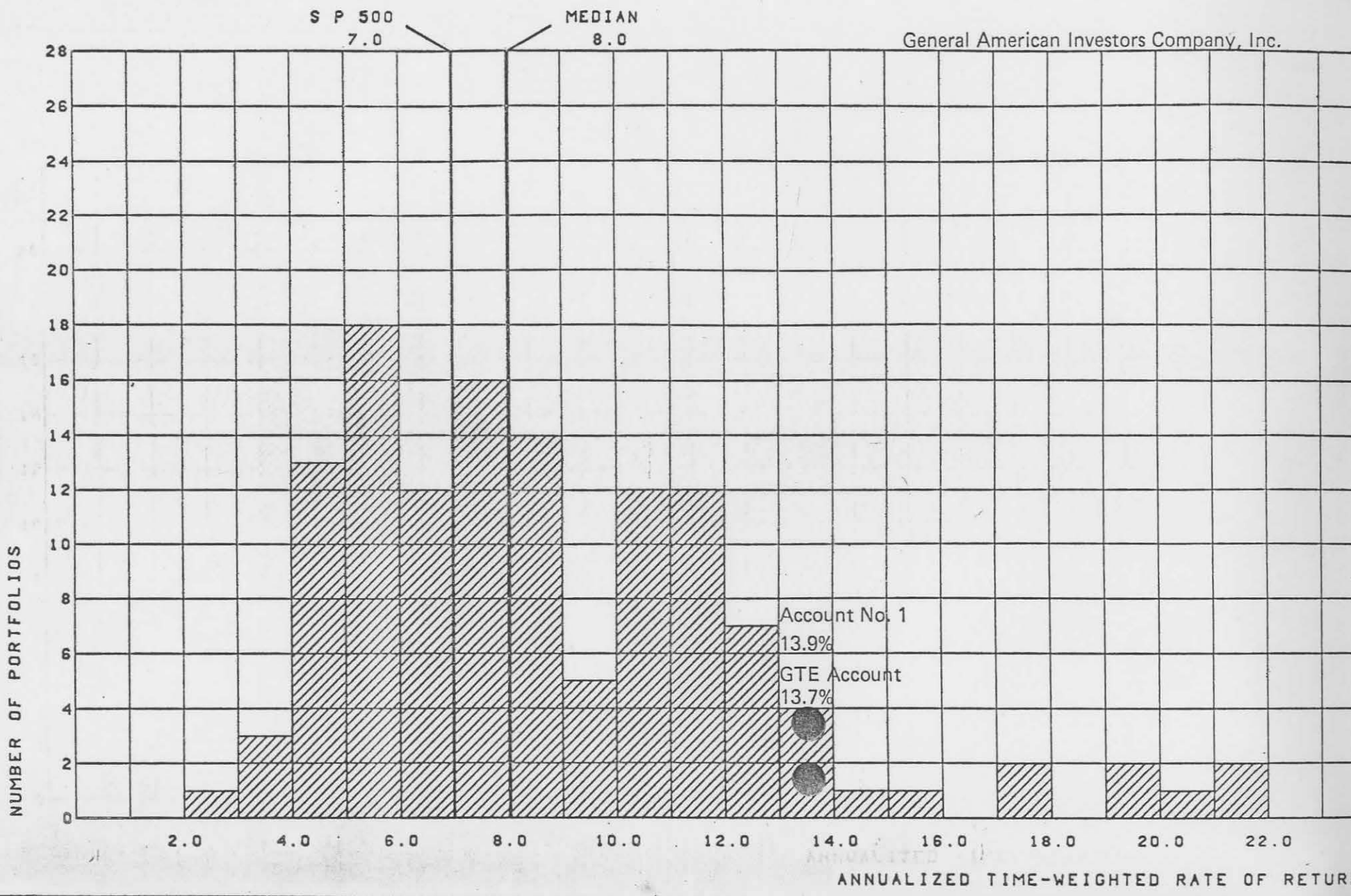
General American Investors Company, Inc.



DISTRIBUTION OF RETURNS

INVESTMENT ADVISOR SEPARATE ACCOUNTS
126 PORTFOLIOS

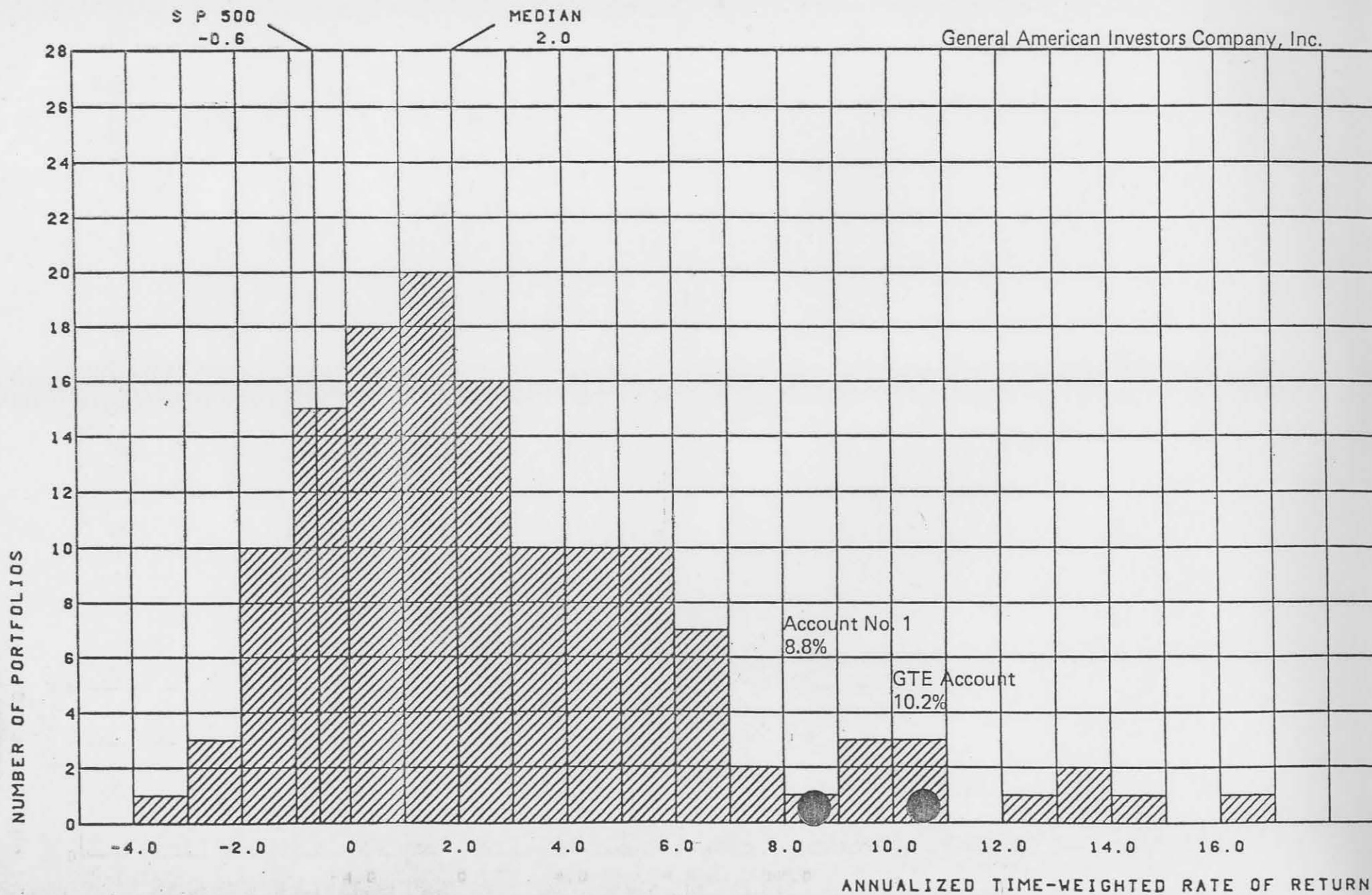
3 YEARS 1/1/76 - 12/31/78
RATE OF RETURN IN PERCENT



DISTRIBUTION OF RETURNS

INVESTMENT ADVISOR SEPARATE ACCOUNTS
134 PORTFOLIOS

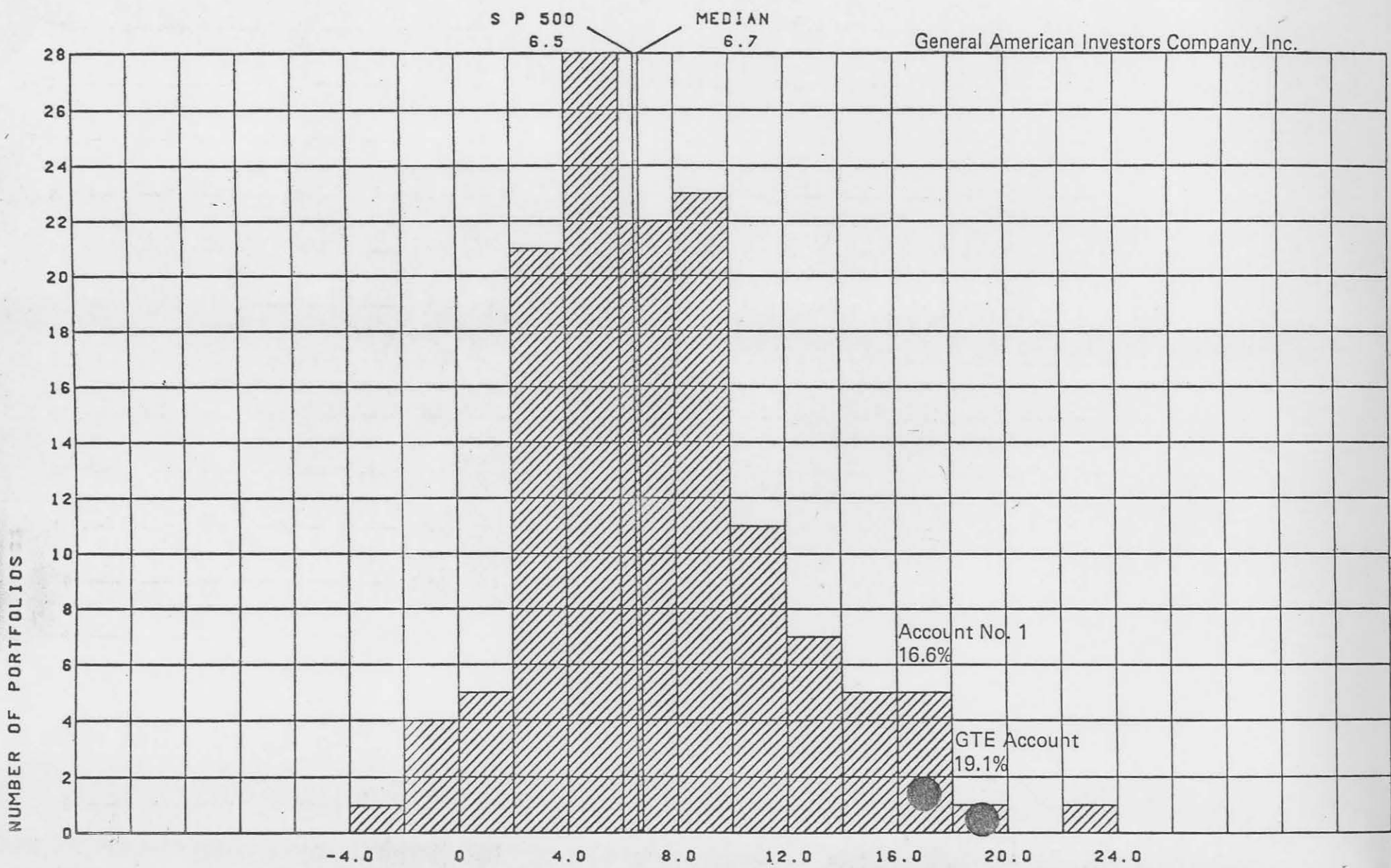
2 YEARS 1/1/77 - 12/31/78
RATE OF RETURN IN PERCENT



DISTRIBUTION OF RETURNS

INVESTMENT ADVISOR SEPARATE ACCOUNTS
134 PORTFOLIOS

1 YEAR 1/1/78 - 12/31/78
RATE OF RETURN IN PERCENT



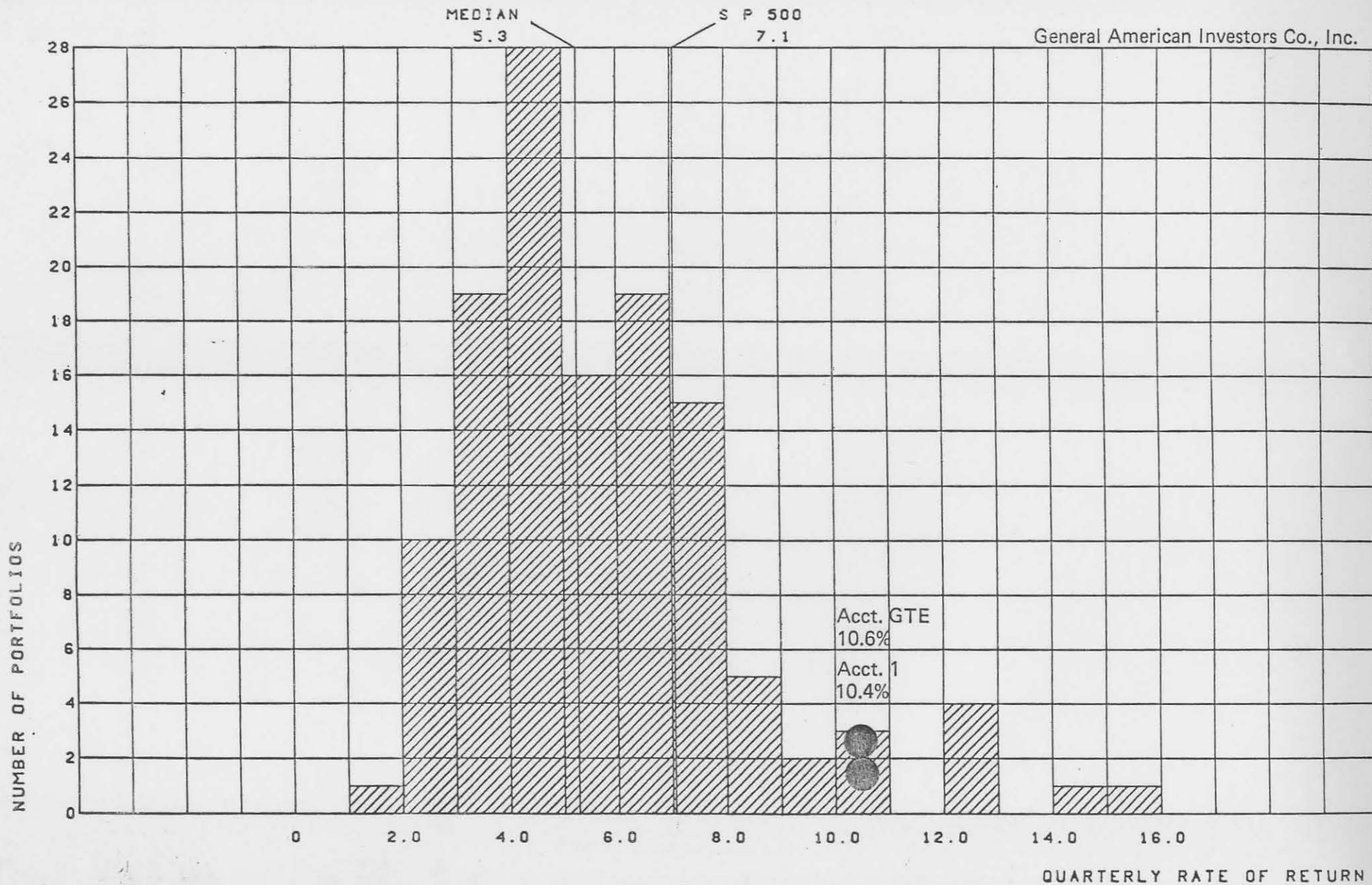
ANNUALIZED TIME-WEIGHTED RATE OF RETURN

DISTRIBUTION OF RETURNS

INVESTMENT ADVISOR SEPARATE ACCOUNTS
124 PORTFOLIOS

1ST QUARTER 1/1/79 - 3/31/79
RATE OF RETURN IN PERCENT

General American Investors Co., Inc.

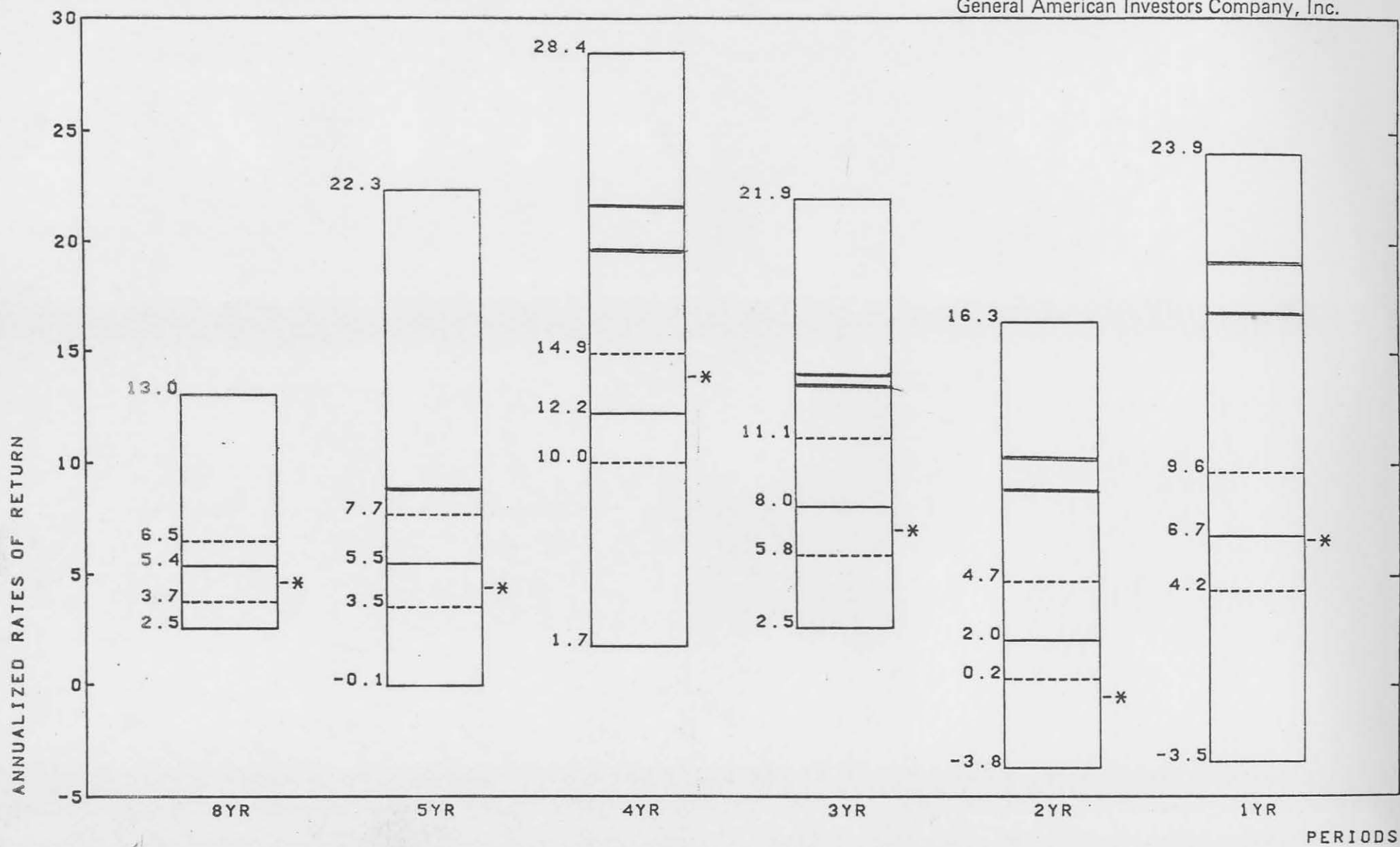


UNIVERSE QUARTILE RANGES

INVESTMENT ADVISOR SEPARATE ACCOUNTS

PERIODS ENDING DEC. 31, 1978

General American Investors Company, Inc.



* S P 500

GENERAL AMERICAN INVESTORS

COMPANY, INC.





GENERAL AMERICAN INVESTORS COMPANY, INC.

330 MADISON AVENUE • NEW YORK • N.Y. 10017

A Publicly Traded Investment Fund listed on the New York Stock Exchange

Established 1927

DIRECTORS

Arthur G. Altschul

Marvin A. Asnes

Eugene P. Berg

Lawrence B. Buttenwieser

Lewis B. Cullman

Gerald M. Edelman

William T. Golden

Gabriel Hauge

Augustus B. Kinzel

Richard R. Pivrotto

John C. Sawhill

Malcolm B. Smith

Bethuel M. Webster

Chairman Emeritus

Frank Altschul

OFFICERS

Chairman of the Board

Arthur G. Altschul

Executive Vice-President

Harold J. Kingsberg

Vice-President, Administration

Eugene L. DeStaebler, Jr.

Secretary

James B. Book, IV

President

Malcolm B. Smith

Vice-President

William J. Gedale

Treasurer

Melinda H. Reach

Assistant Treasurer and Assistant Secretary

Muriel M. Cook

Counsel

Auditors

Custodian

Transfer Agent and Registrar

Sullivan & Cromwell

Ernst & Ernst

Bankers Trust Company

Manufacturers Hanover Trust Company

TO THE STOCKHOLDERS:

We are pleased to submit herewith the Annual Report for 1978, the fifty-second in our history. The Report includes financial statements, including the list of investments owned at the year-end, together with information on our corporate policies and operations.

The Company's net assets as of December 31, 1978 were \$120,505,077, equal, after deducting the outstanding \$412,200 Preferred Stock, to \$14.38 per share of Common Stock on the 8,351,182 shares outstanding. This compares with \$14.98 on September 30, 1978. Net assets as of December 31, 1977 applicable to the Common Stock after giving effect to the payment of the year-end dividends on February 27, 1978 were equal to \$12.14 per share.

The increase in net assets for the year (after adjusting the December 31, 1977 figure for the year-end dividends paid in cash) was \$16,559,523. Net realized long-term gain on securities sold was \$7,800,288 (\$.93 per share). Net income during the year was \$2,391,456, equal, after deducting Preferred dividends of \$24,602, to \$.28 per share of Common Stock. The increase in unrealized appreciation was \$9,048,851.

During 1978, 232,100 shares of Common Stock were purchased for \$2,466,294 and are in the Treasury; 1,927 shares of Preferred Stock were purchased for \$190,176 and retired.

On January 10, 1979, there were declared payable on February 27, 1979 as year-end dividends for 1978 a capital gain dividend of \$.94 per share and an income dividend of \$.28 per share from undistributed income. Both the year-end dividends—capital gain and income—will be paid in Common Stock, or in cash upon request. The year-end dividends for 1977 paid in February 1978 consisted of a capital gain dividend of \$.70 per share and an income dividend of \$.22 per share.

At December 31, 1978, total cash, short-term securities and receivables, less liabilities, aggregated \$11,653,775, equal to 9.7% of total net assets; this compared with \$10,858,348, or 10.0% of total net assets at December 31, 1977.

Shifts in the distribution of industrial groups within the portfolio during 1978 reflected both portfolio activity and price divergences in the various categories relative to the general market. The finance and insurance segment rose as a percentage of the total (from 3.5% at the beginning of the year to 7.3% at December 31, 1978) as did the publishing and broadcasting group (from 11.2% to 13.6%). The principal decline in relative importance occurred in the chemical group (from 11.1% to 7.7%). The extent of the diversification of the portfolio at year-end is indicated by the fact that no group accounted for more than 13.6% of total net assets and seven industrial groups ranged between that percentage and 7.5% of the total.

We are pleased to report that, as of December 31, 1978, the Company was in the process of finalizing its fourth investment advisory contract, covering a portion of the funds in a thrift plan of a major U.S. corporation.

On July 6, 1978, the accounting firm of Ernst & Ernst combined with and became successors to the practice of S. D. Leidesdorf & Co. Subsequent to the combination, the Board of Directors appointed the firm of Ernst & Ernst to be the Company's auditors for the balance of 1978. Accordingly, Ernst & Ernst have rendered their opinion on the financial statements contained in this report.

By order of the Board of Directors,

GENERAL AMERICAN INVESTORS COMPANY, INC.

Arthur G. Altschul

Chairman

Malcolm B. Smith

President

January 10, 1979

THE ECONOMY AND THE MARKET

The policy shift initiated in November 1978 by the Carter administration signaled a commitment to restrain inflation and to provide major support for the dollar. The immediate reaction to the shift in policy was a powerful surge of interest rates. It is too early to tell whether the secondary effect will be to significantly affect home building and, as credit remains restrictive, to seriously impact the demand for automobiles and other consumer goods. The economy in real terms remains strong but as the new fiscal and monetary programs express themselves a business slowdown may occur during 1979; however, if it occurs, it is not expected to be severe or overly prolonged.

The stock market changed course quite abruptly twice during 1978. The market reached a low in February only to stage a spectacular spring rally. Turnover was at an all time record as hope appeared that the dollar was testing its lows. Sentiment then swung and stock prices fell sharply during the final half of October. Although there were interim fluctuations, the market as measured by the commonly used indicators demonstrated very little trend for the year as a whole. The Dow Jones Industrial Average showed a decline of 3.1% for the year while there was a slight gain of 1.1% in the more broadly based Standard & Poor's 500 Stock Index. It should be noted that several groups of stocks diverged from the behavior of the general market. The groups which demonstrated the best relative performance included broadcasting and publishing, farm equipment and machinery and airlines.

Against this background the Company's portfolio achieved a favorable relative performance. The Company's net asset value per share (adjusted as described on page 1 and excluding undistributed income) showed an increase in 1978 of 16.1%.

The critical issue for the outlook for the domestic economy and for the stock market is a continuing fiscal and monetary commitment to control inflation. A slowdown in business in 1979 could be salutary if it succeeds in reducing the inflation rate—and most significantly—if it succeeds in reducing inflationary expectations. Stock prices are reasonable in relation to current corporate earnings and dividends. If inflation subsides and interest rates come down, there is the opportunity for a fundamental upward revaluation in stock prices for the first time in many years.

THE COMPANY

General American Investors, established in 1927, is one of the nation's oldest diversified investment companies. For regulatory purposes, the Company is classified as an investment company of the closed-end type; it is registered under and subject to the regulatory provisions of the Investment Company Act of 1940. The Company is now identified as a "publicly traded investment fund." This phrase was adopted in 1977 by the members of the trade organization to which General American belongs as a more accurate description of our type of company.

General American is also an Investment Adviser registered under the Investment Advisers Act of 1940. As such, it provides investment advisory services to three outside accounts whose investment objectives are compatible with those of the Company. An advisory contract with a fourth outside account was in process of finalization at December 31, 1978. In order to facilitate the extension of these services to additional outside accounts, the Board of Directors, on January 10, 1979, authorized the formation of a wholly-owned investment advisor subsidiary, subject to obtaining approvals of applications to federal and state regulatory authorities.

Investment Objectives

The primary investment objective of the Company is long-term capital appreciation. Lesser emphasis is placed on current income. In seeking to achieve its primary objective, the Company invests principally in common stocks believed by its management to have better-than-average growth potential. At certain times, in anticipation of a more favorable investment environment, significant balances have been maintained in cash or short-term securities. The Company's long-term record is shown in the table on page 10.

The Company maintains a continuous investment research program, the aim of which is the careful selection of individual securities and their close supervision once in the Company's portfolio. This program is carried on by the officers and staff under the direction of the Board of Directors. The Company is an independent organization, internally managed.

The Board of Directors, which determines policy, consists of thirteen persons with varied experience in business and financial affairs. Their principal affiliations are shown on the inside back cover.

"GAM" Common Stock

As a publicly traded investment fund, General American is not engaged in a continuous offering of its shares. However, the Company may raise funds by sale of additional stock, as in 1966, and by other public and private offerings of securities. Except for such offerings, the Company's size is influenced principally by changes in the market value of its investments and by capital gain distributions. Transactions in General American's shares are normally between individual investors (represented by their securities brokers), not between investors and the Company, and therefore do not affect the amount of funds it has available for investment.

The Company's Common Stock is listed on the New York Stock Exchange and can be bought or sold at commissions determined in the same manner as all listed stocks. Net asset value is computed daily (on an unaudited basis) and is furnished upon request. The figure for net asset value, together with the market price and the percentage discount or premium, is published each week on Saturday or Monday in the New York Times and each Monday in the Wall Street Journal and in Barron's.

The ratio of market price to asset value has shown considerable variation over a period of time. During 1978, the stock sold at discounts from asset value ranging from 15.2% (January 10) to 29.5% (December 26). At December 31, the price of the stock was at a discount of 27.0% as compared with a discount of 16.7% a year earlier. From time to time during the past decade the stock has sold at a premium over net asset value; however, the last year in which that occurred was in 1970.

At the end of 1978, there were 9,602 registered Common Stockholders, against 9,870 on December 31, 1977.

Dividend Policy

The Company's policy is to distribute to stockholders as year-end dividends substantially all net income and capital gains if realized. As shown in the table on page 10, dividends from net income have been paid continuously on the Common Stock since 1939 and capital gain dividends in varying amounts have been declared for each of the years 1943-1978, except for the year 1974. The Company's portfolio operations are determined by investment considerations and such activities during 1974 resulted in a small realized loss. Therefore no capital gain dividend was declared for that year.

To the extent that full shares can be issued, dividends are paid in additional shares of Common Stock unless the stockholder specifically requests payment in cash.

Investment Advisory Services

Since 1973, when General American broadened its business and extended its investment research operations to the management of a limited number of pension funds and other large outside accounts, the value of assets managed in this fashion has reached over \$100 million (as of December 31, 1978). The Company believes that it is capable of providing advisory services to additional outside accounts, whose investment objectives are similar to those of the Company, and we invite inquiries from interested institutional representatives. General American now has a new staff member responsible for developing these services; he would be pleased to provide more extensive details on the Company's capabilities or to respond to requests for additional information.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 1978

ASSETS

Investments, at value (note 1a)

General portfolio securities (cost \$74,525,525)	\$108,851,302	
U.S. Government securities (cost \$1,594,312)	1,562,720	
Corporate discount notes (cost \$9,657,320)	<u>9,657,320</u>	
		120,071,342

Cash and receivables

Cash	\$775,307	
Dividends, interest and other receivables	<u>368,595</u>	1,143,902
Total Assets		<u>121,215,244</u>

LIABILITIES

Dividend on Preferred Stock payable January 1, 1979	4,744	
Payable for securities purchased	421,423	
Accrued expenses and other liabilities	132,000	
Reserve for state and municipal taxes on unrealized appreciation	<u>152,000</u>	
Total Liabilities		710,167

NET ASSETS (see statement below)		120,505,077
Preferred Stock, at \$100 par value per share (note 2)		<u>412,200</u>
NET ASSETS APPLICABLE TO COMMON STOCK (note 3)		<u>\$120,092,877</u>
NET ASSET VALUE PER SHARE OF COMMON STOCK		<u>\$14.38</u>

STATEMENT OF CAPITAL STOCK AND SURPLUS

December 31, 1978

\$4.50 Cumulative Preferred Stock, \$100 par value (note 2)		
Authorized 33,770 shares; outstanding 4,122 shares	\$	412,200
Common Stock, \$1 par value (notes 2 and 3)		
Authorized 12,500,000 shares; outstanding (less 245,700 shares in treasury) 8,351,182 shares		8,351,182
Capital surplus (notes 2 and 3)		67,086,414
Undistributed realized gain on securities sold (note 3)		7,932,011
Undistributed income (note 3)		2,581,085
Unrealized appreciation on investments (note 1d)		<u>34,142,185</u>
Total		<u>\$120,505,077</u>

(see notes to financial statements)

GENERAL AMERICAN INVESTORS COMPANY, INC.

STATEMENT OF OPERATIONS *Year ended December 31, 1978*

INVESTMENT INCOME

Income

Dividends	\$2,739,619	
Interest	590,438	
Investment advisory fees (note 1c)	447,405	\$3,777,462

Expenses

Salaries (including officers \$393,500)	662,944	
Retirement and thrift plans (note 4)	119,691	
Directors' fees	36,150	
Transfer, dividend disbursing, custody and registrar	88,500	
Legal, auditing and report	73,000	
State and local taxes (notes 1b and 1d)	105,921	
Rent, electricity and telephone	100,935	
Other	198,865	1,386,006
Net investment income		<u>\$2,391,456</u>

REALIZED GAIN (LOSS) AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS

Realized gain on general portfolio securities (notes 1d and 6)		
Proceeds	\$28,793,334	
Cost (on basis of first-in, first-out)	20,982,702	\$7,810,632
Realized loss on U.S. Government securities		(10,344)
Net realized gain (long-term)		<u>7,800,288</u>
Unrealized appreciation on investments (notes 1b and 1d)		
December 31, 1977	25,093,334	
December 31, 1978	34,142,185	
Increase in unrealized appreciation		<u>9,048,851</u>
Net realized gain and increase in unrealized appreciation on investments		<u>\$16,849,139</u>

STATEMENT OF CHANGES IN NET ASSETS

INVESTMENT ACTIVITIES

Year Ended December 31,
 1978 1977

Net investment income	\$2,391,456	\$1,883,748
Net realized gain on securities sold	7,800,288	5,789,164
Year-end dividends on Common Stock		
from undistributed income and short-term capital gain	(1,818,173)	(1,891,092)
from undistributed long-term capital gain	(5,785,094)	(7,721,959)
Dividends on Preferred Stock	(24,602)	(32,913)
Increase (decrease) in unrealized appreciation	9,048,851	(5,748,347)
Increase (decrease) in net assets—investment activities	<u>11,612,726</u>	<u>(7,721,399)</u>

CAPITAL TRANSACTIONS

Common Stock issued for year-end dividends (note 3)	3,049,060	3,944,979
Preferred Stock purchased and retired—cost (note 2)	(190,176)	(194,048)
Common Stock purchased—cost (note 2)	(2,466,294)	—
Increase in net assets—capital transactions	<u>392,590</u>	<u>3,750,931</u>
Net increase (decrease) in net assets	<u>12,005,316</u>	<u>(3,970,468)</u>

NET ASSETS

Beginning of year	108,499,761	112,470,229
End of year	<u>\$120,505,077</u>	<u>\$108,499,761</u>

(see notes to financial statements)

STATEMENT
 OF
 INVESTMENTS

December 31,
 1978

STOCKS		Value
Shares		(note 1a)
CHEMICAL (7.7%)		
50,000	Air Products and Chemicals, Inc.	\$ 1,181,250
140,000	Avery International Corporation	2,100,000
50,000	LeaRonal, Inc.	912,500
50,000	Nalco Chemical Company	1,337,500
52,500	Pall Corporation	1,634,063
32,500	Raychem Corporation *	<u>2,128,750</u>
		9,294,063
DATA PROCESSING (5.2%)		
41,450	Access Corporation† **	124,350
75,000	Automatic Data Processing, Inc.	2,203,125
7,500	International Business Machines Corporation	2,235,938
60,000	Wang Laboratories, Inc. Class B	<u>1,747,500</u>
		6,310,913
ELECTRICAL AND ELECTRONICS (9.5%)		
20,000	Augat Inc.	505,000
115,000	Burndy Corporation	2,185,000
50,000	John Fluke Mfg. Co., Inc.	1,587,500
55,000††	P. R. Mallory & Co. Inc.	2,791,250
55,000	Tektronix, Inc.	2,605,625
20,000	TeleSciences, Inc.	302,500
65,000	Teradyne, Inc.	1,072,500
22,500	Veeco Instruments Inc.	<u>374,063</u>
		11,423,438
FINANCE AND INSURANCE (7.3%)		
65,000	American Re-Insurance Company *	2,275,000
40,000	Crum and Forster *	1,470,000
10,000	General Reinsurance Corporation *	1,770,000
46,500	Kemper Corporation *	1,255,500
75,000	Ohio Casualty Corporation *	<u>2,006,250</u>
		8,776,750
HEALTH CARE (INCLUDING INSTRUMENTATION) (7.5%)		
60,000	Abbott Laboratories	2,025,000
60,000	Baxter Travenol Laboratories, Inc.	2,460,000
114,000	Beckman Instruments, Inc.	2,736,000
60,000	Becton, Dickinson and Company	<u>1,875,000</u>
		9,096,000
MACHINERY, TOOLS AND EQUIPMENT (5.3%)		
50,000	Caterpillar Tractor Co.	2,937,500
60,000	Deere & Company	2,077,500
37,500	Snap-on Tools Corporation	<u>1,368,750</u>
		6,383,750
METALS AND MINING (3.9%)		
60,000	AMAX Inc.	2,925,000
100,000	Kaiser Aluminum & Chemical Corporation	<u>1,750,000</u>
		4,675,000
OIL AND NATURAL GAS (12.3%)		
35,000	Amerada Hess Corporation \$3.50 Conv. Preferred	2,174,375
55,000	Continental Oil Company	1,546,875
50,000	Dome Petroleum Limited	4,025,000
57,000	Sabine Corporation	1,845,375

GENERAL AMERICAN INVESTORS COMPANY, INC.

STOCKS (continued)

Shares	Value (note 1a)
OIL AND NATURAL GAS (continued)	
10,000 Superior Oil Company	\$ 3,290,000
35,000 Union Oil Company of California	1,990,625
	<u>14,872,250</u>
PUBLIC UTILITY (0.9%)	
80,000 Alberta Gas Trunk Line Company Limited Class A	<u>1,030,000</u>
PUBLISHING AND BROADCASTING (13.6%)	
80,000 Capital Cities Communications, Inc.	3,170,000
60,000 Combined Communications Corporation	1,717,500
50,000 Gannett Co., Inc.	2,037,500
150,000 Harte-Hanks Communications, Inc.	3,262,500
100,000 Knight-Ridder Newspapers, Inc.	2,262,500
50,000 LIN Broadcasting Corporation *	1,762,500
75,000 Times Mirror Company	2,231,250
	<u>16,443,750</u>
RETAIL AND WHOLESALE TRADE (9.4%)	
90,000 Best Products Co., Inc.	2,193,750
65,000 Mercantile Stores Company, Inc.	2,153,125
77,500 Fred Meyer, Inc. Class A *	2,053,750
225,000 Super Valu Stores, Inc.	3,515,625
50,000 Tandy Corporation	1,362,500
	<u>11,278,750</u>
TRANSPORTATION (1.8%)	
50,000 Harper Group *	987,500
50,000 Tiger International, Inc.	1,218,750
	<u>2,206,250</u>
MISCELLANEOUS (5.9%)	
54,500 Dart Industries Inc.	2,173,188
125,000 Premier Industrial Corporation	2,875,000
10,000 Teledyne, Inc.	970,000
Other	1,042,200
	<u>7,060,388</u>
TOTAL STOCKS (90.3%)	<u>108,851,302</u>

SHORT-TERM SECURITIES AND OTHER ASSETS

SHORT-TERM SECURITIES	
\$600,000 U. S. Treasury 5½ % Note due 1/31/79 *	598,320
1,000,000 U. S. Treasury 6¼ % Note due 11/15/79 *	964,400
2,000,000 Ford Motor Credit Co. Note due 2/1/79	1,972,800
2,400,000 General Electric Credit Corp. Notes due 1/4/79 and 1/18/79	2,377,194
2,400,000 General Motors Acceptance Corp. Notes due 1/4/79 and 1/25/79	2,376,339
3,000,000 Sears Roebuck Acceptance Corp. Notes due 1/18/79 and 2/22/79	2,930,987
Total Short-Term Securities	<u>11,220,040</u>
CASH AND RECEIVABLES, LESS LIABILITIES	<u>433,735</u>
TOTAL SHORT-TERM SECURITIES, CASH AND RECEIVABLES, LESS LIABILITIES (9.7%)	<u>11,653,775</u>
NET ASSETS	<u>\$120,505,077</u>

*On the basis of "over-the-counter" quotations. ††Disposed of on January 3, 1979
 **Fair value in the opinion of the Directors. † pursuant to a tender offer.
 ‡Restricted security.

(see notes to financial statements)

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:

a. Security Valuation—Securities traded on national exchanges are valued at the last sales prices on the last business day of the period or, if there are no sales on such exchanges on that day, at the last bid prices. Securities traded in the over-the-counter market are valued at the last bid prices. Corporate discount notes are valued at cost which approximates market value. Securities not currently quoted are valued at fair value in the opinion of the Directors.

b. 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.

c. Investment Advisory Fees—Income from fees is recorded as the related advisory services are performed by the Company pursuant to investment advisory agreements.

d. 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. Unrealized appreciation on investments is stated after a reserve for state and municipal taxes. State and municipal taxes on security profits and state transfer taxes are included as expenses under "State and local taxes."

2. *Capital Stock:* The Preferred Stock is entitled in liquidation to \$100 per share and accrued dividends and is callable at \$105 per share and accrued dividends. As a purchase fund, the Company intends to retire 2,000 shares of Preferred Stock annually by purchase in the "over-the-counter" market at no more than a computed price during the first three quarters and may pay up to \$100 per share including costs and commissions during the final quarter of the year. The Company purchased and retired 1,927 shares of Preferred Stock in 1978 and 2,000 of such shares in 1977. The excess of the par value over the cost of the shares purchased, which amounted to \$2,524 in 1978 and \$5,952 in 1977, was credited to Capital Surplus.

During 1978, 232,100 shares of Common Stock were purchased by the Company. The excess of the cost over the par value of the shares purchased, \$2,234,194, was charged to Capital Surplus. On January 10, 1979, the Board of Directors authorized the retirement of 245,700 shares of Common Stock held in the treasury at December 31, 1978.

3. *Distributions:* For Common Stockholders who did not elect to receive in cash the dividends paid February 27, 1978, the dividends were paid in Common Stock, computed at market value (\$9.5625 per share). There were 318,856 shares issued for a total of \$3,049,060; of this amount, the par value, \$318,856, was credited to Common Stock and \$2,730,204 was credited to Capital Surplus.

On January 10, 1979, the Board of Directors declared on the Common Stock dividends of \$2,338,331 from undistributed income and \$7,850,111 from long-term capital gains. These dividends are payable in Common Stock, or in cash upon request, on February 27, 1979 to stockholders of record on January 18, 1979.

4. *Retirement and Thrift Plans:* The Company has a non-contributory retirement plan and a contributory thrift plan which cover substantially all employees. Retirement plan costs include current service costs and the amortization of prior service costs over twenty years. Thrift plan costs represent the Company's contributions for the purchase of its Common Stock for participating employees. Costs of both plans are funded currently.

5. *Quarterly Results of Operations:* The following is a summary of quarterly results of operations in 1978 and 1977 (thousands of dollars, except for amounts per Common Share):

	Three Months Ended							
	March 31		June 30		September 30		December 31	
	1978	1977	1978	1977	1978	1977	1978	1977
Total investment income	\$ 874	\$ 838	\$ 914	\$ 800	\$ 899	\$ 754	\$1,090	\$ 864
Net investment income*	532	450	604	488	587	515	668	431
Per Common Share	.06	.05	.07	.06	.07	.07	.08	.05
Net realized and unrealized gain (loss) on investments	(3,202)	(9,132)	11,742	4,188	14,160	(1,101)	(5,851)	6,086
Per Common Share	(.47)	(1.23)	1.40	.51	1.71	(.14)	(.68)	.74

8 *Before deduction for dividends on Preferred Stock.

NOTES (continued)

GENERAL AMERICAN INVESTORS COMPANY, INC.

6. *Purchases and Sales of Securities:* Purchases and sales of securities (other than United States Government securities and corporate discount notes) during 1978 were \$23,135,398 and \$28,793,334, respectively.

7. *General Information:* Brokerage commissions during the year ended December 31, 1978 were \$151,216, including \$31,118 paid to Goldman, Sachs & Co., a limited partner of which is a director of the Company.

For 1978, registrar, transfer and dividend disbursing agent fees of \$70,000 were paid or are payable to Manufacturers Hanover Trust Company, an officer and director of which is a director of the Company.

In addition to purchases of Preferred Stock and Common Stock as set forth in Note 2 to the Financial Statements, purchases of Preferred and 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.

SUPPLEMENTARY INFORMATION INCOME AND CAPITAL CHANGES PER COMMON SHARE

	Year ended December 31,				
	1978	1977	1976	1975	1974
Investment income	\$.45	\$.39	\$.41	\$.39	\$.40
Expenses . . . . .	.17	.16	.17	.16	.15
Net investment income . . . . .	.28	.23	.24	.23	.25
Dividends on Preferred	—	—	(.01)	(.01)	(.01)
Dividends on Common*	(.22)	(.24)	(.23)	(.24)	(.24)
Net realized and unrealized gain (loss) on investments	1.96	(.12)	2.28	3.06	(5.13)
Dividend from realized long-term capital gain*	(.70)	(.98)	(.83)	—	(1.05)
Net asset value beginning of year	13.06	14.17	12.72	9.68	15.86
Net asset value end of year	\$14.38	\$13.06	\$14.17	\$12.72	\$9.68
Ratio of expenses to average net assets	1.23%	1.36%	1.26%	1.29%	1.23%
Ratio of net investment income to average net assets	2.13%	1.87%	1.76%	1.85%	2.05%
Portfolio turnover	22%	29%	24%	27%	12%
Common Shares outstanding end of year (000's omitted)	8,351	8,264	7,880	7,526	7,439

*Year-end dividend for the preceding year.

ACCOUNTANTS' REPORT

Board of Directors and Stockholders of

GENERAL AMERICAN INVESTORS COMPANY, INC.

We have examined the statements of assets and liabilities, capital stock and surplus, and investments of General American Investors Company, Inc. as of December 31, 1978, the related statements of operations for the year then ended and changes in net assets for each of the two years in the period then ended, and the supplementary information for each of the five years in the period then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including confirmation of securities owned at December 31, 1978 by correspondence with the custodian and brokers.

In our opinion, the aforementioned financial statements present fairly the financial position of General American Investors Company, Inc. at December 31, 1978, the results of its operations for the year then ended and the changes in its net assets for each of the two years in the period then ended, in conformity with generally accepted accounting principles applied on a consistent basis. Also, in our opinion, the supplementary information for each of the five years in the period ended December 31, 1978 is fairly stated in all material respects in relation to the financial statements taken as a whole.

New York, New York
 January 10, 1979

ERNST & ERNST
 (successors to the practice
 of S. D. Leidesdorf & Co.)

NET ASSET VALUES AND DIVIDENDS PER COMMON SHARE

The Company took its present form on September 5, 1929 upon the merger of two investment companies, one founded in 1927, the other in 1928. The initial capitalization, in addition to the Common Stock, included debentures and preferred stock, all of which have been retired except for \$412,200 Preferred Stock.

The following table lists the dividends paid on the Common Stock since 1929 and also the net assets applicable to the Common Stock as shown in the Annual Reports to Stockholders for 1929 and subsequent years. Data have been adjusted for 3 for 2 splits of the Common Stock effected March 19, 1968 and March 21, 1973 and rounded to the nearest cent.

Year	DIVIDENDS (a)		NET ASSETS (b)	Year	DIVIDENDS (a)		NET ASSETS (b)
	from net income (c)	from long-term capital gains	Per Share December 31 (d)		from net income (c)	from long-term capital gains	Per Share December 31 (d)
1929			\$5.17	1954	\$.22	\$.79	\$12.95
1930			2.46	1955	.22	.81	13.70
1931			.57	1956	.25	.83	14.99
1932			.06	1957	.22	.81	12.49
1933			2.46	1958	.19	.98	15.63
1934			2.90	1959	.22	.87	13.57
1935			5.29	1960	.21	.58	12.31
1936	\$.17	\$.17	7.74	1961	.17	1.01	14.49
1937			3.59	1962	.18	.75	11.92
1938			5.73	1963	.19	.81	13.54
1939	.11		5.25	1964	.21	.89	15.55
1940	.07		4.07	1965	.22	1.08	17.13
1941	.11		3.14	1966	.26	.95	14.24
1942	.18		4.13	1967	.32	1.20	16.55
1943	.18	.27	6.45	1968	.33	1.24	18.21
1944	.18	.85	6.93	1969	.31	.84	15.97
1945	.13	1.24	9.02	1970	.26	.45	15.14
1946	.23	.42	8.39	1971	.22	.91	16.55
1947	.31	.36	8.08	1972	.20	1.27	19.03
1948	.33	.48	7.73	1973	.24	1.05	14.57
1949	.32	.53	8.82	1974	.24		9.44
1950	.33	1.14	9.93	1975	.23	.83	11.66
1951	.31	.97	11.25	1976	.24	.98	12.95
1952	.27	.81	11.42	1977	.22	.70	12.14
1953	.23	.75	10.01	1978	.28	.94	13.16(e)
				Total	<u>\$9.31</u>	<u>\$29.56</u>	

The net asset value of the Common Stock, on September 5, 1929, the date of merger, was \$7.87 per share.

- The amounts shown as capital gain dividends, as well as the final dividend from net income, for 1962 and for each year thereafter, were paid in February or March of the following year.
- After deducting Debentures, when outstanding, at principal amount and Preferred Stock at \$100 per share.
- Includes short-term capital gains, per share: 1944—.5 cent, 1963—.9 cent, 1965—.5 cent, 1967—1.3 cents, 1968—1.3 cents, 1969—.7 cent, 1971—.7 cent, 1975—.3 cent, 1976—.8 cent.
- After 1961, amounts shown are after deduction of year-end dividends paid in the following February or March.
- After deducting year-end dividends payable on February 27, 1979. Before such adjustment, net asset value on December 31, 1978 was equal to \$14.38 per share.

DIVERSIFICATION OF INVESTMENT ASSETS

Shifts in the distribution of industrial groups within the portfolio during 1978 reflected both portfolio activity and price divergences in the various categories relative to the general market. The finance and insurance segment rose as a percentage of the total (from 3.5% at the beginning of the year to 7.3% at December 31, 1978) as did the publishing and broadcasting group (from 11.2% to 13.6%). The principal decline in relative importance occurred in the chemical group (from 11.1% to 7.7%). The extent of the diversification of the portfolio at year-end is indicated by the fact that no group accounted for more than 13.6% of total net assets and seven industrial groups ranged between that percentage and 7.5% of the total.

(000's Omitted)

	Dec. 31, 1978		Dec. 31, 1977	
	Amount	%	Amount	%
Stocks				
Chemical	\$ 9,294	7.7	\$12,081	11.1
Data Processing	6,311	5.2	4,951	4.6
Electrical and Electronics	11,423	9.5	11,103	10.2
Finance and Insurance	8,777	7.3	3,808	3.5
Health Care (including instrumentation)	9,096	7.5	8,446	7.8
Machinery, Tools and Equipment	6,384	5.3	5,478	5.1
Metals and Mining	4,675	3.9	4,690	4.3
Oil and Natural Gas	14,872	12.3	12,944	11.9
Publishing and Broadcasting	16,444	13.6	12,195	11.2
Retail and Wholesale Trade	11,278	9.4	8,816	8.1
Other	10,297	8.6	13,130	12.2
Total Stocks	<u>108,851</u>	<u>90.3</u>	<u>97,642</u>	<u>90.0</u>
Total short-term securities, cash and receivables, less liabilities	<u>11,654</u>	<u>9.7</u>	<u>10,858</u>	<u>10.0</u>
Total Net Assets	<u>\$120,505</u>	<u>100.0%</u>	<u>\$108,500</u>	<u>100.0%</u>

PERCENT OF TOTAL NET ASSETS

The following table shows the changes in percentage distribution of net assets by broad industry groups during the decade 1968-1978 and demonstrates the shift in emphasis over the period from the natural resource group to technically oriented companies, including the chemical, communications and health care groups.

December 31	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
Stocks											
Chem. Cosm. Drug	7.7%	11.1%	10.3%	8.6%	12.3%	7.6%	5.0%	5.7%	8.8%	10.0%	9.0%
Cons. Prods. & Svcs.	—	2.5	2.8	3.5	3.2	3.6	7.6	7.5	6.1	4.2	3.8
Data Processing	5.2	4.6	9.2	9.5	11.6	13.0	12.2	11.9	10.0	10.2	9.0
Elec. Electr. Aerosp.	9.5	10.2	5.5	3.5	1.6	3.9	4.3	1.6	2.6	4.1	3.4
Finance & Insurance	7.3	3.5	3.2	3.2	2.9	4.9	5.3	6.6	5.0	4.4	3.7
Forest Products	—	0.9	2.5	2.6	5.3	5.2	4.3	4.0	6.1	7.1	4.9
Glass, other Cont'rs.	—	—	—	—	—	—	—	—	3.7	5.8	4.4
Health Care (incl. instrumentation)	7.5	7.8	9.5	11.5	7.3	6.6	6.0	4.3	—	—	—
Mach., Tools & Equip.	5.3	5.1	4.5	5.1	7.1	5.4	5.2	3.1	2.0	1.7	2.0
Metal & Mining	3.9	4.3	6.6	6.2	8.0	9.4	8.2	9.5	12.5	12.3	10.1
Oil & Natural Gas	12.3	11.9	14.5	15.4	17.3	18.8	17.0	17.9	17.9	15.6	21.8
Pub. & Broadcast.	13.6	11.2	7.2	5.8	4.3	3.3	4.6	5.5	3.7	2.4	2.8
Retail & Whse. Trade	9.4	8.1	6.4	8.2	7.3	6.3	7.4	6.5	4.3	4.5	4.1
Other	8.6	8.8	8.2	5.8	0.4	2.0	5.9	7.7	7.0	8.9	8.9
Total Stocks	<u>90.3</u>	<u>90.0</u>	<u>90.4</u>	<u>88.9</u>	<u>88.6</u>	<u>90.0</u>	<u>93.0</u>	<u>91.8</u>	<u>89.7</u>	<u>91.2</u>	<u>87.9</u>
Net Cash & Equip.	9.7	10.0	9.6	11.1	11.4	10.0	7.0	8.2	10.3	8.8	12.1
Total Net Assets	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

MAJOR STOCK CHANGES* *Three months ended December 31, 1978*

INCREASES	Shares Purchased	Shares Held Dec. 31, 1978
Crum and Forster	40,000	40,000
Kemper Corporation	11,300	46,500**†
Pall Corporation	35,000	52,500†
Sabine Corporation	15,000	57,000††
Tandy Corporation	50,000	50,000

DECREASES	Shares Sold	Shares Held Dec. 31, 1978
Abbott Laboratories	10,000	60,000
Air Products and Chemicals, Inc.	25,000	50,000
AMAX Inc.	10,000	60,000
Beckman Instruments, Inc.	9,000	114,000†††
Burndy Corporation	20,000	115,000
Criterion Insurance Company	33,000	—
Dome Petroleum Limited	5,000	50,000
John Fluke Mfg. Co., Inc.	10,000	50,000
Gannett Co., Inc.	15,000	50,000
Knight-Ridder Newspapers, Inc.	20,000	100,000
Mercantile Stores Company, Inc.	10,000	65,000
RCA Corporation	50,000	—
Raychem Corporation	5,000	32,500

*Excludes transactions in Stocks-Miscellaneous-Other.

**Includes shares previously carried under Stocks-Miscellaneous-Other.

†Adjusted for 3 for 2 stock split.

††Adjusted for 5% stock dividend.

†††Adjusted for 2 for 1 stock split.

LARGEST STOCK HOLDINGS

The list of securities held at December 31, 1978, as shown on pages 6 and 7, includes 59 stock issues, including 3 not shown separately. Listed below are the ten largest stock holdings on that date:

	Shares	Value	% Total Net Assets
Dome Petroleum Limited	50,000	\$ 4,025,000	3.3
Super Valu Stores, Inc.	225,000	3,515,625	2.9
Superior Oil Company	10,000	3,290,000	2.7
Harte-Hanks Communications, Inc.	150,000	3,262,500	2.7
Capital Cities Communications, Inc.	80,000	3,170,000	2.6
Caterpillar Tractor Co.	50,000	2,937,500	2.5
AMAX Inc.	60,000	2,925,000	2.4
Premier Industrial Corporation	125,000	2,875,000	2.4
P. R. Mallory & Co. Inc.	55,000*	2,791,250	2.3
Beckman Instruments, Inc.	114,000	2,736,000	2.3
Total ten largest stock holdings		<u>\$31,527,875</u>	<u>26.1%</u>

*Disposed of on January 3, 1979 pursuant to a tender offer.

GENERAL AMERICAN INVESTORS COMPANY, INC.

DIRECTORS, WITH SOME OF THEIR AFFILIATIONS

ARTHUR G. ALTSCHUL

General American Investors Company, Inc.,
Chairman
Goldman, Sachs & Co., *Limited Partner*
Associated Dry Goods Corporation, *Director*
Barnard College, *Chairman,*
Board of Trustees
Whitney Museum of American Art, *Trustee*

MARVIN A. ASNES

Becton, Dickinson and Company, *Executive*
Vice President and Chief Operating
Officer, Director
The Bank Street College of Education,
Treasurer and Trustee
Harper & Row Publishers, Inc., *Director*
Massachusetts Institute of Technology,
Member of Corporation Visiting
Committee for Sponsored Research
Mt. Sinai School of Medicine, *Trustee*

EUGENE P. BERG

Bucyrus-Erie Company, *Director*
Abex Corporation, *Director*
Interlake Incorporated, *Director*
Kearney & Trecker Corp., *Director*
Purdue University Alumni Foundation,
Trustee

LAWRENCE B. BUTTENWIESER

Rosenman Colin Freund Lewis & Cohen,
Partner
Warner Communications Inc., *Director*

LEWIS B. CULLMAN

Cullman Ventures, Inc., *President*
Allied Graphic Arts Inc., *Chairman*
Gulton Industries, Inc., *Director*
Keith Clark, Inc., *Chairman*

GERALD M. EDELMAN

The Rockefeller University, *Vincent Astor*
Distinguished Professor
University of Pennsylvania, *Member Board*
of Overseers, Faculty of Arts and Sciences
Rockefeller Brothers Fund, *Trustee*
Salk Institute for Biological Studies, *Trustee*
and Non-Resident Fellow

WILLIAM T. GOLDEN

American Association for the Advancement
of Science, *Treasurer and Director*
American Museum of Natural History,
Vice President and Trustee
Barnard College, *Trustee*
Carnegie Institution of Washington,
Secretary and Trustee
John Simon Guggenheim Memorial
Foundation, *Trustee*

GABRIEL HAUGE

Manufacturers Hanover Corporation and
Manufacturers Hanover Trust Company,
Chairman
AMAX Inc., *Director*
American Home Products Corporation,
Director
Chrysler Corporation, *Director*
New York Telephone Company, *Director*

AUGUSTUS B. KINZEL

National Academy of Engineering,
Founding President
California Institute of Technology, *Trustee*
System Development Foundation, *Trustee*

RICHARD R. PIVIROTTO

Associated Dry Goods Corporation,
Chairman and Chief Executive Officer
The Bowery Savings Bank, *Trustee*
Chemical New York Corporation and
Chemical Bank, *Director*
New York Life Insurance Company, *Director*
Westinghouse Electric Corporation, *Director*

JOHN C. SAWHILL

New York University, *President*
American International Group, Inc., *Director*
Automatic Data Processing, Inc., *Director*
New York State Financial Control
Board, *Member*
RCA Corporation, *Director*

MALCOLM B. SMITH

General American Investors Company, Inc.,
President

BETHUEL M. WEBSTER

Webster & Sheffield, *Partner*
Drug Abuse Council, Inc., *Chairman*

DIRECTORS

Arthur G. Altschul	Gerald M. Edelman
Marvin A. Asnes	William T. Golden
Eugene P. Berg	Augustus B. Kinzel
Lawrence B. Buttenwieser	Richard R. Pivrotto
Lewis B. Cullman	Malcolm B. Smith
Bethuel M. Webster	
<i>Chairman Emeritus</i> Frank Altschul	

OFFICERS

<i>Chairman of the Board</i>	<i>President</i>
Arthur G. Altschul	Malcolm B. Smith
<i>Executive Vice-President</i>	<i>Vice-President</i>
Harold J. Kingsberg	William J. Gedale
<i>Vice-President, Admin.</i>	<i>Treasurer</i>
Eugene L. DeStaebler, Jr.	Melinda H. Reach
<i>Secretary</i>	<i>Asst. Treas. and Asst. Sec.</i>
James B. Book, IV	Muriel M. Cook
Counsel Sullivan & Cromwell	
Auditors Ernst & Whinney	
Custodian Bankers Trust Company	
Transfer Agent and Registrar	Manufacturers Hanover Trust Company

AUDITORS' REPORT

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

We have examined the statements of assets and liabilities, capital stock and surplus, and investments of General American Investors Company, Inc. as of September 30, 1979, the related statements of operations for the nine months then ended and changes in net assets for the nine months then ended and the year ended December 31, 1978, and the supplementary information for the nine months ended September 30, 1979 and for each of the five years in the period ended December 31, 1978. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including confirmation of securities owned at September 30, 1979 by correspondence with the custodian and brokers.

In our opinion, the aforementioned financial statements present fairly the financial position of General American Investors Company, Inc. at September 30, 1979, the results of its operations for the nine months then ended and the changes in its net assets for the nine months then ended and the year ended December 31, 1978, in conformity with generally accepted accounting principles applied on a consistent basis. Also, in our opinion, the supplementary information for the nine months ended September 30, 1979 and for each of the five years in the period ended December 31, 1978 is fairly stated in all material respects in relation to the financial statements taken as a whole.

ERNST & WHINNEY

New York, N.Y.
October 10, 1979

**GENERAL
AMERICAN
INVESTORS
COMPANY, INC.**



**REPORT
SEPTEMBER 30, 1979**

330 MADISON AVENUE
NEW YORK • N.Y. 10017

*A Publicly Traded Investment Fund
listed on the New York Stock Exchange*

Established 1927

TO THE STOCKHOLDERS:

Net assets as of September 30, 1979, as set forth in the accompanying financial statements, were \$150,502,179 equal, after deducting the outstanding \$399,900 Preferred Stock, to \$17.16 per share of Common Stock on the 8,744,878 shares outstanding as compared with \$15.13 per share on June 30, 1979. Net assets as of December 31, 1978 applicable to the Common Stock, after giving effect to the payment of the year-end dividends on February 27, 1979, were equal to \$13.16 per share.

The increase in net assets for the nine months (after adjusting the December 31, 1978 figure for the year-end dividends paid in cash) was \$35,856,803. Net realized gain (long-term) on securities sold was \$14,129,360 (\$1.62 per share); the increase in unrealized appreciation was \$19,658,882. During the nine months, 41,900 shares of Common Stock were purchased for \$451,855 and are in the treasury; 123 shares of Preferred Stock were purchased for \$11,042 and retired.

Net investment income for the nine months was \$2,545,105. Dividends on the Preferred Stock were \$13,647. Action on dividends on the Common Stock for 1979, income and capital gain, will be taken by the Board in January 1980.

We are pleased to report that, on August 9, 1979, the Company entered into its fifth investment advisory contract. The new agreement covers a portion of the assets in the consolidated endowment fund of a major U.S. university.

Because of the pressure of other commitments, Mr. Gabriel Hauge submitted his resignation as a director which the Board on September 12, 1979 accepted with much regret. Mr. Hauge's services are deeply appreciated and will be missed. They reflected his constant readiness, since first named to the Board in 1976, to make available to the Company his broad knowledge, gained in a distinguished career in business, finance and government.

Dr. John C. Sawhill was appointed Deputy Secretary of Energy of the United States Department of Energy on October 9, 1979. The Board accepted Dr. Sawhill's resignation as a director on October 10, 1979 with reluctance and with appreciation for his services to the Company. Dr. Sawhill contributed greatly to the Company's welfare from his wide range of experience and we extend best wishes to him as he undertakes his new, important responsibilities.

By order of the Board of Directors,

GENERAL AMERICAN INVESTORS COMPANY, INC.

ARTHUR G. ALTSCHUL
Chairman

MALCOLM B. SMITH
President

October 10, 1979

STATEMENT OF ASSETS AND LIABILITIES

September 30, 1979

ASSETS

Investments, at value (note 1a)	
General portfolio securities (cost \$83,252,098)	\$137,277,052
U.S. Government securities (cost \$6,730,154)	6,743,267
Corporate discount notes (cost \$9,879,674)	9,879,674
	<u>153,899,993</u>
Cash, receivables and other assets	
Cash	\$311,214
Dividends, interest and other receivables	674,764
Other	49,707
	<u>1,035,685</u>
Total Assets	154,935,678

LIABILITIES

Dividend on Preferred Stock payable October 1, 1979	4,499
Deposit for securities loaned	3,787,500
Payable for securities purchased	302,500
Accrued expenses and other liabilities	102,000
Reserve for state and municipal taxes on unrealized appreciation	<u>237,000</u>
Total Liabilities	4,433,499

NET ASSETS (see statement below)	150,502,179
Preferred Stock, at \$100 par value per share (note 2)	399,900
NET ASSETS APPLICABLE TO COMMON STOCK	\$150,102,279
NET ASSET VALUE PER SHARE OF COMMON STOCK	<u>\$17.16</u>

STATEMENT OF CAPITAL STOCK AND SURPLUS

September 30, 1979

\$4.50 Cumulative Preferred Stock, \$100 par value (note 2)	
Authorized 33,770 shares; outstanding 3,999 shares	\$399,900
Common Stock, \$1 par value (notes 2 and 3)	
Authorized 12,500,000 shares; outstanding (less 41,900 shares in treasury) 8,744,878 shares	8,744,878
Capital surplus (notes 2 and 3)	70,570,856
Undistributed realized gain on securities sold	14,211,265
Undistributed income	2,774,213
Unrealized appreciation on investments (note 1d)	53,801,067
Total	<u>\$150,502,179</u>

(see notes to financial statements)

GENERAL AMERICAN INVESTORS COMPANY, INC.

STATEMENT OF OPERATIONS *Nine months ended September 30, 1979*

INVESTMENT INCOME

Income

Dividends	\$2,145,281	
Interest	972,053	
Investment advisory fees (note 1c)	541,616	
Consultation fee	127,083	\$3,786,033

Expenses

Salaries (including officers \$300,645)	518,200	
Retirement and thrift plans (note 4)	92,618	
Directors' fees	42,600	
Transfer, dividend disbursing, custody and registrar	87,000	
Legal, auditing and report	67,053	
State and local taxes (notes 1b and 1d)	146,756	
Rent, electricity and telephone	101,037	
Other	185,664	1,240,928

Net investment income \$2,545,105

REALIZED GAIN (LOSS) AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS

Realized gain on general portfolio securities (notes 1d and 5)

Proceeds	\$40,402,279	
Cost (on basis of first-in, first-out)	26,277,357	\$14,124,922

Realized gain on U.S. Government securities 4,438

Net realized gain (long-term) 14,129,360

Unrealized appreciation on investments (notes 1b and 1d)

December 31, 1978	34,142,185	
September 30, 1979	53,801,067	

Increase in unrealized appreciation 19,658,882

Net realized gain and increase in unrealized appreciation on investments \$33,788,242

STATEMENT OF CHANGES IN NET ASSETS

INVESTMENT ACTIVITIES

Nine months ended Sept. 30, 1979 Year ended December 31, 1978

Net investment income	\$2,545,105	\$2,391,456
Net realized gain on securities sold	14,129,360	7,800,288
Year-end dividends on Common Stock		
from undistributed income	(2,338,330)	(1,818,173)
from undistributed long-term capital gain	(7,850,106)	(5,785,094)
Dividends on Preferred Stock	(13,647)	(24,602)
Increase in unrealized appreciation	19,658,882	9,048,851
Increase in net assets—investment activities	<u>26,131,264</u>	<u>11,612,726</u>

CAPITAL TRANSACTIONS

Common Stock issued for year-end dividends (note 3)	4,328,735	3,049,060
Preferred Stock purchased and retired—cost (note 2)	(11,042)	(190,176)
Common Stock purchased—cost (note 2)	(451,855)	(2,466,294)
Increase in net assets—capital transactions	<u>3,865,838</u>	<u>392,590</u>
Net increase in net assets	<u>29,997,102</u>	<u>12,005,316</u>

NET ASSETS

Beginning of period	120,505,077	108,499,761
End of period	<u>\$150,502,179</u>	<u>\$120,505,077</u>

(see notes to financial statements)

STATEMENT
 OF
 INVESTMENTS

September 30,
 1979

Shares	STOCKS	Value (note 1a)
CHEMICAL (7.0%)		
98,000	Avery International Corporation	\$1,874,250
50,000	Great Lakes Chemical Corporation	1,843,750
32,500	LeaRonald, Inc.	739,375
75,000	Pall Corporation	2,756,250
65,000	Raychem Corporation *	3,347,500
		<u>10,561,125</u>
CONSUMER PRODUCTS AND SERVICES (3.0%)		
4,400	Brown-Forman Distillers Corporation Class A	160,050
63,100	Brown-Forman Distillers Corporation Class B	2,342,588
50,000	Warner Communications Inc.	2,075,000
		<u>4,577,638</u>
DATA HANDLING (3.9%)		
41,450	Access Corporation† **	124,350
55,000	Automatic Data Processing, Inc.	2,069,375
25,000	Paradyne Corporation	512,500
140,000	Wang Laboratories, Inc. Class B	3,237,500
		<u>5,943,725</u>
ELECTRICAL AND ELECTRONICS (10.7%)		
80,000	Augat Inc.	1,950,000
115,000	Burndy Corporation	3,335,000
100,000	John Fluke Mfg. Co., Inc.	2,112,500
25,000	GenRad, Inc. *	831,250
15,000	Molex Incorporated *	592,500
40,000	Motorola, Inc.	2,085,000
30,000	Spectra-Physics, Inc.	907,500
60,000	Tektronix, Inc.	3,630,000
35,000	TeleSciences, Inc.	595,000
		<u>16,038,750</u>
FINANCE AND INSURANCE (9.6%)		
70,000	CNA Financial Corporation	953,750
56,000	Crum and Forster	3,038,000
37,500	ERC Corporation *	2,306,250
29,000	General Reinsurance Corporation *	2,871,000
72,500	Kemper Corporation *	2,610,000
60,000	Ohio Casualty Corporation *	2,115,000
16,000	United Financial Corporation of California	500,000
		<u>14,394,000</u>
HEALTH CARE (INCLUDING INSTRUMENTATION) (7.4%)		
67,500	Abbott Laboratories	2,590,313
70,000	Baxter Travenol Laboratories, Inc.	3,228,750
70,000	Beckman Instruments, Inc.	1,872,500
60,000	Becton, Dickinson and Company	1,942,500
50,000	I.M.S. International, Inc. *	1,431,250
		<u>11,065,313</u>
INDUSTRIAL DISTRIBUTION (5.3%)		
50,000	W. W. Grainger, Inc.	1,893,750
125,000	Premier Industrial Corporation	4,281,250
75,000	Snap-on Tools Corporation	1,771,875
		<u>7,946,875</u>
MACHINERY AND EQUIPMENT (2.9%)		
30,000	Caterpillar Tractor Co.	1,676,250
70,000	Deere & Company	2,747,500
		<u>4,423,750</u>
METALS AND MINING (1.9%)		
65,000	AMAX Inc.	2,868,125

GENERAL AMERICAN INVESTORS COMPANY, INC.

Shares	STOCKS (continued)	Value (note 1a)
OIL AND NATURAL GAS (12.4%)		
87,000	Amerada Hess Corporation	\$3,632,250
55,000	Conoco Inc.	2,406,250
30,000	Dome Petroleum Limited	1,282,500
60,000	Sabine Corporation	2,970,000
10,000	Superior Oil Company	5,001,250
70,000	Union Oil Company of California	3,290,000
		<u>18,582,250</u>
OIL AND NATURAL GAS SERVICES (1.2%)		
22,500	Halliburton Company	1,867,500
PUBLISHING AND BROADCASTING (9.8%)		
67,000	Capital Cities Communications, Inc.	3,190,875
50,000	Gannett Co., Inc.	2,412,500
150,000	Harte-Hanks Communications, Inc.	3,712,500
60,000	LIN Broadcasting Corporation*	3,030,000
65,000	Times Mirror Company	2,364,375
		<u>14,710,250</u>
RETAIL AND WHOLESALE TRADE (9.2%)		
61,000	Best Products Co., Inc.	1,563,125
73,500	Caldor, Inc.	1,754,813
50,000	Gordon Jewelry Corporation Class A	1,287,500
65,000	Mercantile Stores Company, Inc.	2,559,375
80,000	Fred Meyer, Inc.*	2,290,000
210,000	Super Valu Stores, Inc.	4,383,750
		<u>13,838,563</u>
TRANSPORTATION (2.1%)		
50,000	Federal Express Corporation	1,775,000
50,000	Harper Group*	1,412,500
		<u>3,187,500</u>
MISCELLANEOUS (4.8%)		
54,500	Dart Industries Inc.	2,595,563
15,000	Loews Corporation	885,000
12,500	Teledyne, Inc.	1,828,125
	Other	1,963,000
		<u>7,271,688</u>
	TOTAL STOCKS (91.2%)	<u><u>137,277,052</u></u>
SHORT-TERM SECURITIES AND OTHER ASSETS		
SHORT-TERM SECURITIES		
\$3,800,000	U.S. Treasury Bill due 10/4/79	3,782,967
1,000,000	U.S. Treasury 6¼% Note due 11/15/79*	990,300
2,000,000	Federal Home Loan Banks 8.10% Note due 2/25/80*	1,970,000
3,600,000	General Electric Credit Corp. Notes due 10/18/79 and 11/1/79	3,556,416
2,900,000	General Motors Acceptance Corp. Note due 10/25/79	2,867,154
3,500,000	Sears Roebuck Acceptance Corp. Note due 10/11/79	3,456,104
	Total Short-Term Securities	<u>16,622,941</u>
	CASH, RECEIVABLES AND OTHER ASSETS	<u>1,035,685</u>
		<u>17,658,626</u>
	LESS LIABILITIES	<u>4,433,499</u>
	TOTAL SHORT-TERM SECURITIES, CASH, RECEIVABLES AND OTHER ASSETS, LESS LIABILITIES (8.8%)	<u>13,225,127</u>
	NET ASSETS	<u><u>\$150,502,179</u></u>

*On the basis of "over-the-counter" quotations.

**Fair value in the opinion of the Directors.

†Restricted security.

(see notes to financial statements)

NOTES TO FINANCIAL STATEMENTS

1. *Significant Accounting Policies:*

a. *Security Valuation*—Securities traded on national exchanges are valued at the last sales prices on the last business day of the period or, if there are no sales on such exchanges on that day, at the last bid prices. Securities traded in the over-the-counter market are valued at the last bid prices. U.S. Treasury Bills and corporate discount notes are valued at cost, which approximates market value. Securities not currently quoted are valued at fair value in the opinion of the Directors.

b. *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.

c. *Investment Advisory Fees*—Income from fees is recorded as the related advisory services are performed by the Company pursuant to investment advisory agreements.

d. *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. Unrealized appreciation on investments is stated after a reserve for state and municipal taxes. State and municipal taxes on security profits and state transfer taxes are included as expenses under "State and local taxes."

2. *Capital Stock:* The Preferred Stock is entitled in liquidation to \$100 per share and accrued dividends and is callable at \$105 per share and accrued dividends. As a purchase fund, the Company intends to retire 2,000 shares of Preferred Stock annually by purchase in the "over-the-counter" market at no more than a computed price during the first three quarters and may pay up to \$100 per share including costs and commissions during the final quarter of the year. During the nine months ended September 30, 1979, the Company purchased and retired 123 shares of Preferred Stock. The excess of the par value over the cost of the shares purchased, which amounted to \$1,258, was credited to Capital Surplus. In 1978, 1,927 shares were purchased and retired which resulted in a credit of \$2,524 to Capital Surplus.

During the nine months ended September 30, 1979, the Company purchased 41,900 shares of Common Stock, which it intends to retire. The excess of the cost over the par value of the shares purchased, which amounted to \$409,955, was charged to Capital Surplus.

3. *Distribution:* For Common Stockholders who did not elect to receive in cash the dividends paid February 27, 1979, the dividends were paid in Common Stock, computed at market value (\$9.9375 per share). There were 435,596 shares issued for a total of \$4,328,735; of this amount, the par value, \$435,596, was credited to Common Stock and \$3,893,139 was credited to Capital Surplus.

4. *Retirement and Thrift Plans:* The Company has a non-contributory retirement plan and a contributory thrift plan which cover substantially all employees. Retirement plan costs include current service costs and the amortization of prior service costs over twenty years. Thrift plan costs represent the Company's contributions for the purchase of its Common Stock for participating employees. Costs of both plans are funded currently.

5. *Purchases and Sales of Securities:* Purchases and sales of securities (other than short-term securities) during the nine months ended September 30, 1979 were \$35,003,930 and \$40,402,279, respectively.

6. *General Information:* Brokerage commissions during the nine months ended September 30, 1979 were \$158,825, including \$26,326 paid to Goldman, Sachs & Co., a limited partner of which is a director of the Company.

For the nine months ended September 30, 1979, registrar, transfer and dividend disbursing agent fees of \$52,500 were paid or are payable to Manufacturers Hanover Trust Company, a director and former officer of which was a director of the Company until September 12, 1979.

In addition to purchases of Preferred Stock and Common Stock as set forth in Note 2 above, purchases of Preferred and 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.

GENERAL AMERICAN INVESTORS COMPANY, INC.

SUPPLEMENTARY INFORMATION INCOME AND CAPITAL CHANGES PER COMMON SHARE

	9 Mos. ended	Year ended December 31,				
	September 30,	1978	1977	1976	1975	1974
	1979					
Investment income	\$.43	\$.45	\$.39	\$.41	\$.39	\$.40
Expenses . . . . .	.14	.17	.16	.17	.16	.15
Net investment income . . . . .	.29	.28	.23	.24	.23	.25
Dividends on Preferred	—	—	—	(.01)	(.01)	(.01)
Dividends on Common*	(.28)	(.22)	(.24)	(.23)	(.24)	(.24)
Net realized and unrealized gain (loss) on investments**	3.71	1.96	(.12)	2.28	3.06	(5.13)
Dividend from realized long-term capital gain*	(.94)	(.70)	(.98)	(.83)	—	(1.05)
Net asset value beginning of period	14.38	13.06	14.17	12.72	9.68	15.86
Net asset value end of period	<u>\$17.16</u>	<u>\$14.38</u>	<u>\$13.06</u>	<u>\$14.17</u>	<u>\$12.72</u>	<u>\$9.68</u>
Common shares outstanding end of period (000's omitted)	8,745	8,351	8,264	7,880	7,526	7,439

*Year-end dividend for the preceding year.

**Includes net effect of issuance of Common shares in payment of dividends and of purchase of Common shares, both at market value.

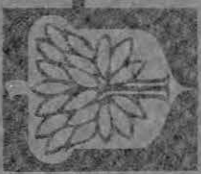
MAJOR STOCK CHANGES* *Three months ended September 30, 1979*

INCREASES	Shares Purchased	Shares Held September 30, 1979
CNA Financial Corporation	70,000	70,000
W. W. Grainger, Inc.	5,000	50,000
Halliburton Company	22,500	22,500
I. M. S. International, Inc.	50,000	50,000
Loews Corporation	15,000	15,000
Motorola, Inc.	40,000	40,000
Paradyne Corporation	25,000	25,000
DECREASES	Shares Sold	Shares Held September 30, 1979
AMAX Inc.	10,000	65,000
Amerada Hess Corporation	5,000	87,000
Avery International Corporation	22,000	98,000
Beckman Instruments, Inc.	17,000	70,000
Best Products Co. Inc.	9,000	61,000
Caterpillar Tractor Co.	7,500	30,000
Compugraphic Corporation	13,500	—
Gannett Co., Inc.	30,000	50,000
International Business Machines Corporation	25,000	—
Knight-Ridder Newspapers, Inc.	75,000	—
Ohio Casualty Corporation	17,500	60,000
Veeco Instruments Inc.	37,500	—

*Excludes transactions in Stocks-Miscellaneous-Other.

GENERAL AMERICAN INVESTORS COMPANY, INC.

330 MADISON AVENUE, NEW YORK, N. Y. 10017



DIRECTORS

Arthur G. Altschul	Gerald M. Edelman
Marvin A. Asnes	William T. Golden
Eugene P. Berg	Augustus B. Kinzel
Lawrence B. Buttenwieser	Richard R. Pivrotto
Lewis B. Cullman	Malcolm B. Smith
Bethuel M. Webster	

Chairman Emeritus Frank Altschul

OFFICERS

<i>Chairman of the Board</i>	<i>President</i>
Arthur G. Altschul	Malcolm B. Smith
<i>Executive Vice-President</i>	<i>Vice-President</i>
Harold J. Kingsberg	William J. Gedale
<i>Vice-President, Admin.</i>	<i>Treasurer</i>
Eugene L. DeStaebler, Jr.	Melinda H. Reach
<i>Secretary</i>	<i>Asst. Treas. and Asst. Sec.</i>
James B. Book, IV	Muriel M. Cook

Counsel Sullivan & Cromwell

Auditors Ernst & Whinney

Custodian Bankers Trust Company

Transfer Agent and Registrar Manufacturers Hanover
Trust Company

AUDITORS' REPORT

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

We have examined the statements of assets and liabilities, capital stock and surplus, and investments of General American Investors Company, Inc. as of September 30, 1979, the related statements of operations for the nine months then ended and changes in net assets for the nine months then ended and the year ended December 31, 1978, and the supplementary information for the nine months ended September 30, 1979 and for each of the five years in the period ended December 31, 1978. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including confirmation of securities owned at September 30, 1979 by correspondence with the custodian and brokers.

In our opinion, the aforementioned financial statements present fairly the financial position of General American Investors Company, Inc. at September 30, 1979, the results of its operations for the nine months then ended and the changes in its net assets for the nine months then ended and the year ended December 31, 1978, in conformity with generally accepted accounting principles applied on a consistent basis. Also, in our opinion, the supplementary information for the nine months ended September 30, 1979 and for each of the five years in the period ended December 31, 1978 is fairly stated in all material respects in relation to the financial statements taken as a whole.

ERNST & WHINNEY

New York, N.Y.
October 10, 1979

GENERAL AMERICAN INVESTORS COMPANY, INC.



REPORT SEPTEMBER 30, 1979

330 MADISON AVENUE
NEW YORK • N.Y. 10017

*A Publicly Traded Investment Fund
listed on the New York Stock Exchange*

Established 1927

TO THE STOCKHOLDERS:

Net assets as of September 30, 1979, as set forth in the accompanying financial statements, were \$150,502,179 equal, after deducting the outstanding \$399,900 Preferred Stock, to \$17.16 per share of Common Stock on the 8,744,878 shares outstanding as compared with \$15.13 per share on June 30, 1979. Net assets as of December 31, 1978 applicable to the Common Stock, after giving effect to the payment of the year-end dividends on February 27, 1979, were equal to \$13.16 per share.

The increase in net assets for the nine months (after adjusting the December 31, 1978 figure for the year-end dividends paid in cash) was \$35,856,803. Net realized gain (long-term) on securities sold was \$14,129,360 (\$1.62 per share); the increase in unrealized appreciation was \$19,658,882. During the nine months, 41,900 shares of Common Stock were purchased for \$451,855 and are in the treasury; 123 shares of Preferred Stock were purchased for \$11,042 and retired.

Net investment income for the nine months was \$2,545,105. Dividends on the Preferred Stock were \$13,647. Action on dividends on the Common Stock for 1979, income and capital gain, will be taken by the Board in January 1980.

We are pleased to report that, on August 9, 1979, the Company entered into its fifth investment advisory contract. The new agreement covers a portion of the assets in the consolidated endowment fund of a major U.S. university.

Because of the pressure of other commitments, Mr. Gabriel Hauge submitted his resignation as a director which the Board on September 12, 1979 accepted with much regret. Mr. Hauge's services are deeply appreciated and will be missed. They reflected his constant readiness, since first named to the Board in 1976, to make available to the Company his broad knowledge, gained in a distinguished career in business, finance and government.

Dr. John C. Sawhill was appointed Deputy Secretary of Energy of the United States Department of Energy on October 9, 1979. The Board accepted Dr. Sawhill's resignation as a director on October 10, 1979 with reluctance and with appreciation for his services to the Company. Dr. Sawhill contributed greatly to the Company's welfare from his wide range of experience and we extend best wishes to him as he undertakes his new, important responsibilities.

By order of the Board of Directors,

GENERAL AMERICAN INVESTORS COMPANY, INC.

ARTHUR G. ALTSCHUL
Chairman

MALCOLM B. SMITH
President

October 10, 1979

STATEMENT OF ASSETS AND LIABILITIES

September 30, 1979

ASSETS

Investments, at value (note 1a)

General portfolio securities (cost \$83,252,098)	\$137,277,052
U.S. Government securities (cost \$6,730,154)	6,743,267
Corporate discount notes (cost \$9,879,674)	9,879,674
	<u>153,899,993</u>

Cash, receivables and other assets

Cash	\$311,214
Dividends, interest and other receivables	674,764
Other	49,707
	<u>1,035,685</u>
Total Assets	<u>154,935,678</u>

LIABILITIES

Dividend on Preferred Stock payable October 1, 1979	4,499
Deposit for securities loaned	3,787,500
Payable for securities purchased	302,500
Accrued expenses and other liabilities	102,000
Reserve for state and municipal taxes on unrealized appreciation	237,000
	<u>4,433,499</u>
Total Liabilities	<u>4,433,499</u>

NET ASSETS (see statement below)	150,502,179
Preferred Stock, at \$100 par value per share (note 2)	399,900
	<u>\$150,102,279</u>
NET ASSETS APPLICABLE TO COMMON STOCK	<u>\$150,102,279</u>
NET ASSET VALUE PER SHARE OF COMMON STOCK	<u>\$17.16</u>

STATEMENT OF CAPITAL STOCK AND SURPLUS

September 30, 1979

\$4.50 Cumulative Preferred Stock, \$100 par value (note 2)

Authorized 33,770 shares; outstanding 3,999 shares	\$399,900
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Common Stock, \$1 par value (notes 2 and 3)

Authorized 12,500,000 shares; outstanding (less 41,900 shares in treasury) 8,744,878 shares	8,744,878
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Capital surplus (notes 2 and 3)	70,570,856
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Undistributed realized gain on securities sold	14,211,265
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Undistributed income	2,774,213
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Unrealized appreciation on investments (note 1d)	53,801,067
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Total	<u>\$150,502,179</u>
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(see notes to financial statements)

STATEMENT OF OPERATIONS *Nine months ended September 30, 1979*

INVESTMENT INCOME

Income

Dividends	\$2,145,281	
Interest	972,053	
Investment advisory fees (note 1c)	541,616	
Consultation fee	<u>127,083</u>	\$3,786,033

Expenses

Salaries (including officers \$300,645)	518,200	
Retirement and thrift plans (note 4)	92,618	
Directors' fees	42,600	
Transfer, dividend disbursing, custody and registrar	87,000	
Legal, auditing and report	67,053	
State and local taxes (notes 1b and 1d)	146,756	
Rent, electricity and telephone	101,037	
Other	<u>185,664</u>	1,240,928
Net investment income		<u>\$2,545,105</u>

REALIZED GAIN (LOSS) AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS

Realized gain on general portfolio securities (notes 1d and 5)		
Proceeds	\$40,402,279	
Cost (on basis of first-in, first-out)	<u>26,277,357</u>	\$14,124,922
Realized gain on U.S. Government securities		4,438
Net realized gain (long-term)		<u>14,129,360</u>
Unrealized appreciation on investments (notes 1b and 1d)		
December 31, 1978	34,142,185	
September 30, 1979	<u>53,801,067</u>	
Increase in unrealized appreciation		<u>19,658,882</u>
Net realized gain and increase in unrealized appreciation on investments		<u>\$33,788,242</u>

STATEMENT OF CHANGES IN NET ASSETS

INVESTMENT ACTIVITIES

Nine months ended Sept. 30, 1979 Year ended December 31, 1978

Net investment income	\$2,545,105	\$2,391,456
Net realized gain on securities sold	14,129,360	7,800,288
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from undistributed income	(2,338,330)	(1,818,173)
from undistributed long-term capital gain	(7,850,106)	(5,785,094)
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Increase in net assets—investment activities	<u>26,131,264</u>	<u>11,612,726</u>

CAPITAL TRANSACTIONS

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Preferred Stock purchased and retired—cost (note 2)	(11,042)	(190,176)
Common Stock purchased—cost (note 2)	(451,855)	(2,466,294)
Increase in net assets—capital transactions	<u>3,865,838</u>	<u>392,590</u>
Net increase in net assets	<u>29,997,102</u>	<u>12,005,316</u>

NET ASSETS

Beginning of period	120,505,077	108,499,761
End of period	<u>\$150,502,179</u>	<u>\$120,505,077</u>

(see notes to financial statements)

STATEMENT
 OF
 INVESTMENTS

September 30,
 1979

Shares	STOCKS	Value (note 1a)
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75,000	Pall Corporation	2,756,250
65,000	Raychem Corporation *	3,347,500
		<u>10,561,125</u>
CONSUMER PRODUCTS AND SERVICES (3.0%)		
4,400	Brown-Forman Distillers Corporation Class A	160,050
63,100	Brown-Forman Distillers Corporation Class B	2,342,588
50,000	Warner Communications Inc.	2,075,000
		<u>4,577,638</u>
DATA HANDLING (3.9%)		
41,450	Access Corporation† **	124,350
55,000	Automatic Data Processing, Inc.	2,069,375
25,000	Paradyne Corporation	512,500
140,000	Wang Laboratories, Inc. Class B	3,237,500
		<u>5,943,725</u>
ELECTRICAL AND ELECTRONICS (10.7%)		
80,000	Augat Inc.	1,950,000
115,000	Burndy Corporation	3,335,000
100,000	John Fluke Mfg. Co., Inc.	2,112,500
25,000	GenRad, Inc. *	831,250
15,000	Moler Incorporated *	592,500
40,000	Motorola, Inc.	2,085,000
30,000	Spectra-Physics, Inc.	907,500
60,000	Tektronix, Inc.	3,630,000
35,000	TeleSciences, Inc.	595,000
		<u>16,038,750</u>
FINANCE AND INSURANCE (9.6%)		
70,000	CNA Financial Corporation	953,750
56,000	Crum and Forster	3,038,000
37,500	ERC Corporation *	2,306,250
29,000	General Reinsurance Corporation *	2,871,000
72,500	Kemper Corporation *	2,610,000
60,000	Ohio Casualty Corporation *	2,115,000
16,000	United Financial Corporation of California	500,000
		<u>14,394,000</u>
HEALTH CARE (INCLUDING INSTRUMENTATION) (7.4%)		
67,500	Abbott Laboratories	2,590,313
70,000	Baxter Travenol Laboratories, Inc.	3,228,750
70,000	Beckman Instruments, Inc.	1,872,500
60,000	Becton, Dickinson and Company	1,942,500
50,000	I.M.S. International, Inc. *	1,431,250
		<u>11,065,313</u>
INDUSTRIAL DISTRIBUTION (5.3%)		
50,000	W. W. Grainger, Inc.	1,893,750
125,000	Premier Industrial Corporation	4,281,250
75,000	Snap-on Tools Corporation	1,771,875
		<u>7,946,875</u>
MACHINERY AND EQUIPMENT (2.9%)		
30,000	Caterpillar Tractor Co.	1,676,250
70,000	Deere & Company	2,747,500
		<u>4,423,750</u>
METALS AND MINING (1.9%)		
65,000	AMAX Inc.	2,868,125

Shares	STOCKS (continued)	Value
	OIL AND NATURAL GAS (12.4%)	(note 1a)
87,000	Amerada Hess Corporation	\$3,632,250
55,000	Conoco Inc.	2,406,250
30,000	Dome Petroleum Limited	1,282,500
60,000	Sabine Corporation	2,970,000
10,000	Superior Oil Company	5,001,250
70,000	Union Oil Company of California	3,290,000
		<u>18,582,250</u>
	OIL AND NATURAL GAS SERVICES (1.2%)	
22,500	Halliburton Company	1,867,500
	PUBLISHING AND BROADCASTING (9.8%)	
67,000	Capital Cities Communications, Inc.	3,190,875
50,000	Gannett Co., Inc.	2,412,500
150,000	Harte-Hanks Communications, Inc.	3,712,500
60,000	LIN Broadcasting Corporation*	3,030,000
65,000	Times Mirror Company	2,364,375
		<u>14,710,250</u>
	RETAIL AND WHOLESALE TRADE (9.2%)	
61,000	Best Products Co., Inc.	1,563,125
73,500	Caldor, Inc.	1,754,813
50,000	Gordon Jewelry Corporation Class A	1,287,500
65,000	Mercantile Stores Company, Inc.	2,559,375
80,000	Fred Meyer, Inc.*	2,290,000
210,000	Super Valu Stores, Inc.	4,383,750
		<u>13,838,563</u>
	TRANSPORTATION (2.1%)	
50,000	Federal Express Corporation	1,775,000
50,000	Harper Group*	1,412,500
		<u>3,187,500</u>
	MISCELLANEOUS (4.8%)	
54,500	Dart Industries Inc.	2,595,563
15,000	Loews Corporation	885,000
12,500	Teledyne, Inc.	1,828,125
	Other	1,963,000
		<u>7,271,688</u>
	TOTAL STOCKS (91.2%)	<u>137,277,052</u>
	SHORT-TERM SECURITIES AND OTHER ASSETS	
	SHORT-TERM SECURITIES	
\$3,800,000	U.S. Treasury Bill due 10/4/79	3,782,967
1,000,000	U.S. Treasury 6¼ % Note due 11/15/79*	990,300
2,000,000	Federal Home Loan Banks 8.10% Note due 2/25/80*	1,970,000
3,600,000	General Electric Credit Corp. Notes due 10/18/79 and 11/1/79	3,556,416
2,900,000	General Motors Acceptance Corp. Note due 10/25/79	2,867,154
3,500,000	Sears Roebuck Acceptance Corp. Note due 10/11/79	3,456,104
	Total Short-Term Securities	<u>16,622,941</u>
	CASH, RECEIVABLES AND OTHER ASSETS	<u>1,035,685</u>
		17,658,626
	LESS LIABILITIES	<u>4,433,499</u>
	TOTAL SHORT-TERM SECURITIES, CASH, RECEIVABLES AND OTHER ASSETS, LESS LIABILITIES (8.8%)	13,225,127
	NET ASSETS	<u>\$150,502,179</u>

*On the basis of "over-the-counter" quotations.

**Fair value in the opinion of the Directors.

†Restricted security.

(see notes to financial statements)

NOTES TO FINANCIAL STATEMENTS

1. *Significant Accounting Policies:*

a. *Security Valuation*—Securities traded on national exchanges are valued at the last sales prices on the last business day of the period or, if there are no sales on such exchanges on that day, at the last bid prices. Securities traded in the over-the-counter market are valued at the last bid prices. U.S. Treasury Bills and corporate discount notes are valued at cost, which approximates market value. Securities not currently quoted are valued at fair value in the opinion of the Directors.

b. *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.

c. *Investment Advisory Fees*—Income from fees is recorded as the related advisory services are performed by the Company pursuant to investment advisory agreements.

d. *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. Unrealized appreciation on investments is stated after a reserve for state and municipal taxes. State and municipal taxes on security profits and state transfer taxes are included as expenses under "State and local taxes."

2. *Capital Stock:* The Preferred Stock is entitled in liquidation to \$100 per share and accrued dividends and is callable at \$105 per share and accrued dividends. As a purchase fund, the Company intends to retire 2,000 shares of Preferred Stock annually by purchase in the "over-the-counter" market at no more than a computed price during the first three quarters and may pay up to \$100 per share including costs and commissions during the final quarter of the year. During the nine months ended September 30, 1979, the Company purchased and retired 123 shares of Preferred Stock. The excess of the par value over the cost of the shares purchased, which amounted to \$1,258, was credited to Capital Surplus. In 1978, 1,927 shares were purchased and retired which resulted in a credit of \$2,524 to Capital Surplus.

During the nine months ended September 30, 1979, the Company purchased 41,900 shares of Common Stock, which it intends to retire. The excess of the cost over the par value of the shares purchased, which amounted to \$409,955, was charged to Capital Surplus.

3. *Distribution:* For Common Stockholders who did not elect to receive in cash the dividends paid February 27, 1979, the dividends were paid in Common Stock, computed at market value (\$9.9375 per share). There were 435,596 shares issued for a total of \$4,328,735; of this amount, the par value, \$435,596, was credited to Common Stock and \$3,893,139 was credited to Capital Surplus.

4. *Retirement and Thrift Plans:* The Company has a non-contributory retirement plan and a contributory thrift plan which cover substantially all employees. Retirement plan costs include current service costs and the amortization of prior service costs over twenty years. Thrift plan costs represent the Company's contributions for the purchase of its Common Stock for participating employees. Costs of both plans are funded currently.

5. *Purchases and Sales of Securities:* Purchases and sales of securities (other than short-term securities) during the nine months ended September 30, 1979 were \$35,003,930 and \$40,402,279, respectively.

6. *General Information:* Brokerage commissions during the nine months ended September 30, 1979 were \$158,825, including \$26,326 paid to Goldman, Sachs & Co., a limited partner of which is a director of the Company.

For the nine months ended September 30, 1979, registrar, transfer and dividend disbursing agent fees of \$52,500 were paid or are payable to Manufacturers Hanover Trust Company, a director and former officer of which was a director of the Company until September 12, 1979.

In addition to purchases of Preferred Stock and Common Stock as set forth in Note 2 above, purchases of Preferred and 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.

SUPPLEMENTARY INFORMATION INCOME AND CAPITAL CHANGES PER COMMON SHARE

	9 Mos. ended September 30,		Year ended December 31,			
	1979	1978	1977	1976	1975	1974
Investment income	\$.43	\$.45	\$.39	\$.41	\$.39	\$.40
Expenses . . . . .	.14	.17	.16	.17	.16	.15
Net investment income . . . . .	.29	.28	.23	.24	.23	.25
Dividends on Preferred	—	—	—	(.01)	(.01)	(.01)
Dividends on Common*	(.28)	(.22)	(.24)	(.23)	(.24)	(.24)
Net realized and unrealized gain (loss) on investments**	3.71	1.96	(.12)	2.28	3.06	(5.13)
Dividend from realized long-term capital gain*	(.94)	(.70)	(.98)	(.83)	—	(1.05)
Net asset value beginning of period	14.38	13.06	14.17	12.72	9.68	15.86
Net asset value end of period	<u>\$17.16</u>	<u>\$14.38</u>	<u>\$13.06</u>	<u>\$14.17</u>	<u>\$12.72</u>	<u>\$9.68</u>
Common shares outstanding end of period (000's omitted)	8,745	8,351	8,264	7,880	7,526	7,439

*Year-end dividend for the preceding year.

**Includes net effect of issuance of Common shares in payment of dividends and of purchase of Common shares, both at market value.

MAJOR STOCK CHANGES* *Three months ended September 30, 1979*

INCREASES	Shares Purchased	Shares Held September 30, 1979
CNA Financial Corporation	70,000	70,000
W. W. Grainger, Inc.	5,000	50,000
Halliburton Company	22,500	22,500
I. M. S. International, Inc.	50,000	50,000
Loews Corporation	15,000	15,000
Motorola, Inc.	40,000	40,000
Paradyne Corporation	25,000	25,000
DECREASES	Shares Sold	Shares Held September 30, 1979
AMAX Inc.	10,000	65,000
Amerada Hess Corporation	5,000	87,000
Avery International Corporation	22,000	98,000
Beckman Instruments, Inc.	17,000	70,000
Best Products Co. Inc.	9,000	61,000
Caterpillar Tractor Co.	7,500	30,000
Compugraphic Corporation	13,500	—
Gannett Co., Inc.	30,000	50,000
International Business Machines Corporation	25,000	—
Knight-Ridder Newspapers, Inc.	75,000	—
Ohio Casualty Corporation	17,500	60,000
Veeco Instruments Inc.	37,500	—

*Excludes transactions in Stocks-Miscellaneous-Other.



GENERAL AMERICAN INVESTORS COMPANY, INC.

330 MADISON AVENUE • NEW YORK • N. Y. 10017

October 10, 1979

The attached chart shows the growth of each dollar of the \$185 million of separate accounts under our management as compared to the growth of each dollar in the S&P 500. At the bottom of the page, we have stated the time-weighted rates of return for our funds as well as for the S&P 500. In addition, our \$150 million publicly traded investment company, which is not a part of the universe represented on this chart, had a gain of 32.1% in the first nine months of 1979.

Another development in the past quarter was the decision on the part of one our corporate clients to give us an additional \$20 million to manage. This will bring the five separate portfolios under our management to about \$205 million and the total, including the publicly traded investment company, to over \$350 million.

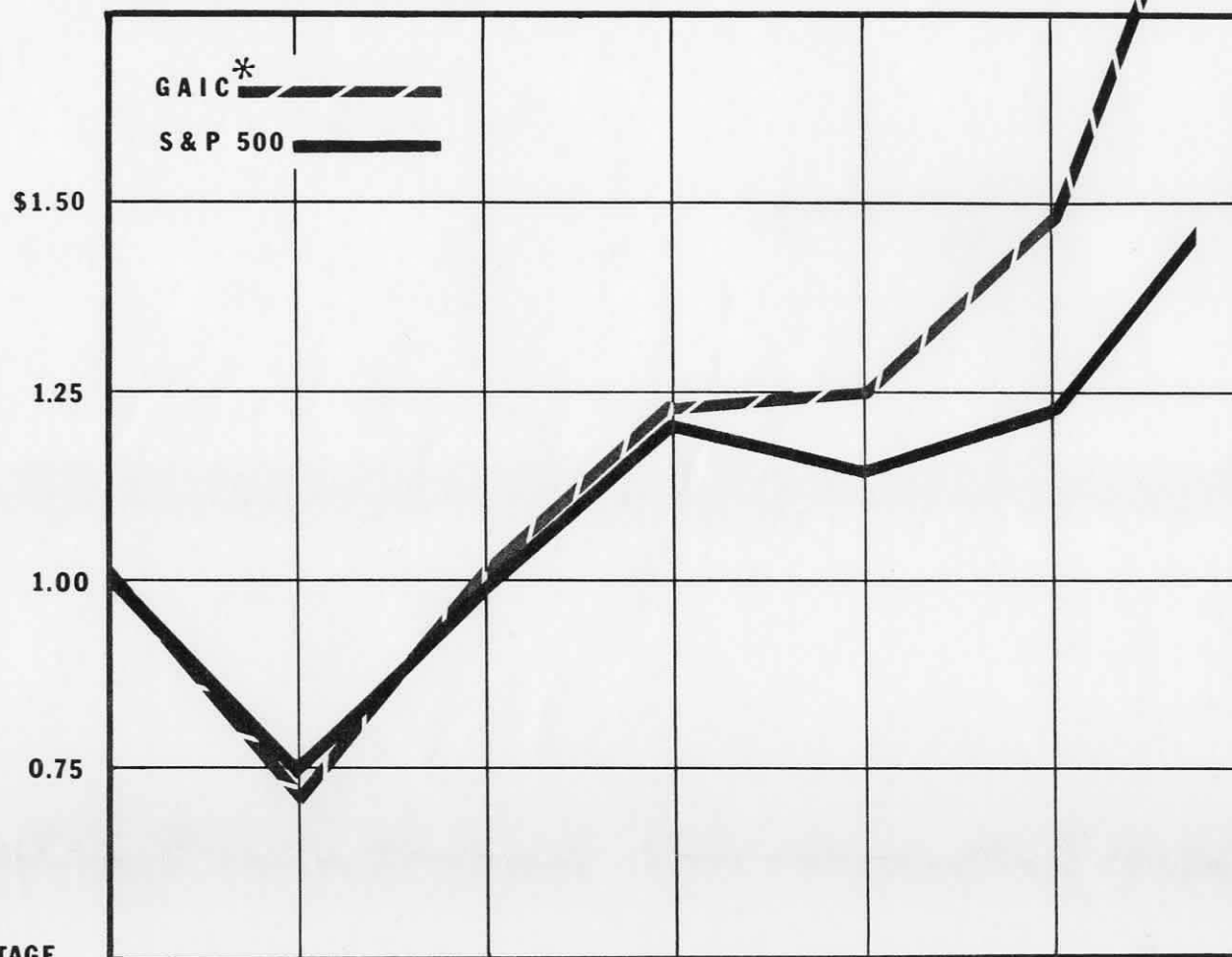
General American Investors Company, Inc.

Thomas F. Guillet
(212) 949-1766



GENERAL AMERICAN INVESTORS COMPANY, INC.

GROWTH OF \$1.00 OVER 5 YEARS IN PENSION ACCOUNTS



**ANNUAL PERCENTAGE
RETURN**

GAIC*

S & P 500

1974	1975	1976	1977	1978	1979 9 Months
-30.3	44.7	22.1	1.2	17.3	31.4
-26.5	37.2	24.0	-7.2	6.6	18.4

* Time-weighted rates of return are a simple average of all employee benefit funds managed by GENERAL AMERICAN INVESTORS.

GENERAL AMERICAN INVESTORS

COMPANY, INC.



**ANNUAL
REPORT
1978**



GENERAL AMERICAN INVESTORS COMPANY, INC.

330 MADISON AVENUE • NEW YORK • N.Y. 10017

A Publicly Traded Investment Fund listed on the New York Stock Exchange

Established 1927

DIRECTORS

Arthur G. Altschul	William T. Golden
Marvin A. Asnes	Gabriel Hauge
Eugene P. Berg	Augustus B. Kinzel
Lawrence B. Buttenwieser	Richard R. Pivrotto
Lewis B. Cullman	John C. Sawhill
Gerald M. Edelman	Malcolm B. Smith

Bethuel M. Webster

Chairman Emeritus
Frank Altschul

OFFICERS

Chairman of the Board
Arthur G. Altschul

Executive Vice-President
Harold J. Kingsberg

Vice-President, Administration
Eugene L. DeStaebler, Jr.

Secretary
James B. Book, IV

President
Malcolm B. Smith

Vice-President
William J. Gedale

Treasurer
Melinda H. Reach

Assistant Treasurer and Assistant Secretary
Muriel M. Cook

Counsel
Auditors
Custodian

Transfer Agent and Registrar

Sullivan & Cromwell
Ernst & Ernst
Bankers Trust Company
Manufacturers Hanover Trust Company

TO THE STOCKHOLDERS:

We are pleased to submit herewith the Annual Report for 1978, the fifty-second in our history. The Report includes financial statements, including the list of investments owned at the year-end, together with information on our corporate policies and operations.

The Company's net assets as of December 31, 1978 were \$120,505,077, equal, after deducting the outstanding \$412,200 Preferred Stock, to \$14.38 per share of Common Stock on the 8,351,182 shares outstanding. This compares with \$14.98 on September 30, 1978. Net assets as of December 31, 1977 applicable to the Common Stock after giving effect to the payment of the year-end dividends on February 27, 1978 were equal to \$12.14 per share.

The increase in net assets for the year (after adjusting the December 31, 1977 figure for the year-end dividends paid in cash) was \$16,559,523. Net realized long-term gain on securities sold was \$7,800,288 (\$.93 per share). Net income during the year was \$2,391,456, equal, after deducting Preferred dividends of \$24,602, to \$.28 per share of Common Stock. The increase in unrealized appreciation was \$9,048,851.

During 1978, 232,100 shares of Common Stock were purchased for \$2,466,294 and are in the Treasury; 1,927 shares of Preferred Stock were purchased for \$190,176 and retired.

On January 10, 1979, there were declared payable on February 27, 1979 as year-end dividends for 1978 a capital gain dividend of \$.94 per share and an income dividend of \$.28 per share from undistributed income. Both the year-end dividends—capital gain and income—will be paid in Common Stock, or in cash upon request. The year-end dividends for 1977 paid in February 1978 consisted of a capital gain dividend of \$.70 per share and an income dividend of \$.22 per share.

At December 31, 1978, total cash, short-term securities and receivables, less liabilities, aggregated \$11,653,775, equal to 9.7% of total net assets; this compared with \$10,858,348, or 10.0% of total net assets at December 31, 1977.

Shifts in the distribution of industrial groups within the portfolio during 1978 reflected both portfolio activity and price divergences in the various categories relative to the general market. The finance and insurance segment rose as a percentage of the total (from 3.5% at the beginning of the year to 7.3% at December 31, 1978) as did the publishing and broadcasting group (from 11.2% to 13.6%). The principal decline in relative importance occurred in the chemical group (from 11.1% to 7.7%). The extent of the diversification of the portfolio at year-end is indicated by the fact that no group accounted for more than 13.6% of total net assets and seven industrial groups ranged between that percentage and 7.5% of the total.

We are pleased to report that, as of December 31, 1978, the Company was in the process of finalizing its fourth investment advisory contract, covering a portion of the funds in a thrift plan of a major U.S. corporation.

On July 6, 1978, the accounting firm of Ernst & Ernst combined with and became successors to the practice of S. D. Leidesdorf & Co. Subsequent to the combination, the Board of Directors appointed the firm of Ernst & Ernst to be the Company's auditors for the balance of 1978. Accordingly, Ernst & Ernst have rendered their opinion on the financial statements contained in this report.

By order of the Board of Directors,

GENERAL AMERICAN INVESTORS COMPANY, INC.

Arthur G. Altschul
Chairman

Malcolm B. Smith
President

January 10, 1979

THE ECONOMY AND THE MARKET

The policy shift initiated in November 1978 by the Carter administration signaled a commitment to restrain inflation and to provide major support for the dollar. The immediate reaction to the shift in policy was a powerful surge of interest rates. It is too early to tell whether the secondary effect will be to significantly affect home building and, as credit remains restrictive, to seriously impact the demand for automobiles and other consumer goods. The economy in real terms remains strong but as the new fiscal and monetary programs express themselves a business slowdown may occur during 1979; however, if it occurs, it is not expected to be severe or overly prolonged.

The stock market changed course quite abruptly twice during 1978. The market reached a low in February only to stage a spectacular spring rally. Turnover was at an all time record as hope appeared that the dollar was testing its lows. Sentiment then swung and stock prices fell sharply during the final half of October. Although there were interim fluctuations, the market as measured by the commonly used indicators demonstrated very little trend for the year as a whole. The Dow Jones Industrial Average showed a decline of 3.1% for the year while there was a slight gain of 1.1% in the more broadly based Standard & Poor's 500 Stock Index. It should be noted that several groups of stocks diverged from the behavior of the general market. The groups which demonstrated the best relative performance included broadcasting and publishing, farm equipment and machinery and airlines.

Against this background the Company's portfolio achieved a favorable relative performance. The Company's net asset value per share (adjusted as described on page 1 and excluding undistributed income) showed an increase in 1978 of 16.1%.

The critical issue for the outlook for the domestic economy and for the stock market is a continuing fiscal and monetary commitment to control inflation. A slowdown in business in 1979 could be salutary if it succeeds in reducing the inflation rate—and most significantly—if it succeeds in reducing inflationary expectations. Stock prices are reasonable in relation to current corporate earnings and dividends. If inflation subsides and interest rates come down, there is the opportunity for a fundamental upward revaluation in stock prices for the first time in many years.

THE COMPANY

General American Investors, established in 1927, is one of the nation's oldest diversified investment companies. For regulatory purposes, the Company is classified as an investment company of the closed-end type; it is registered under and subject to the regulatory provisions of the Investment Company Act of 1940. The Company is now identified as a "publicly traded investment fund." This phrase was adopted in 1977 by the members of the trade organization to which General American belongs as a more accurate description of our type of company.

General American is also an Investment Adviser registered under the Investment Advisers Act of 1940. As such, it provides investment advisory services to three outside accounts whose investment objectives are compatible with those of the Company. An advisory contract with a fourth outside account was in process of finalization at December 31, 1978. In order to facilitate the extension of these services to additional outside accounts, the Board of Directors, on January 10, 1979, authorized the formation of a wholly-owned investment advisor subsidiary, subject to obtaining approvals of applications to federal and state regulatory authorities.

Investment Objectives

The primary investment objective of the Company is long-term capital appreciation. Lesser emphasis is placed on current income. In seeking to achieve its primary objective, the Company invests principally in common stocks believed by its management to have better-than-average growth potential. At certain times, in anticipation of a more favorable investment environment, significant balances have been maintained in cash or short-term securities. The Company's long-term record is shown in the table on page 10.

The Company maintains a continuous investment research program, the aim of which is the careful selection of individual securities and their close supervision once in the Company's portfolio. This program is carried on by the officers and staff under the direction of the Board of Directors. The Company is an independent organization, internally managed.

The Board of Directors, which determines policy, consists of thirteen persons with varied experience in business and financial affairs. Their principal affiliations are shown on the inside back cover.

"GAM" Common Stock

As a publicly traded investment fund, General American is not engaged in a continuous offering of its shares. However, the Company may raise funds by sale of additional stock, as in 1966, and by other public and private offerings of securities. Except for such offerings, the Company's size is influenced principally by changes in the market value of its investments and by capital gain distributions. Transactions in General American's shares are normally between individual investors (represented by their securities brokers), not between investors and the Company, and therefore do not affect the amount of funds it has available for investment.

The Company's Common Stock is listed on the New York Stock Exchange and can be bought or sold at commissions determined in the same manner as all listed stocks. Net asset value is computed daily (on an unaudited basis) and is furnished upon request. The figure for net asset value, together with the market price and the percentage discount or premium, is published each week on Saturday or Monday in the New York Times and each Monday in the Wall Street Journal and in Barron's.

The ratio of market price to asset value has shown considerable variation over a period of time. During 1978, the stock sold at discounts from asset value ranging from 15.2% (January 10) to 29.5% (December 26). At December 31, the price of the stock was at a discount of 27.0% as compared with a discount of 16.7% a year earlier. From time to time during the past decade the stock has sold at a premium over net asset value; however, the last year in which that occurred was in 1970.

At the end of 1978, there were 9,602 registered Common Stockholders, against 9,870 on December 31, 1977.

Dividend Policy

The Company's policy is to distribute to stockholders as year-end dividends substantially all net income and capital gains if realized. As shown in the table on page 10, dividends from net income have been paid continuously on the Common Stock since 1939 and capital gain dividends in varying amounts have been declared for each of the years 1943-1978, except for the year 1974. The Company's portfolio operations are determined by investment considerations and such activities during 1974 resulted in a small realized loss. Therefore no capital gain dividend was declared for that year.

To the extent that full shares can be issued, dividends are paid in additional shares of Common Stock unless the stockholder specifically requests payment in cash.

Investment Advisory Services

Since 1973, when General American broadened its business and extended its investment research operations to the management of a limited number of pension funds and other large outside accounts, the value of assets managed in this fashion has reached over \$100 million (as of December 31, 1978). The Company believes that it is capable of providing advisory services to additional outside accounts, whose investment objectives are similar to those of the Company, and we invite inquiries from interested institutional representatives. General American now has a new staff member responsible for developing these services; he would be pleased to provide more extensive details on the Company's capabilities or to respond to requests for additional information.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 1978

ASSETS	
Investments, at value (note 1a)	
General portfolio securities (cost \$74,525,525)	\$108,851,302
U.S. Government securities (cost \$1,594,312)	1,562,720
Corporate discount notes (cost \$9,657,320)	9,657,320
	<u>120,071,342</u>
Cash and receivables	
Cash	\$775,307
Dividends, interest and other receivables	368,595
Total Assets	<u>121,215,244</u>
LIABILITIES	
Dividend on Preferred Stock payable January 1, 1979	4,744
Payable for securities purchased	421,423
Accrued expenses and other liabilities	132,000
Reserve for state and municipal taxes on unrealized appreciation	152,000
Total Liabilities	<u>710,167</u>
NET ASSETS (see statement below)	120,505,077
Preferred Stock, at \$100 par value per share (note 2)	412,200
NET ASSETS APPLICABLE TO COMMON STOCK (note 3)	<u>\$120,092,877</u>
NET ASSET VALUE PER SHARE OF COMMON STOCK	<u>\$14.38</u>

STATEMENT OF CAPITAL STOCK AND SURPLUS

December 31, 1978

\$4.50 Cumulative Preferred Stock, \$100 par value (note 2)	
Authorized 33,770 shares; outstanding 4,122 shares	\$ 412,200
Common Stock, \$1 par value (notes 2 and 3)	
Authorized 12,500,000 shares; outstanding (less 245,700 shares in treasury) 8,351,182 shares	8,351,182
Capital surplus (notes 2 and 3)	67,086,414
Undistributed realized gain on securities sold (note 3)	7,932,011
Undistributed income (note 3)	2,581,085
Unrealized appreciation on investments (note 1d)	34,142,185
Total	<u>\$120,505,077</u>

(see notes to financial statements)

STATEMENT OF OPERATIONS Year ended December 31, 1978

INVESTMENT INCOME		
Income		
Dividends	\$2,739,619	
Interest	590,438	
Investment advisory fees (note 1c)	447,405	\$3,777,462
Expenses		
Salaries (including officers \$393,500)	662,944	
Retirement and thrift plans (note 4)	119,691	
Directors' fees	36,150	
Transfer, dividend disbursing, custody and registrar	88,500	
Legal, auditing and report	73,000	
State and local taxes (notes 1b and 1d)	105,921	
Rent, electricity and telephone	100,935	
Other	198,865	1,386,006
Net investment income		<u>\$2,391,456</u>
REALIZED GAIN (LOSS) AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS		
Realized gain on general portfolio securities (notes 1d and 6)		
Proceeds	\$28,793,334	
Cost (on basis of first-in, first-out)	20,982,702	\$7,810,632
Realized loss on U.S. Government securities		(10,344)
Net realized gain (long-term)		<u>7,800,288</u>
Unrealized appreciation on investments (notes 1b and 1d)		
December 31, 1977	25,093,334	
December 31, 1978	34,142,185	
Increase in unrealized appreciation		9,048,851
Net realized gain and increase in unrealized appreciation on investments		<u>\$16,849,139</u>

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31,

	1978	1977
INVESTMENT ACTIVITIES		
Net investment income	\$2,391,456	\$1,883,748
Net realized gain on securities sold	7,800,288	5,789,164
Year-end dividends on Common Stock		
from undistributed income and short-term capital gain	(1,818,173)	(1,891,092)
from undistributed long-term capital gain	(5,785,094)	(7,721,959)
Dividends on Preferred Stock	(24,602)	(32,913)
Increase (decrease) in unrealized appreciation	9,048,851	(5,748,347)
Increase (decrease) in net assets—investment activities	<u>11,612,726</u>	<u>(7,721,399)</u>
CAPITAL TRANSACTIONS		
Common Stock issued for year-end dividends (note 3)	3,049,060	3,944,979
Preferred Stock purchased and retired—cost (note 2)	(190,176)	(194,048)
Common Stock purchased—cost (note 2)	(2,466,294)	—
Increase in net assets—capital transactions	<u>392,590</u>	<u>3,750,931</u>
Net increase (decrease) in net assets	<u>12,005,316</u>	<u>(3,970,468)</u>
NET ASSETS		
Beginning of year	108,499,761	112,470,229
End of year	<u>\$120,505,077</u>	<u>\$108,499,761</u>

(see notes to financial statements)

STATEMENT
 OF
 INVESTMENTS

December 31,
 1978

STOCKS		Value
Shares		(note 1a)
CHEMICAL (7.7%)		
50,000	Air Products and Chemicals, Inc.	\$ 1,181,250
140,000	Avery International Corporation	2,100,000
50,000	LeaRonald, Inc.	912,500
50,000	Nalco Chemical Company	1,337,500
52,500	Pall Corporation	1,634,063
32,500	Raychem Corporation	* 2,128,750
		<u>9,294,063</u>
DATA PROCESSING (5.2%)		
41,450	Access Corporation†	** 124,350
75,000	Automatic Data Processing, Inc.	2,203,125
7,500	International Business Machines Corporation	2,235,938
60,000	Wang Laboratories, Inc. Class B	1,747,500
		<u>6,310,913</u>
ELECTRICAL AND ELECTRONICS (9.5%)		
20,000	Augat Inc.	505,000
115,000	Burndy Corporation	2,185,000
50,000	John Fluke Mfg. Co., Inc.	1,587,500
55,000††	P. R. Mallory & Co. Inc.	2,791,250
55,000	Tektronix, Inc.	2,605,625
20,000	TeleSciences, Inc.	302,500
65,000	Teradyne, Inc.	1,072,500
22,500	Veeco Instruments Inc.	374,063
		<u>11,423,438</u>
FINANCE AND INSURANCE (7.3%)		
65,000	American Re-Insurance Company	* 2,275,000
40,000	Crum and Forster	* 1,470,000
10,000	General Reinsurance Corporation	* 1,770,000
46,500	Kemper Corporation	* 1,255,500
75,000	Ohio Casualty Corporation	* 2,006,250
		<u>8,776,750</u>
HEALTH CARE (INCLUDING INSTRUMENTATION) (7.5%)		
60,000	Abbott Laboratories	2,025,000
60,000	Baxter Travenol Laboratories, Inc.	2,460,000
114,000	Beckman Instruments, Inc.	2,736,000
60,000	Becton, Dickinson and Company	1,875,000
		<u>9,096,000</u>
MACHINERY, TOOLS AND EQUIPMENT (5.3%)		
50,000	Caterpillar Tractor Co.	2,937,500
60,000	Deere & Company	2,077,500
37,500	Snap-on Tools Corporation	1,368,750
		<u>6,383,750</u>
METALS AND MINING (3.9%)		
60,000	AMAX Inc.	2,925,000
100,000	Kaiser Aluminum & Chemical Corporation	1,750,000
		<u>4,675,000</u>
OIL AND NATURAL GAS (12.3%)		
35,000	Amerada Hess Corporation \$3.50 Conv. Preferred	2,174,375
55,000	Continental Oil Company	1,546,875
50,000	Dome Petroleum Limited	4,025,000
57,000	Sabine Corporation	1,845,375

STOCKS (continued)		Value
Shares		(note 1a)
OIL AND NATURAL GAS (continued)		
10,000	Superior Oil Company	\$ 3,290,000
35,000	Union Oil Company of California	1,990,625
		<u>14,872,250</u>
PUBLIC UTILITY (0.9%)		
80,000	Alberta Gas Trunk Line Company Limited Class A	1,030,000
PUBLISHING AND BROADCASTING (13.6%)		
80,000	Capital Cities Communications, Inc.	3,170,000
60,000	Combined Communications Corporation	1,717,500
50,000	Gannett Co., Inc.	2,037,500
150,000	Harte-Hanks Communications, Inc.	3,262,500
100,000	Knight-Ridder Newspapers, Inc.	2,262,500
50,000	LIN Broadcasting Corporation	* 1,762,500
75,000	Times Mirror Company	2,231,250
		<u>16,443,750</u>
RETAIL AND WHOLESALE TRADE (9.4%)		
90,000	Best Products Co., Inc.	2,193,750
65,000	Mercantile Stores Company, Inc.	2,153,125
77,500	Fred Meyer, Inc. Class A	* 2,053,750
225,000	Super Valu Stores, Inc.	3,515,625
50,000	Tandy Corporation	1,362,500
		<u>11,278,750</u>
TRANSPORTATION (1.8%)		
50,000	Harper Group	* 987,500
50,000	Tiger International, Inc.	1,218,750
		<u>2,206,250</u>
MISCELLANEOUS (5.9%)		
54,500	Dart Industries Inc.	2,173,188
125,000	Premier Industrial Corporation	2,875,000
10,000	Teledyne, Inc.	970,000
	Other	1,042,200
		<u>7,060,388</u>
	TOTAL STOCKS (90.3%)	<u>108,851,302</u>
SHORT-TERM SECURITIES AND OTHER ASSETS		
SHORT-TERM SECURITIES		
\$600,000	U. S. Treasury 5 7/8 % Note due 1/31/79	* 598,320
1,000,000	U. S. Treasury 6 1/4 % Note due 11/15/79	* 964,400
2,000,000	Ford Motor Credit Co. Note due 2/1/79	1,972,800
2,400,000	General Electric Credit Corp. Notes due 1/4/79 and 1/18/79	2,377,194
2,400,000	General Motors Acceptance Corp. Notes due 1/4/79 and 1/25/79	2,376,339
3,000,000	Sears Roebuck Acceptance Corp. Notes due 1/18/79 and 2/22/79	2,930,987
	Total Short-Term Securities	<u>11,220,040</u>
	CASH AND RECEIVABLES, LESS LIABILITIES	433,735
	TOTAL SHORT-TERM SECURITIES, CASH AND RECEIVABLES, LESS LIABILITIES (9.7%)	<u>11,653,775</u>
	NET ASSETS	<u>\$120,505,077</u>

*On the basis of "over-the-counter" quotations. ††Disposed of on January 3, 1979
 **Fair value in the opinion of the Directors. †Restricted security.
 ††Disposal pursuant to a tender offer.

(see notes to financial statements)

NOTES TO FINANCIAL STATEMENTS

1. *Significant Accounting Policies:*
 a. Security Valuation—Securities traded on national exchanges are valued at the last sales prices on the last business day of the period or, if there are no sales on such exchanges on that day, at the last bid prices. Securities traded in the over-the-counter market are valued at the last bid prices. Corporate discount notes are valued at cost which approximates market value. Securities not currently quoted are valued at fair value in the opinion of the Directors.

b. 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.

c. Investment Advisory Fees—Income from fees is recorded as the related advisory services are performed by the Company pursuant to investment advisory agreements.

d. 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. Unrealized appreciation on investments is stated after a reserve for state and municipal taxes. State and municipal taxes on security profits and state transfer taxes are included as expenses under "State and local taxes."

2. *Capital Stock:* The Preferred Stock is entitled in liquidation to \$100 per share and accrued dividends and is callable at \$105 per share and accrued dividends. As a purchase fund, the Company intends to retire 2,000 shares of Preferred Stock annually by purchase in the "over-the-counter" market at no more than a computed price during the first three quarters and may pay up to \$100 per share including costs and commissions during the final quarter of the year. The Company purchased and retired 1,927 shares of Preferred Stock in 1978 and 2,000 of such shares in 1977. The excess of the par value over the cost of the shares purchased, which amounted to \$2,524 in 1978 and \$5,952 in 1977, was credited to Capital Surplus.

During 1978, 232,100 shares of Common Stock were purchased by the Company. The excess of the cost over the par value of the shares purchased, \$2,234,194, was charged to Capital Surplus. On January 10, 1979, the Board of Directors authorized the retirement of 245,700 shares of Common Stock held in the treasury at December 31, 1978.

3. *Distributions:* For Common Stockholders who did not elect to receive in cash the dividends paid February 27, 1978, the dividends were paid in Common Stock, computed at market value (\$9.5625 per share). There were 318,856 shares issued for a total of \$3,049,060; of this amount, the par value, \$318,856, was credited to Common Stock and \$2,730,204 was credited to Capital Surplus.

On January 10, 1979, the Board of Directors declared on the Common Stock dividends of \$2,338,331 from undistributed income and \$7,850,111 from long-term capital gains. These dividends are payable in Common Stock, or in cash upon request, on February 27, 1979 to stockholders of record on January 18, 1979.

4. *Retirement and Thrift Plans:* The Company has a non-contributory retirement plan and a contributory thrift plan which cover substantially all employees. Retirement plan costs include current service costs and the amortization of prior service costs over twenty years. Thrift plan costs represent the Company's contributions for the purchase of its Common Stock for participating employees. Costs of both plans are funded currently.

5. *Quarterly Results of Operations:* The following is a summary of quarterly results of operations in 1978 and 1977 (thousands of dollars, except for amounts per Common Share):

	Three Months Ended							
	March 31		June 30		September 30		December 31	
	1978	1977	1978	1977	1978	1977	1978	1977
Total investment income	\$ 874	\$ 838	\$ 914	\$ 800	\$ 899	\$ 754	\$1,090	\$ 864
Net investment income*	532	450	604	488	587	515	668	431
Per Common Share	.06	.05	.07	.06	.07	.07	.08	.05
Net realized and unrealized gain (loss) on investments	(3,202)	(9,132)	11,742	4,188	14,160	(1,101)	(5,851)	6,086
Per Common Share	(.47)	(1.23)	1.40	.51	1.71	(.14)	(.68)	.74

*Before deduction for dividends on Preferred Stock.

NOTES (continued)

6. *Purchases and Sales of Securities:* Purchases and sales of securities (other than United States Government securities and corporate discount notes) during 1978 were \$23,135,398 and \$28,793,334, respectively.

7. *General Information:* Brokerage commissions during the year ended December 31, 1978 were \$151,216, including \$31,118 paid to Goldman, Sachs & Co., a limited partner of which is a director of the Company.

For 1978, registrar, transfer and dividend disbursing agent fees of \$70,000 were paid or are payable to Manufacturers Hanover Trust Company, an officer and director of which is a director of the Company.

In addition to purchases of Preferred Stock and Common Stock as set forth in Note 2 to the Financial Statements, purchases of Preferred and 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.

SUPPLEMENTARY INFORMATION INCOME AND CAPITAL CHANGES PER COMMON SHARE

	Year ended December 31,				
	1978	1977	1976	1975	1974
Investment income	\$.45	\$.39	\$.41	\$.39	\$.40
Expenses . . . . .	.17	.16	.17	.16	.15
Net investment income . . . . .	.28	.23	.24	.23	.25
Dividends on Preferred	—	—	(.01)	(.01)	(.01)
Dividends on Common*	(.22)	(.24)	(.23)	(.24)	(.24)
Net realized and unrealized gain (loss) on investments	1.96	(.12)	2.28	3.06	(5.13)
Dividend from realized long-term capital gain*	(.70)	(.98)	(.83)	—	(1.05)
Net asset value beginning of year	13.06	14.17	12.72	9.68	15.86
Net asset value end of year	\$14.38	\$13.06	\$14.17	\$12.72	\$9.68
Ratio of expenses to average net assets	1.23%	1.36%	1.26%	1.29%	1.23%
Ratio of net investment income to average net assets	2.13%	1.87%	1.76%	1.85%	2.05%
Portfolio turnover	22%	29%	24%	27%	12%
Common Shares outstanding end of year (000's omitted)	8,351	8,264	7,880	7,526	7,439

*Year-end dividend for the preceding year.

ACCOUNTANTS' REPORT

Board of Directors and Stockholders of

GENERAL AMERICAN INVESTORS COMPANY, INC.

We have examined the statements of assets and liabilities, capital stock and surplus, and investments of General American Investors Company, Inc. as of December 31, 1978, the related statements of operations for the year then ended and changes in net assets for each of the two years in the period then ended, and the supplementary information for each of the five years in the period then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including confirmation of securities owned at December 31, 1978 by correspondence with the custodian and brokers.

In our opinion, the aforementioned financial statements present fairly the financial position of General American Investors Company, Inc. at December 31, 1978, the results of its operations for the year then ended and the changes in its net assets for each of the two years in the period then ended, in conformity with generally accepted accounting principles applied on a consistent basis. Also, in our opinion, the supplementary information for each of the five years in the period ended December 31, 1978 is fairly stated in all material respects in relation to the financial statements taken as a whole.

New York, New York
 January 10, 1979

ERNST & ERNST
 (successors to the practice
 of S. D. Leidesdorf & Co.)

NET ASSET VALUES AND DIVIDENDS PER COMMON SHARE

The Company took its present form on September 5, 1929 upon the merger of two investment companies, one founded in 1927, the other in 1928. The initial capitalization, in addition to the Common Stock, included debentures and preferred stock, all of which have been retired except for \$412,200 Preferred Stock.

The following table lists the dividends paid on the Common Stock since 1929 and also the net assets applicable to the Common Stock as shown in the Annual Reports to Stockholders for 1929 and subsequent years. Data have been adjusted for 3 for 2 splits of the Common Stock effected March 19, 1968 and March 21, 1973 and rounded to the nearest cent.

Year	DIVIDENDS (a)		NET ASSETS (b)	Year	DIVIDENDS (a)		NET ASSETS (b)
	from net income (c)	from long-term capital gains	Per Share December 31 (d)		from net income (c)	from long-term capital gains	Per Share December 31 (d)
1929			\$5.17	1954	\$.22	\$.79	\$12.95
1930			2.46	1955	.22	.81	13.70
1931			.57	1956	.25	.83	14.99
1932			.06	1957	.22	.81	12.49
1933			2.46	1958	.19	.98	15.63
1934			2.90	1959	.22	.87	13.57
1935			5.29	1960	.21	.58	12.31
1936	\$.17	\$.17	7.74	1961	.17	1.01	14.49
1937			3.59	1962	.18	.75	11.92
1938			5.73	1963	.19	.81	13.54
1939	.11		5.25	1964	.21	.89	15.55
1940	.07		4.07	1965	.22	1.08	17.13
1941	.11		3.14	1966	.26	.95	14.24
1942	.18		4.13	1967	.32	1.20	16.55
1943	.18	.27	6.45	1968	.33	1.24	18.21
1944	.18	.85	6.93	1969	.31	.84	15.97
1945	.13	1.24	9.02	1970	.26	.45	15.14
1946	.23	.42	8.39	1971	.22	.91	16.55
1947	.31	.36	8.08	1972	.20	1.27	19.03
1948	.33	.48	7.73	1973	.24	1.05	14.57
1949	.32	.53	8.82	1974	.24		9.44
1950	.33	1.14	9.93	1975	.23	.83	11.66
1951	.31	.97	11.25	1976	.24	.98	12.95
1952	.27	.81	11.42	1977	.22	.70	12.14
1953	.23	.75	10.01	1978	.28	.94	13.16(e)
				Total	<u>\$9.31</u>	<u>\$29.56</u>	

The net asset value of the Common Stock, on September 5, 1929, the date of merger, was \$7.87 per share.

- (a) The amounts shown as capital gain dividends, as well as the final dividend from net income, for 1962 and for each year thereafter, were paid in February or March of the following year.
- (b) After deducting Debentures, when outstanding, at principal amount and Preferred Stock at \$100 per share.
- (c) Includes short-term capital gains, per share: 1944—.5 cent, 1963—.9 cent, 1965—.5 cent, 1967—1.3 cents, 1968—1.3 cents, 1969—.7 cent, 1971—.7 cent, 1975—.3 cent, 1976—.8 cent.
- (d) After 1961, amounts shown are after deduction of year-end dividends paid in the following February or March.
- (e) After deducting year-end dividends payable on February 27, 1979. Before such adjustment, net asset value on December 31, 1978 was equal to \$14.38 per share.

DIVERSIFICATION OF INVESTMENT ASSETS

Shifts in the distribution of industrial groups within the portfolio during 1978 reflected both portfolio activity and price divergences in the various categories relative to the general market. The finance and insurance segment rose as a percentage of the total (from 3.5% at the beginning of the year to 7.3% at December 31, 1978) as did the publishing and broadcasting group (from 11.2% to 13.6%). The principal decline in relative importance occurred in the chemical group (from 11.1% to 7.7%). The extent of the diversification of the portfolio at year-end is indicated by the fact that no group accounted for more than 13.6% of total net assets and seven industrial groups ranged between that percentage and 7.5% of the total.

Stocks	Dec. 31, 1978		Dec. 31, 1977	
	Amount	%	Amount	%
Chemical	\$ 9,294	7.7	\$12,081	11.1
Data Processing	6,311	5.2	4,951	4.6
Electrical and Electronics	11,423	9.5	11,103	10.2
Finance and Insurance	8,777	7.3	3,808	3.5
Health Care (including instrumentation)	9,096	7.5	8,446	7.8
Machinery, Tools and Equipment	6,384	5.3	5,478	5.1
Metals and Mining	4,675	3.9	4,690	4.3
Oil and Natural Gas	14,872	12.3	12,944	11.9
Publishing and Broadcasting	16,444	13.6	12,195	11.2
Retail and Wholesale Trade	11,278	9.4	8,816	8.1
Other	10,297	8.6	13,130	12.2
Total Stocks	<u>108,851</u>	<u>90.3</u>	<u>97,642</u>	<u>90.0</u>
Total short-term securities, cash and receivables, less liabilities	<u>11,654</u>	<u>9.7</u>	<u>10,858</u>	<u>10.0</u>
Total Net Assets	<u>\$120,505</u>	<u>100.0%</u>	<u>\$108,500</u>	<u>100.0%</u>

PERCENT OF TOTAL NET ASSETS

The following table shows the changes in percentage distribution of net assets by broad industry groups during the decade 1968-1978 and demonstrates the shift in emphasis over the period from the natural resource group to technically oriented companies, including the chemical, communications and health care groups.

December 31	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
Stocks											
Chem. Cosm. Drug	7.7%	11.1%	10.3%	8.6%	12.3%	7.6%	5.0%	5.7%	8.8%	10.0%	9.0%
Cons. Prods. & Svcs.	—	2.5	2.8	3.5	3.2	3.6	7.6	7.5	6.1	4.2	3.8
Data Processing	5.2	4.6	9.2	9.5	11.6	13.0	12.2	11.9	10.0	10.2	9.0
Elec. Electr. Aerosp.	9.5	10.2	5.5	3.5	1.6	3.9	4.3	1.6	2.6	4.1	3.4
Finance & Insurance	7.3	3.5	3.2	3.2	2.9	4.9	5.3	6.6	5.0	4.4	3.7
Forest Products	—	0.9	2.5	2.6	5.3	5.2	4.3	4.0	6.1	7.1	4.9
Glass, other Cont'rs.	—	—	—	—	—	—	—	—	3.7	5.8	4.4
Health Care (incl. instrumentation)	7.5	7.8	9.5	11.5	7.3	6.6	6.0	4.3	—	—	—
Mach., Tools & Equip.	5.3	5.1	4.5	5.1	7.1	5.4	5.2	3.1	2.0	1.7	2.0
Metal & Mining	3.9	4.3	6.6	6.2	8.0	9.4	8.2	9.5	12.5	12.3	10.1
Oil & Natural Gas	12.3	11.9	14.5	15.4	17.3	18.8	17.0	17.9	17.9	15.6	21.8
Pub. & Broadcast.	13.6	11.2	7.2	5.8	4.3	3.3	4.6	5.5	3.7	2.4	2.8
Retail & Whse. Trade	9.4	8.1	6.4	8.2	7.3	6.3	7.4	6.5	4.3	4.5	4.1
Other	8.6	8.8	8.2	5.8	0.4	2.0	5.9	7.7	7.0	8.9	8.9
Total Stocks	<u>90.3</u>	<u>90.0</u>	<u>90.4</u>	<u>88.9</u>	<u>88.6</u>	<u>90.0</u>	<u>93.0</u>	<u>91.8</u>	<u>89.7</u>	<u>91.2</u>	<u>87.9</u>
Net Cash & Equiv.	<u>9.7</u>	<u>10.0</u>	<u>9.6</u>	<u>11.1</u>	<u>11.4</u>	<u>10.0</u>	<u>7.0</u>	<u>8.2</u>	<u>10.3</u>	<u>8.8</u>	<u>12.1</u>
Total Net Assets	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

MAJOR STOCK CHANGES* Three months ended December 31, 1978

INCREASES	Shares Purchased	Shares Held Dec. 31, 1978
Crum and Forster	40,000	40,000
Kemper Corporation	11,300	46,500**†
Pall Corporation	35,000	52,500†
Sabine Corporation	15,000	57,000††
Tandy Corporation	50,000	50,000

DECREASES	Shares Sold	Shares Held Dec. 31, 1978
Abbott Laboratories	10,000	60,000
Air Products and Chemicals, Inc.	25,000	50,000
AMAX Inc.	10,000	60,000
Beckman Instruments, Inc.	9,000	114,000†††
Burndy Corporation	20,000	115,000
Criterion Insurance Company	33,000	—
Dome Petroleum Limited	5,000	50,000
John Fluke Mfg. Co., Inc.	10,000	50,000
Gannett Co., Inc.	15,000	50,000
Knight-Ridder Newspapers, Inc.	20,000	100,000
Mercantile Stores Company, Inc.	10,000	65,000
RCA Corporation	50,000	—
Raychem Corporation	5,000	32,500

*Excludes transactions in Stocks-Miscellaneous-Other.
 **Includes shares previously carried under Stocks-Miscellaneous-Other.
 †Adjusted for 3 for 2 stock split.
 ††Adjusted for 5% stock dividend.
 †††Adjusted for 2 for 1 stock split.

LARGEST STOCK HOLDINGS

The list of securities held at December 31, 1978, as shown on pages 6 and 7, includes 59 stock issues, including 3 not shown separately. Listed below are the ten largest stock holdings on that date:

	Shares	Value	% Total Net Assets
Dome Petroleum Limited	50,000	\$ 4,025,000	3.3
Super Valu Stores, Inc.	225,000	3,515,625	2.9
Superior Oil Company	10,000	3,290,000	2.7
Harte-Hanks Communications, Inc.	150,000	3,262,500	2.7
Capital Cities Communications, Inc.	80,000	3,170,000	2.6
Caterpillar Tractor Co.	50,000	2,937,500	2.5
AMAX Inc.	60,000	2,925,000	2.4
Premier Industrial Corporation	125,000	2,875,000	2.4
P. R. Mallory & Co. Inc.	55,000*	2,791,250	2.3
Beckman Instruments, Inc.	114,000	2,736,000	2.3
Total ten largest stock holdings		<u>\$31,527,875</u>	<u>26.1%</u>

*Disposed of on January 3, 1979 pursuant to a tender offer.

DIRECTORS, WITH SOME OF THEIR AFFILIATIONS

- | | |
|--|--|
| <p>ARTHUR G. ALTSCHUL
 General American Investors Company, Inc.,
 <i>Chairman</i>
 Goldman, Sachs & Co., <i>Limited Partner</i>
 Associated Dry Goods Corporation, <i>Director</i>
 Barnard College, <i>Chairman,</i>
 <i>Board of Trustees</i>
 Whitney Museum of American Art, <i>Trustee</i></p> | <p>WILLIAM T. GOLDEN
 American Association for the Advancement
 of Science, <i>Treasurer and Director</i>
 American Museum of Natural History,
 <i>Vice President and Trustee</i>
 Barnard College, <i>Trustee</i>
 Carnegie Institution of Washington,
 <i>Secretary and Trustee</i>
 John Simon Guggenheim Memorial
 Foundation, <i>Trustee</i></p> |
| <p>MARVIN A. ASNES
 Becton, Dickinson and Company, <i>Executive</i>
 <i>Vice President and Chief Operating</i>
 <i>Officer, Director</i>
 The Bank Street College of Education,
 <i>Treasurer and Trustee</i>
 Harper & Row Publishers, Inc., <i>Director</i>
 Massachusetts Institute of Technology,
 <i>Member of Corporation Visiting</i>
 <i>Committee for Sponsored Research</i>
 Mt. Sinai School of Medicine, <i>Trustee</i></p> | <p>GABRIEL HAUGE
 Manufacturers Hanover Corporation and
 Manufacturers Hanover Trust Company,
 <i>Chairman</i>
 AMAX Inc., <i>Director</i>
 American Home Products Corporation,
 <i>Director</i>
 Chrysler Corporation, <i>Director</i>
 New York Telephone Company, <i>Director</i></p> |
| <p>EUGENE P. BERG
 Bucyrus-Erie Company, <i>Director</i>
 Abex Corporation, <i>Director</i>
 Interlake Incorporated, <i>Director</i>
 Kearney & Trecker Corp., <i>Director</i>
 Purdue University Alumni Foundation,
 <i>Trustee</i></p> | <p>AUGUSTUS B. KINZEL
 National Academy of Engineering,
 <i>Founding President</i>
 California Institute of Technology, <i>Trustee</i>
 System Development Foundation, <i>Trustee</i></p> |
| <p>LAWRENCE B. BUTTENWIESER
 Rosenman Colin Freund Lewis & Cohen,
 <i>Partner</i>
 Warner Communications Inc., <i>Director</i></p> | <p>RICHARD R. PIVIROTTO
 Associated Dry Goods Corporation,
 <i>Chairman and Chief Executive Officer</i>
 The Bowery Savings Bank, <i>Trustee</i>
 Chemical New York Corporation and
 Chemical Bank, <i>Director</i>
 New York Life Insurance Company, <i>Director</i>
 Westinghouse Electric Corporation, <i>Director</i></p> |
| <p>LEWIS B. CULLMAN
 Cullman Ventures, Inc., <i>President</i>
 Allied Graphic Arts Inc., <i>Chairman</i>
 Gulton Industries, Inc., <i>Director</i>
 Keith Clark, Inc., <i>Chairman</i></p> | <p>JOHN C. SAWHILL
 New York University, <i>President</i>
 American International Group, Inc., <i>Director</i>
 Automatic Data Processing, Inc., <i>Director</i>
 New York State Financial Control
 Board, <i>Member</i>
 RCA Corporation, <i>Director</i></p> |
| <p>GERALD M. EDELMAN
 The Rockefeller University, <i>Vincent Astor</i>
 <i>Distinguished Professor</i>
 University of Pennsylvania, <i>Member Board</i>
 <i>of Overseers, Faculty of Arts and Sciences</i>
 Rockefeller Brothers Fund, <i>Trustee</i>
 Salk Institute for Biological Studies, <i>Trustee</i>
 and <i>Non-Resident Fellow</i></p> | <p>MALCOLM B. SMITH
 General American Investors Company, Inc.,
 <i>President</i></p> <p>BETHUEL M. WEBSTER
 Webster & Sheffield, <i>Partner</i>
 Drug Abuse Council, Inc., <i>Chairman</i></p> |



GENERAL AMERICAN INVESTORS COMPANY, INC.

ANNUAL REPORT • 1978

330 MADISON AVENUE • NEW YORK • N.Y. 10017



GENERAL AMERICAN INVESTORS COMPANY, INC.

330 MADISON AVENUE, NEW YORK, N. Y. 10017

Established 1927

Contact: Thomas F. Guillet

212-949-2800

3/15/79



GENERAL AMERICAN INVESTORS COMPANY, INC.

Directors

Arthur G. Altschul

William T. Golden

Marvin A. Asnes

Gabriel Hauge

Eugene P. Berg

Augustus B. Kinzel

Lawrence B. Bittenwieser

Richard R. Pivrotto

Lewis B. Cullman

John C. Sawhill

Gerald M. Edelman

Malcolm B. Smith

Bethuel M. Webster

Officers

Chairman of the Board

Arthur G. Altschul

President

Malcolm B. Smith

Executive Vice-President

Harold J. Kingsberg

Vice-President

William J. Gedale

Vice-President, Administration

Eugene L. DeStaebler, Jr.

Treasurer

Melinda H. Reach

Secretary

James B. Book, IV

Assistant Treasurer & Assistant Secretary

Muriel M. Cook

Counsel – Sullivan & Cromwell

Auditors – Ernst & Ernst

GENERAL AMERICAN INVESTORS, founded in 1927, was one of the earliest investment fund organizations to be established in the country. Its primary investment objective has consistently been long-term capital growth with lesser emphasis on current income. We have always stressed investment research with the emphasis on fundamental security analysis. General American's staff consists of 22 people, eight of whom are directly involved in portfolio management. The other staff members support the investment group with administrative, accounting, library, and secretarial functions. Our organizational structure is designed to support and implement the Company's investment philosophy.

In 1973 General American began to offer investment management services to pension funds. As of December 31, 1978 we had a total of \$227 million under management: the publicly traded investment fund with \$120 million and 3 pension accounts aggregating \$107 million. At the beginning of 1979 we added a fourth pension account of about \$5 million. We believe that General American's approach to portfolio management and clearly defined investment philosophy are applicable to equity oriented funds, and we plan to further expand the number of employee benefit accounts under our management and to offer our services to other large funds including those of foundations, endowments and individuals. General American is a professional and experienced organization with a long record of successful performance in the application of its investment philosophy.

General American Investors is fundamentally different from the typical money management organization in two ways. First, we build portfolios of stocks selected individually to meet defined expected return characteristics rather than by over or under weighting representations in industry groups relative to the S&P 500. Second, General American's decision making process relies on a much closer working relationship between portfolio manager and research analyst than is common in most investment organizations.

INVESTMENT PHILOSOPHY AND PORTFOLIO STRUCTURING

General American structures portfolios by buying stocks that meet its investment objective for 50% appreciation over a three-year period. We look for companies having a specific and definable corporate opportunity within the two or three year time frame that we believe is clearly visible. The opportunity may arise from a variety of circumstances including above average earnings growth, an important product development, cyclical upturn, or a management change resulting in a turnaround in profitability. The analyst defines as clearly as possible what the particular set of circumstances can do for the Company. Once General American's investment staff identifies the corporate opportunity, if the risk reward characteristics are consistent with the investment objectives of the pension funds, the stock may be a candidate for use in all accounts. Securities chosen for the General American publicly traded investment fund are used selectively and purchased at the same time in the other managed portfolios in a manner designed to treat all accounts fairly. This duplication acts as a control to ensure that all securities held in the portfolios are included in the ongoing process of evaluation to which all holdings are constantly subjected. There is a fundamental assumption that if stocks are well chosen, and a good percentage of them perform up to expectations, each portfolio's overall performance will be good. When each security can stand on its own merits the aggregate will also form a strong portfolio.

Risk avoidance is an important aspect of the stock selection process. We look for companies with opportunities that are significant for the company, and for whom a disappointment in a particular product development or exploration undertaking will not create undue exposure in its business as a whole.



GENERAL AMERICAN INVESTORS COMPANY, INC.



We approach portfolio diversification by selecting companies individually without reference to the S&P weightings. We believe adequate diversification can be achieved with a limited number of company holdings (say 50) in diverse industries. This approach leads to typical positions in the 2% range, although weightings can vary from that norm depending on our assessment of the appreciation potential for an individual stock as well as its marketability.

ORGANIZATION AND DECISION MAKING PROCESS

The General American investment staff consists of eight individuals six of whom have ongoing responsibility for monitoring and evaluating developments in industries in which they specialize. The President, Malcolm B. Smith, supervises and coordinates the investment operations with the principal assistance of the Executive Vice-President, Harold J. Kingsberg. The essential function of the investment staff is to assess social, economic and technological change and to see whether the change gives rise to investment opportunities. The specific assignment of each research analyst is to identify investment opportunities which offer the potential for 50% appreciation within a 2-3 year time frame. General American relies primarily on its internal staff in this process. However, the staff is receptive to ideas from many sources and makes use of supplemental information from outside Wall Street analysts. Each idea is analyzed in depth by the General American staff and, as part of the research, the analyst always meets with representatives of the top management before an investment decision is made. The visit allows the analyst to meet management on a personal level and to discuss the fundamentals and prospects of their business. It also affords the analyst the opportunity to test his concepts about the business. We believe that the development of management relationships in this way is important and useful in the decision making process. General American's investment staff typically develops very close contact with managements of companies in which we invest.

In presenting new ideas for inclusion in portfolios as well as in monitoring stocks already held, the evaluation of risk and reward is an integral part of the decision making process. Mr. Smith participates in this process from the vantage point of a person who has had direct analytical responsibility, at some time in his career, for almost every industry followed by General American Investors. Consequently there is an active involvement in the analytic process on the part of the president which precludes the compartmentalization that typically exists between portfolio manager and security analyst. In the evaluation process the background and experience of the Chairman of the Board are drawn on and the expertise of each staff member in his special area is available as an additional aid. Once a decision is reached, prompt action is taken.

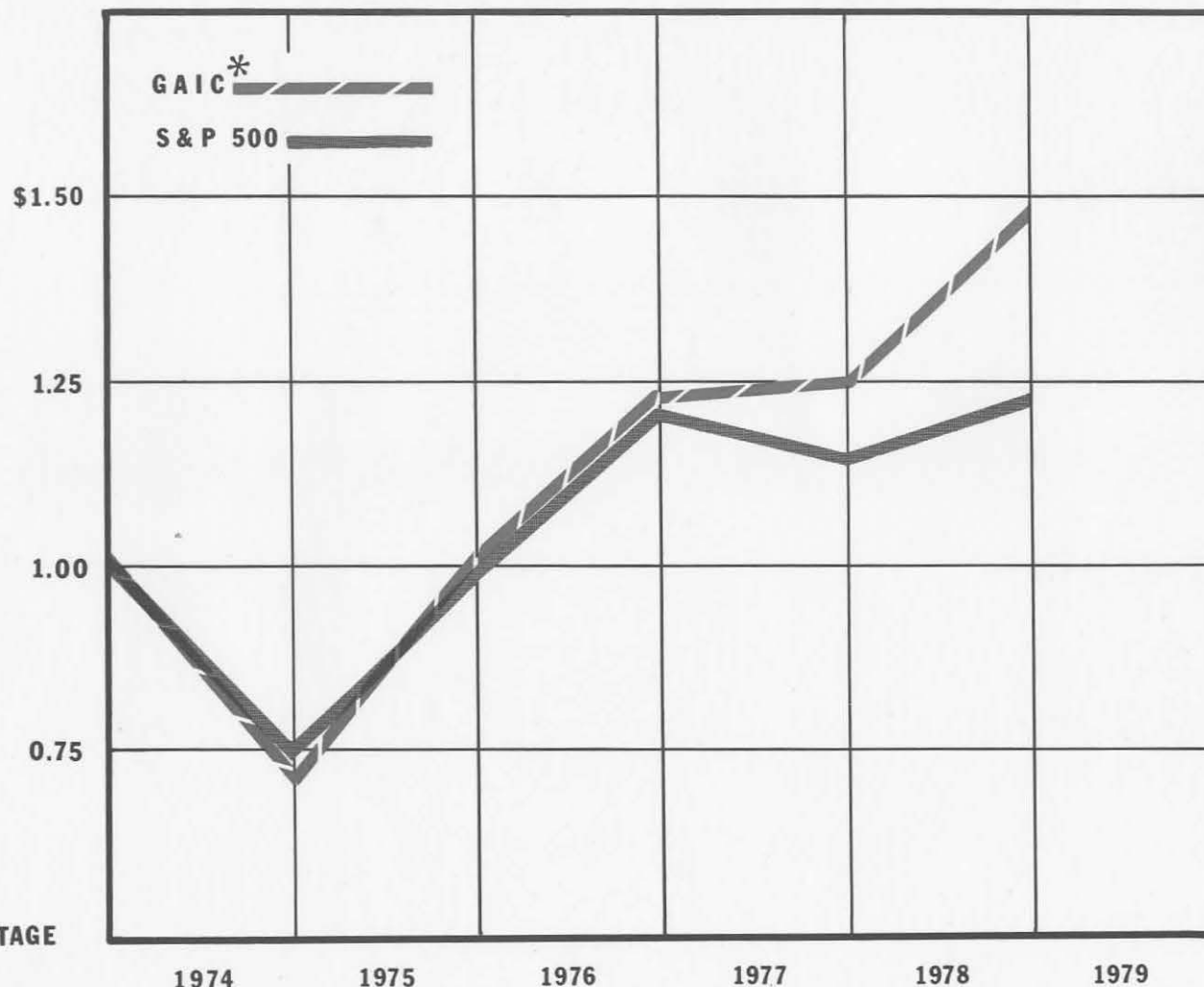
All of General American's investment staff participate in a twice annual formal review of each stock in the portfolio. This insures that each stock assessed continues to offer the stated investment objective for a 50% appreciation potential at the then current price. The Board of Directors meets monthly to review and approve all transactions made in the interim for the Company's portfolio. Each new stock purchased is discussed at the board level and the members of the board provide the General American staff the benefit of their broad business backgrounds and offer comment on the areas in which they have special knowledge.

Fees—General American Investors' fees for investment management are charged at the annual rate of 1/2% of the assets under management, computed quarterly.



GENERAL AMERICAN INVESTORS COMPANY, INC.

GROWTH OF \$1.00 OVER 5 YEARS IN PENSION ACCOUNTS



**ANNUAL PERCENTAGE
RETURN**

GAIC*

S & P 500

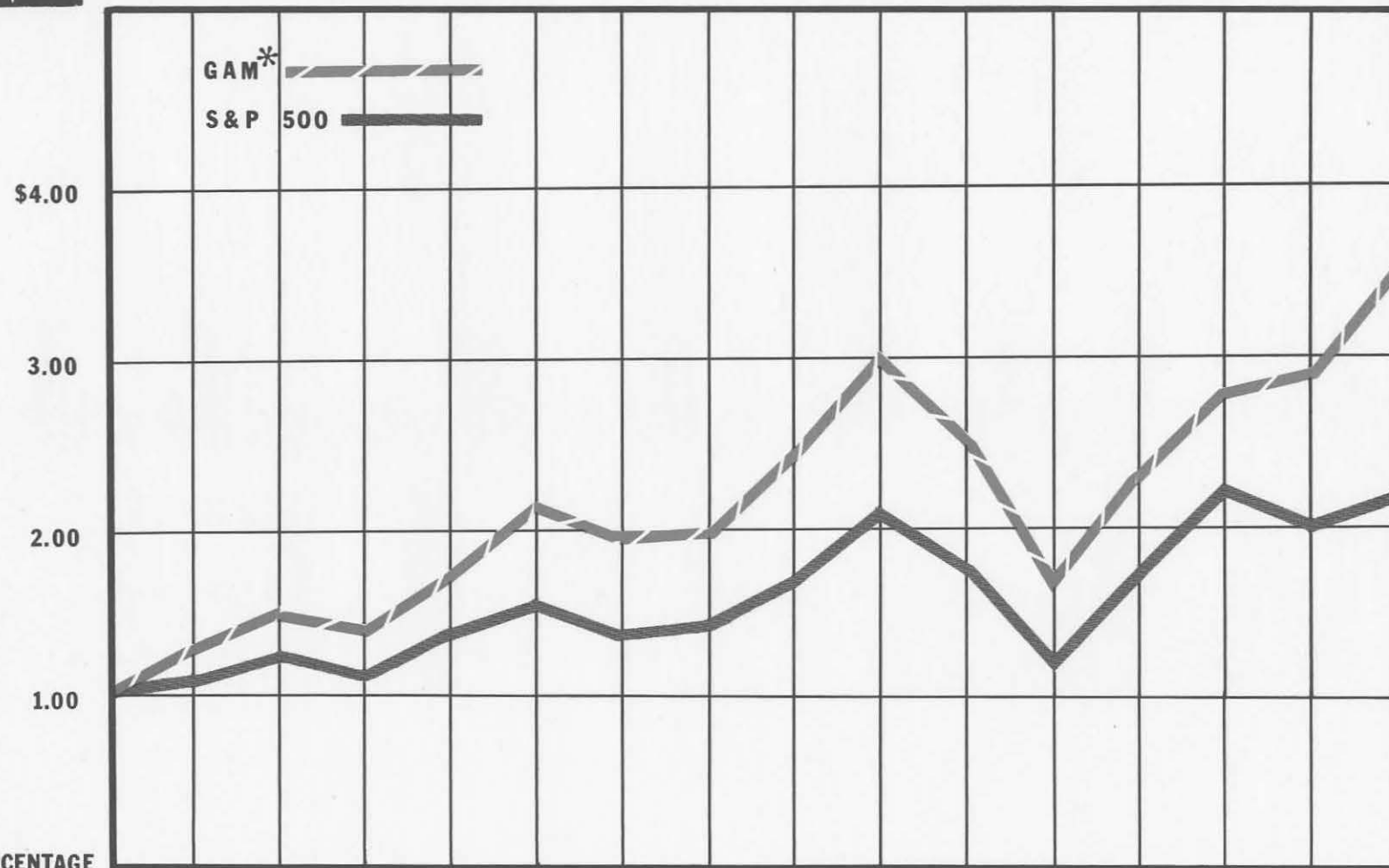
1974	1975	1976	1977	1978	1979
-30.3	44.7	22.1	1.2	17.3	
-26.5	37.2	24.0	-7.2	6.6	

* Time-weighted rates of return are a simple average of all employee benefit funds managed by GENERAL AMERICAN INVESTORS.



GENERAL AMERICAN INVESTORS COMPANY, INC.

GROWTH OF \$1.00 OVER 15 YEARS



ANNUAL PERCENTAGE
RETURN

GAM*

S&P 500

1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
22.9	18.9	-7.6	26.8	20.6	-5.3	0.7	17.5	24.7	-15.4	-31.8	35.9	23.0	3.3	19.9
16.5	12.5	-10.1	24.0	11.1	-8.4	4.0	14.3	19.0	-14.7	-26.5	37.2	24.0	-7.2	6.6

*Time-weighted rates of return are for the publicly traded investment fund.



GENERAL AMERICAN INVESTORS COMPANY, INC.

From January 1,	To December 31,	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
1969		-5.3	-2.4	3.9	8.7	3.4	-3.5	1.3	3.8	3.7	5.3
1970			0.7	8.8	13.8	5.7	-3.1	2.5	5.2	4.9	6.5
1971				17.5	21.0	7.4	-4.1	2.8	5.9	5.5	7.3
1972					24.7	2.7	-10.4	-0.6	3.8	3.7	5.9
1973						-15.4	-24.0	-7.8	-0.9	-0.1	3.0
1974							-31.8	-3.8	4.5	4.2	7.1
1975								35.9	29.3	19.9	19.9
1976									23.0	12.7	15.1
1977										3.3	11.3
1978											19.9

* Rates of return are for the publicly traded investment fund.

GENERAL AMERICAN *

ANNUALIZED TIME-WEIGHTED RATES OF RETURN

From January 1,	To December 31,	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
1969		-8.4	-2.4	2.9	6.7	2.0	-3.4	1.6	4.1	2.8	3.2
1970			4.0	9.0	12.3	4.8	-2.4	3.3	6.1	4.3	4.5
1971				14.3	16.7	5.1	-3.9	3.2	6.4	4.3	4.6
1972					19.0	-0.8	-9.3	0.6	4.9	2.8	3.3
1973						-14.7	-20.9	-4.9	1.6	-0.2	0.9
1974							-26.5	0.4	7.7	3.8	4.3
1975								37.2	30.4	16.4	13.9
1976									24.0	7.3	7.1
1977										-7.2	-0.6
1978											6.6

S & P 500

**BIOGRAPHIES OF INVESTMENT STAFF
&
ADMINISTRATIVE OFFICER**

Arthur G. Altschul (58) — *Chairman of the Board*

Graduate of Yale University
Officer and staff member of General American 1955-59
Joined Goldman, Sachs & Co. as a general partner in 1959 (limited partner since 1977), retaining his position as a director of General American
Chairman 1961 to date
Many outside affiliations including member of the Board of Associated Dry Goods Corporation, Chairman of the Board of Trustees of Barnard College and Trustee of Whitney Museum of American Art and The American Assembly (Arden House)

Malcolm B. Smith (55) — *President*

Graduate of Dartmouth College; M.A. (Economics) Harvard University
Entire business career at General American, joining the Company in 1948 as a security analyst upon completion of graduate work
Has held several corporate offices
President 1961 to date
Serves as Chairman of the Association of Publicly Traded Investment Funds; Trustee and Chairman of the finance committee of the New York Foundation; Director of Group Health Incorporated; Chairman of the investment committee of the American Association for the Advancement of Science
Member of New York Society of Security Analysts

Harold J. Kingsberg (51) — *Executive Vice-President*

Graduate of Harvard College; M.B.A. Harvard University
Spent 10 years as a security analyst and officer with Central National Corporation, a privately owned pulp and paper broker and investment company
Joined General American in 1963 as a Vice-President
Became Executive Vice-President in January 1978
Member of New York Society of Security Analysts
Member of Paper and Forest Products Industry Analysts Group
Member of Printing & Publishing Industry Analysts
Member of Entertainment Analysts Group
Responsible for the forest products; consumer products; and publishing, broadcasting and communications industries

Eugene L. DeStaebler, Jr., CPA (40) — *Vice-President, Administration*

Graduate of C.W. Post College
Spent 3 years as Supply Officer in U.S. Navy
Spent 10 years with Arthur Andersen & Co., certified public accountants. Served as audit manager in their New York office financial division during last 5 years
Joined General American in December 1975
Became Treasurer in 1976 and Vice-President, Administration in January 1978
Member American Institute of Certified Public Accountants
Member New York State Society of Certified Public Accountants
Responsible for administration

William J. Gedale (36) — Vice-President

Graduate of Syracuse University; Woodrow Wilson fellow at University of Chicago; M.B.A. New York University; J.D. Fordham University
Spent 4½ years with Citibank as a security analyst
Joined General American in 1969
Became Secretary in December 1971 and Vice-President in January 1978
Member of New York Society of Security Analysts
Former President of Machinery Analysts of New York
Member of Health Industries Analysts Group
Member of Environmental Control Analysts of New York
Responsible for coverage of the medical, machinery and education industries

James B. Book, IV (40) — Secretary

Graduate of University of Michigan; M.B.A. and M.S. (Geology) University of Michigan
Was a geologist with Texaco and then a security analyst for 2½ years with Citibank
Joined General American in 1971
Became Secretary in January 1978
Member of New York Society of Security Analysts
Member of New York Metals and Mining Analysts Group
Member of Oil Analysts Group of New York
Covers oil and gas and metals and mining

Melinda H. Reach (30) — Treasurer

Graduate of Skidmore College
Spent 4 years as a security analyst with Metropolitan Life Insurance Company and 3 years with Schroder, Naess and Thomas
Joined General American in 1976
Became Treasurer in January 1978
Member of New York Society of Security Analysts
Member of Electronic and Electrical Analysts Group
Member of Electrosience Analysts Group
Member of Computer Industry Analysts Group
Follows office equipment, data processing, and electrical and electronics industries

R. Kim Kiley (29)

Graduate of Harvard College; M.B.A. Harvard University
Spent 2½ years as a security analyst for Brown Brothers Harriman Co.
Joined General American in 1977
Member of New York Society of Security Analysts
Follows the retail trade and insurance industries

Robert F. Starbuck (29)

Graduate of Columbia University; M.B.A. Columbia University
Spent 3 years as a financial analyst with General Foods and 1 year as a security analyst with Bank of New York
Joined General American in 1978
Follows chemicals

DIRECTORS, WITH SOME OF THEIR AFFILIATIONS

ARTHUR G. ALTSCHUL

General American Investors Company, Inc.,
Chairman
Goldman, Sachs & Co., *Limited Partner*
Associated Dry Goods Corporation, *Director*
Barnard College, *Chairman,*
Board of Trustees
Whitney Museum of American Art, *Trustee*

MARVIN A. ASNES

Becton, Dickinson and Company, *Executive*
Vice President and Chief Operating
Officer, Director
The Bank Street College of Education,
Treasurer and Trustee
Harper & Row Publishers, Inc., *Director*
Massachusetts Institute of Technology,
Member of Corporation Visiting
Committee for Sponsored Research
Mt. Sinai School of Medicine, *Trustee*

EUGENE P. BERG

Bucyrus-Erie Company, *Director*
Abex Corporation, *Director*
Interlake Incorporated, *Director*
Kearney & Trecker Corp., *Director*
Purdue University Alumni Foundation,
Trustee

LAWRENCE B. BUTTENWIESER

Rosenman Colin Freund Lewis & Cohen,
Partner
Warner Communications Inc., *Director*

LEWIS B. CULLMAN

Cullman Ventures, Inc., *President*
Allied Graphic Arts Inc., *Chairman*
Gulton Industries, Inc., *Director*
Keith Clark, Inc., *Chairman*

GERALD M. EDELMAN

The Rockefeller University, *Vincent Astor*
Distinguished Professor
University of Pennsylvania, *Member Board*
of Overseers, Faculty of Arts and Sciences
Rockefeller Brothers Fund, *Trustee*
Salk Institute for Biological Studies, *Trustee*
and Non-Resident Fellow

WILLIAM T. GOLDEN

American Association for the Advancement
of Science, *Treasurer and Director*
American Museum of Natural History,
Vice President and Trustee
Barnard College, *Trustee*
Carnegie Institution of Washington,
Secretary and Trustee
John Simon Guggenheim Memorial
Foundation, *Trustee*

GABRIEL HAUGE

Manufacturers Hanover Corporation and
Manufacturers Hanover Trust Company,
Chairman
AMAX Inc., *Director*
American Home Products Corporation,
Director
Chrysler Corporation, *Director*
New York Telephone Company, *Director*

AUGUSTUS B. KINZEL

National Academy of Engineering,
Founding President
California Institute of Technology, *Trustee*
System Development Foundation, *Trustee*

RICHARD R. PIVIROTTA

Associated Dry Goods Corporation,
Chairman and Chief Executive Officer
The Bowery Savings Bank, *Trustee*
Chemical New York Corporation and
Chemical Bank, *Director*
New York Life Insurance Company, *Director*
Westinghouse Electric Corporation, *Director*

JOHN C. SAWHILL

New York University, *President*
American International Group, Inc., *Director*
Automatic Data Processing, Inc., *Director*
New York State Financial Control
Board, *Member*
RCA Corporation, *Director*

MALCOLM B. SMITH

General American Investors Company, Inc.,
President

BETHUEL M. WEBSTER

Webster & Sheffield, *Partner*
Drug Abuse Council, Inc., *Chairman*



UNIVERSE OF
INVESTMENT ADVISOR SEPARATE ACCOUNTS

Fred Alger & Company, Incorporated, New York
Alliance Capital Management Corporation
American Investment Managers, Inc., Rockville
Argus Investors' Counsel, Inc., New York
Atlanta Capital Corporation, New York
Atlanta Capital Management Company
E. W. Axe and Co., Inc., Tarrytown
Batterymarch Financial Management Corporation, Boston
BEA Associates, Inc., New York
Bernstein-Macaulay, Inc., New York
George D. Bjurman & Associates, Los Angeles
Blalack-Loop, Incorporated, Pasadena
Boston Company, Inc.
Brown Brothers Harriman & Co., New York
Neil F. Campbell Co., Inc., Los Angeles
Capitoline Investment Services, Inc., Richmond
Century Capital Associates, New York
Cole, Yeager & Wood, Inc., New York
Colonial Management Associates, Inc., Boston
Columbia Management Company, Portland
Delaware Investment Advisers, Inc., Philadelphia
Donelan-Phelps Investment Advisers, Inc., St. Louis
Dreyfus Management, Inc., New York
Edie Asset Management, New York
Endowment Management & Research Corporation, Boston
Fiduciary Trust Company of New York
FMR Investment Management Service, Inc., Boston
Forstmann-Leff Associates, New York
Founders Capital Management Corporation, Denver
Funds Advisory Co., Houston
General American Investors Company, Inc., New York
Harris, Bretall & McEldowney, Inc., San Francisco
Everett Harris & Co., Los Angeles
Heritage Investment Advisers, Inc., Milwaukee
IDS Advisory Corporation, Minneapolis
INA Capital Management Corp., Philadelphia
ISI Corporation, San Francisco
Investment Advisers, Inc., Minneapolis
Investment Advisers, Incorporated, Houston
Investment & Capital Management Corp., Chicago
Kemper Financial Services, Inc., Chicago
Kleinwort Benson McCowan Incorporated, New York
Lazard Freres & Co., New York
Lincoln Capital Management Company, Chicago
Loomis, Sayles & Company
Massachusetts Financial Services, Inc., Boston
McGlinn Investment Services, Inc., Reading
Miller, Anderson & Sherrerd, Bala-Cynwyd
NSR Asset Management Corporation, New York
National Investment Services of America, Inc., Milwaukee
Neuberger & Berman Pension Management, Inc., New York
New Court Capital Management, Inc., New York
Oppenheimer Capital Corporation, New York
Phoenix Investment Counsel of Boston, Inc.
T. Rowe Price Associates, Inc., Baltimore
Pringle, Flinn, Elvins & Donahoe, Inc., Seattle
Putnam Advisory Company, Inc., Boston
Redwood Capital Management, Inc., Baltimore
Reich & Tang, Inc., New York
Rosenberg Capital Management, San Francisco
Roulston & Company, Inc., Cleveland
M. D. Sass Investors Services, Inc., New York
Schroder, Naess & Thomas, New York
Scudder, Stevens & Clark, Inc.
Smith, Barney, Harris Upham & Co., Inc., New York
Southland Trust Company, Dallas
Stein Roe & Farnham, Chicago
Stralem & Company, Incorporated, New York
Tallasi Management Company, New York
Thorndike, Doran, Paine & Lewis, Inc., Boston
Torrays Clark & Co. Incorporated, Washington, D.C.
Transamerica Investment Management Company, Los Angeles
Trust Company of the West, Los Angeles
Vestaur Corporation, San Francisco
Wall, Patterson, McGrew & Richards, Inc., Atlanta
Webster Management Corporation, New York
Weiss, Peck & Greer Investments, Inc., New York
Wentworth, Hauser & Violich, San Francisco
Wertheim Asset Management Services, Incorporated, New York
Wilkins & Nanovic Associates, Greenwich
Wright Investors Service, Bridgeport

December 31, 1978

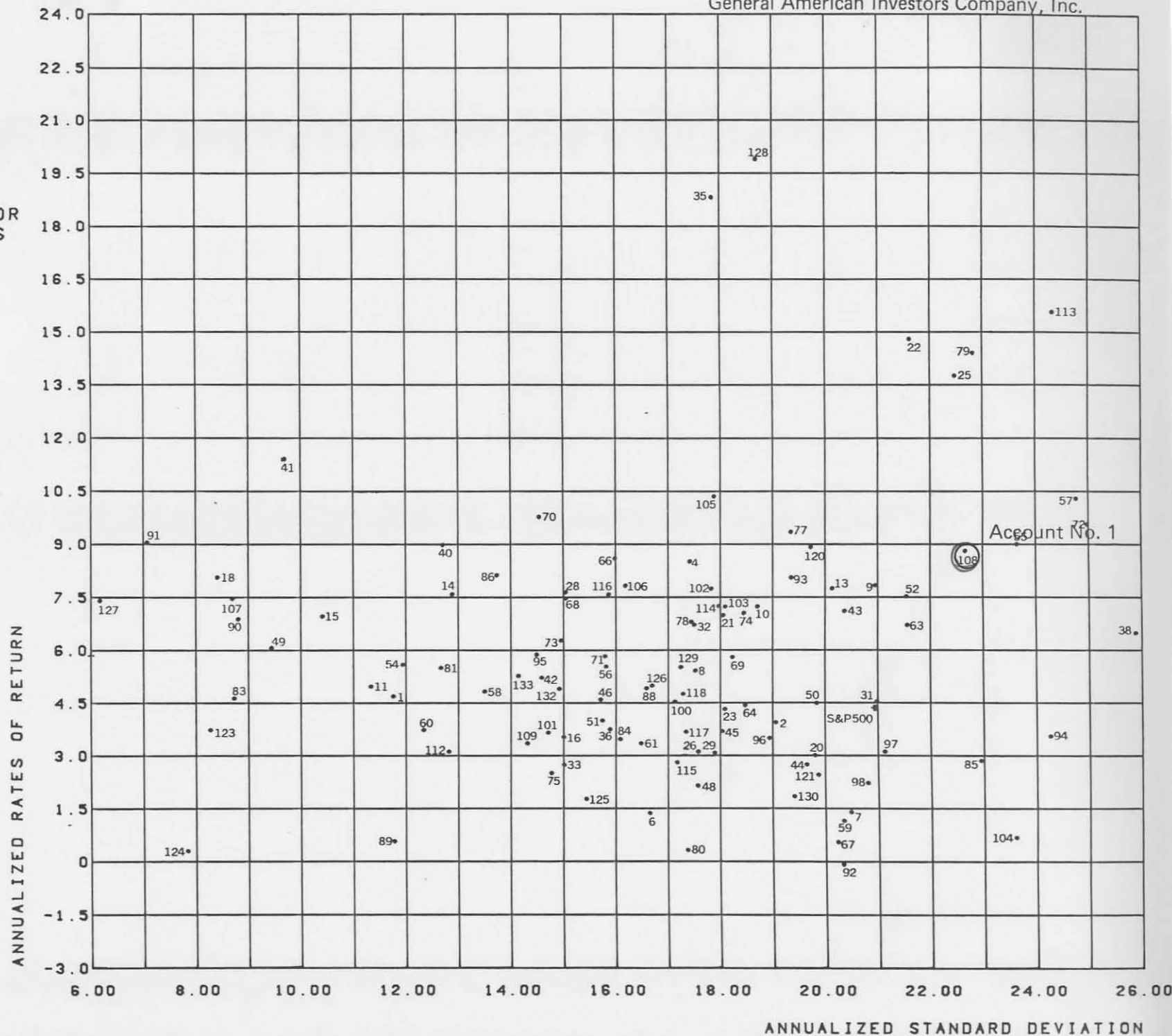
RISK-RETURN
 PERFORMANCE
 COMPARISONS

INVESTMENT ADVISOR
 SEPARATE ACCOUNTS

5 YEARS
 1/1/74 - 12/31/78

110 PORTFOLIOS

General American Investors Company, Inc.

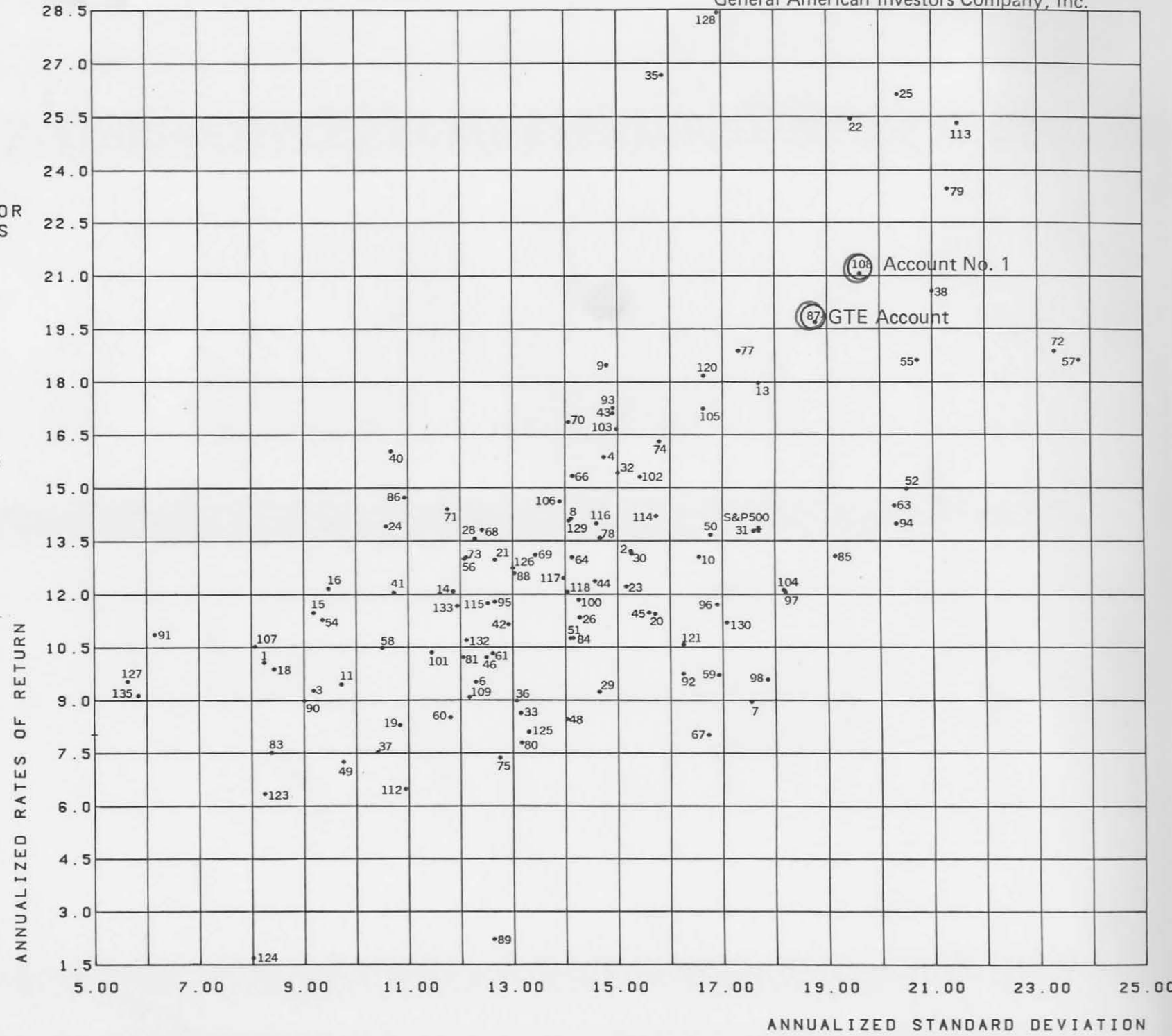


RISK-RETURN
 PERFORMANCE
 COMPARISONS

INVESTMENT ADVISOR
 SEPARATE ACCOUNTS

4 YEARS
 1/1/75 - 12/31/78

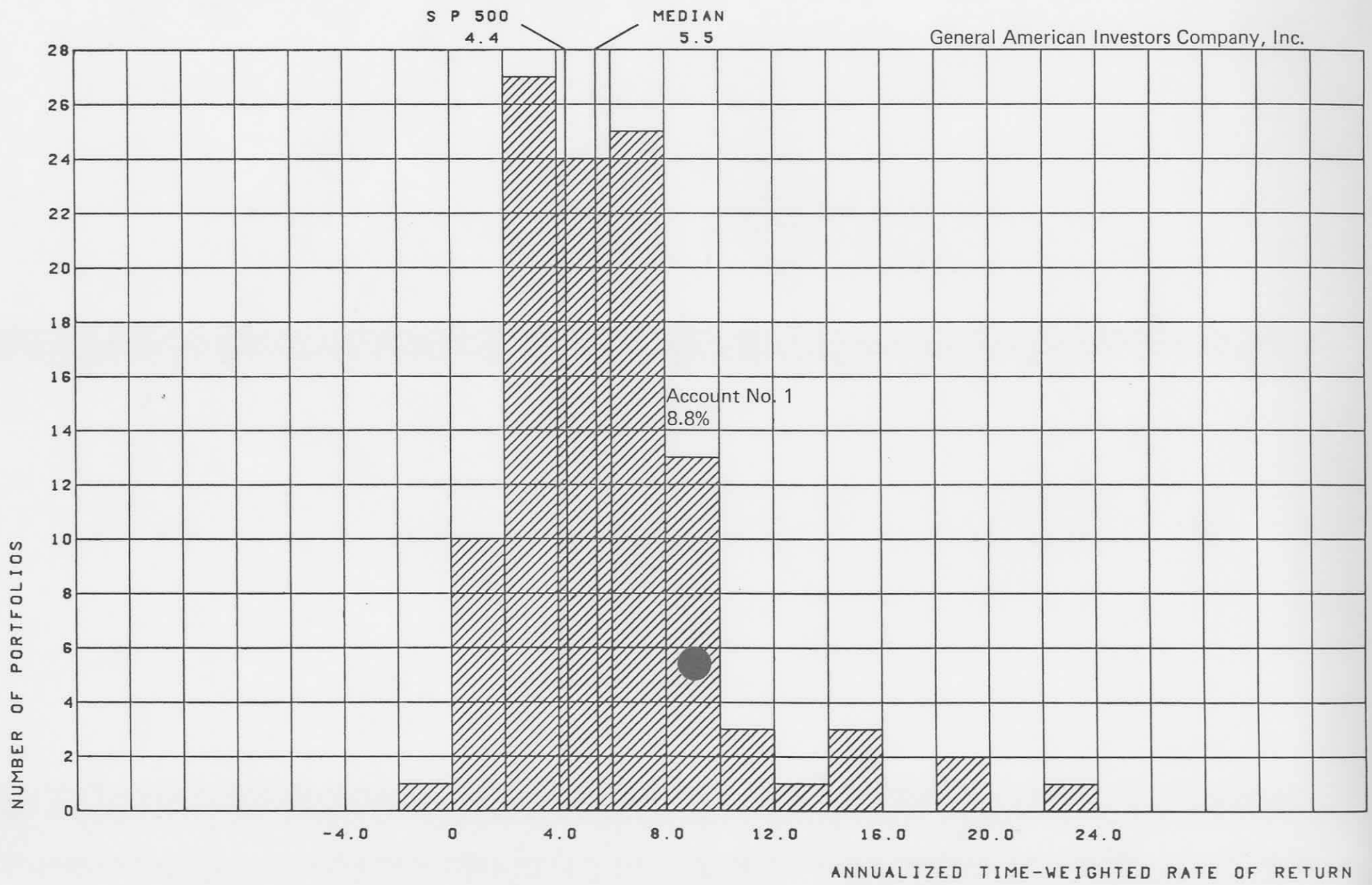
117 PORTFOLIOS



DISTRIBUTION OF RETURNS

INVESTMENT ADVISOR SEPARATE ACCOUNTS
110 PORTFOLIOS

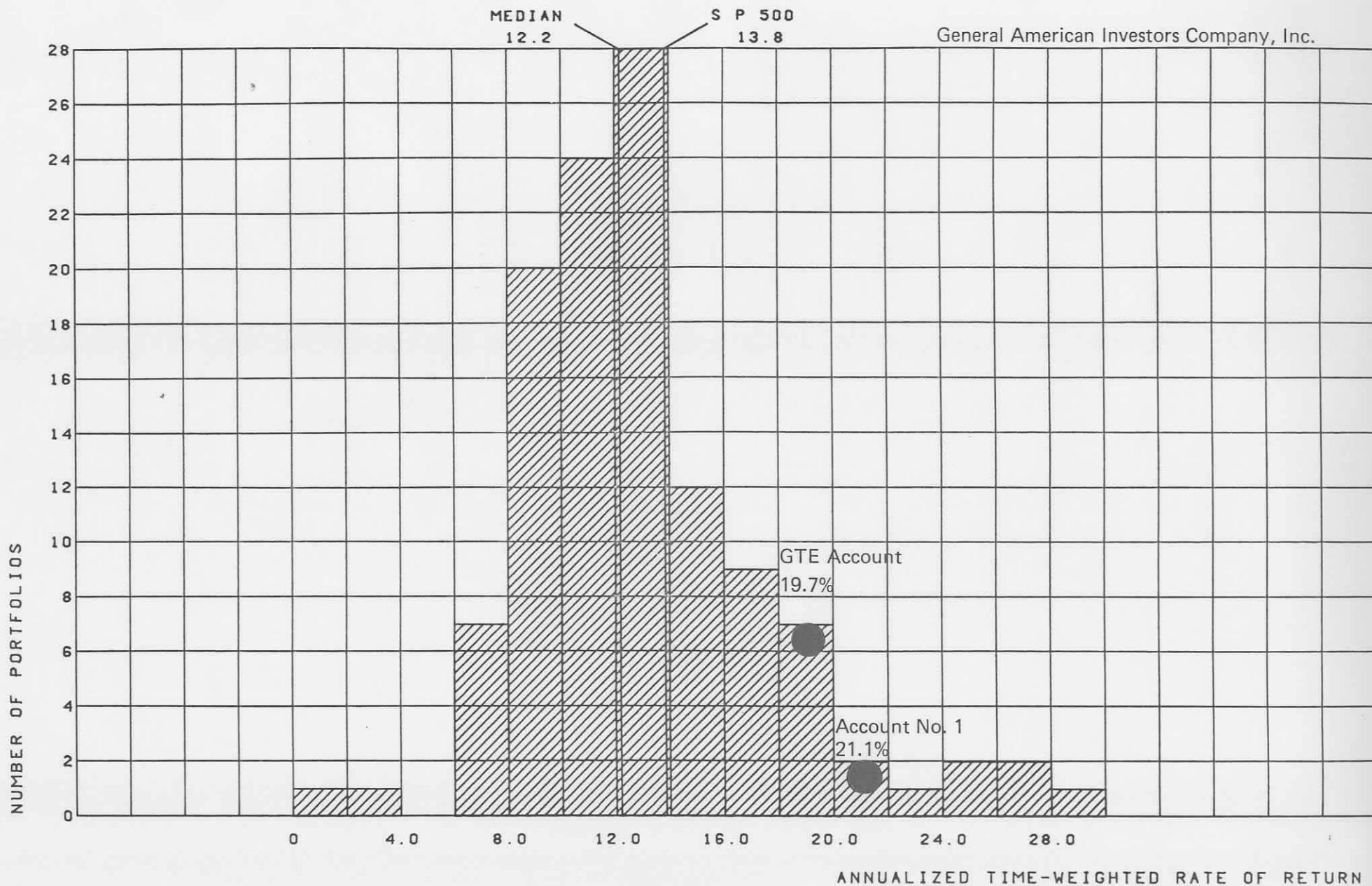
5 YEARS 1/1/74 - 12/31/78
RATE OF RETURN IN PERCENT



DISTRIBUTION OF RETURNS

INVESTMENT ADVISOR SEPARATE ACCOUNTS
117 PORTFOLIOS

4 YEARS 1/1/75 - 12/31/78
RATE OF RETURN IN PERCENT

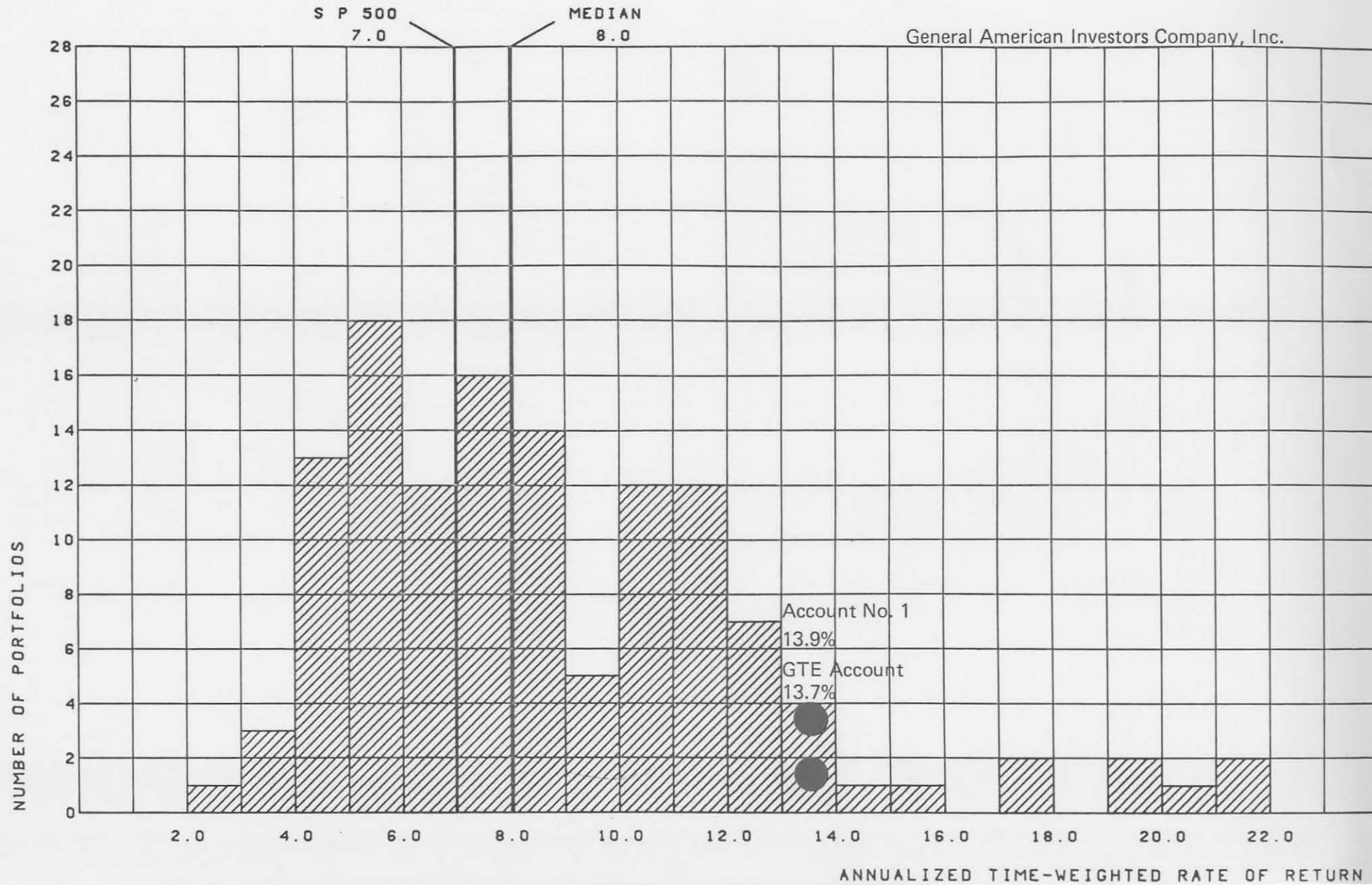


DISTRIBUTION OF RETURNS

INVESTMENT ADVISOR SEPARATE ACCOUNTS
126 PORTFOLIOS

3 YEARS 1/1/76 - 12/31/78
RATE OF RETURN IN PERCENT

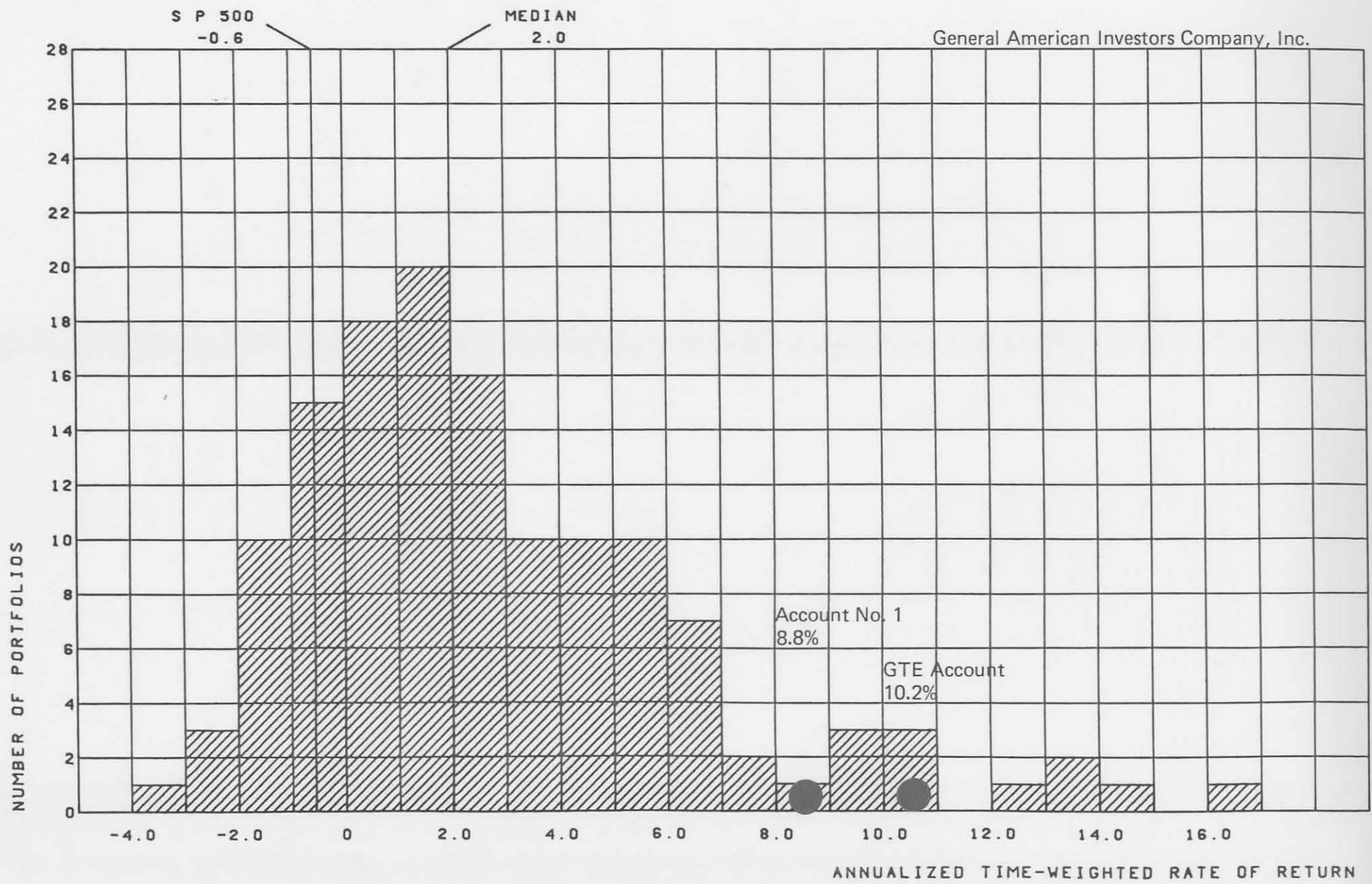
General American Investors Company, Inc.



DISTRIBUTION OF RETURNS

INVESTMENT ADVISOR SEPARATE ACCOUNTS
134 PORTFOLIOS

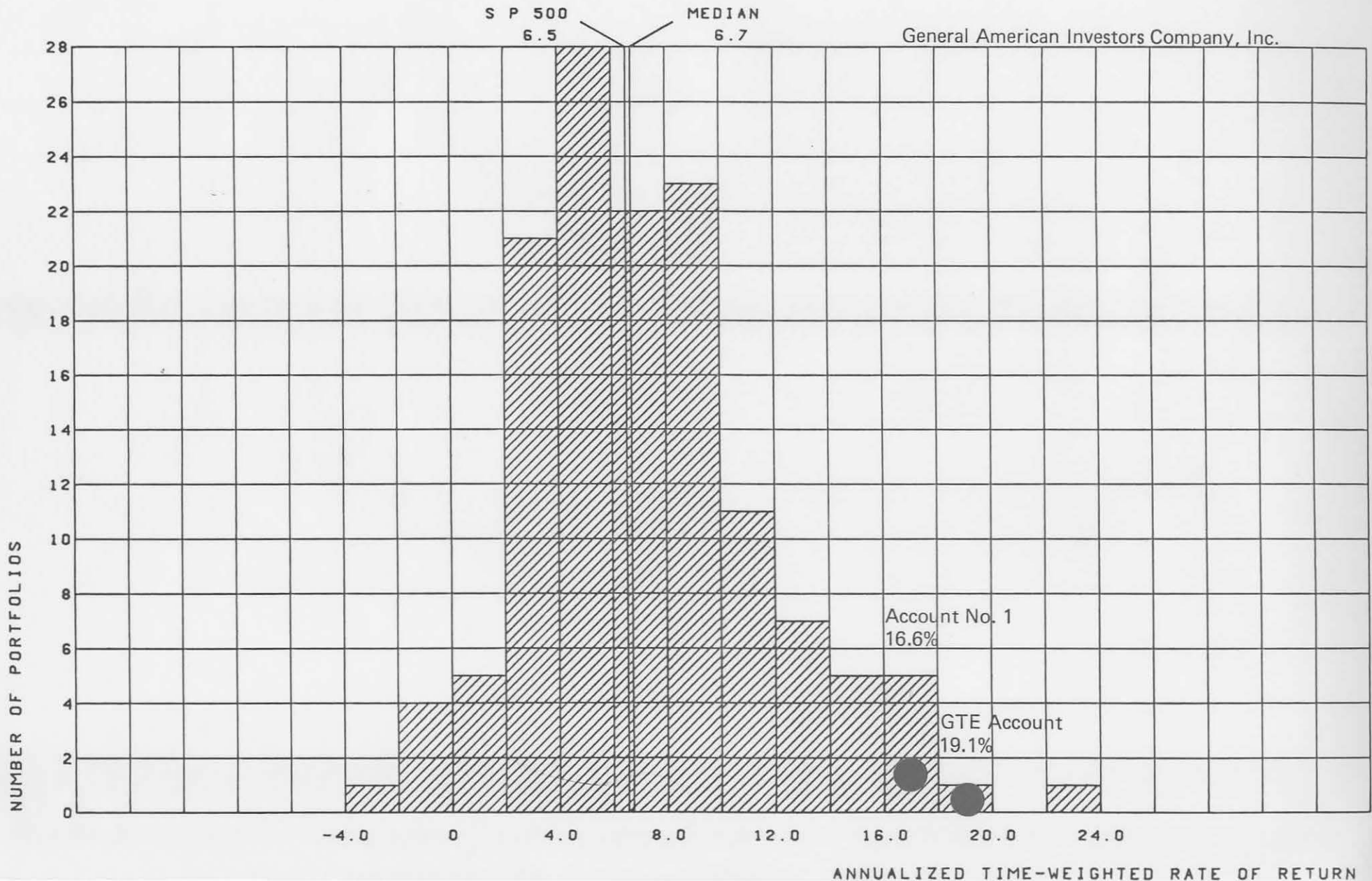
2 YEARS 1/1/77 - 12/31/78
RATE OF RETURN IN PERCENT



DISTRIBUTION OF RETURNS

INVESTMENT ADVISOR SEPARATE ACCOUNTS
134 PORTFOLIOS

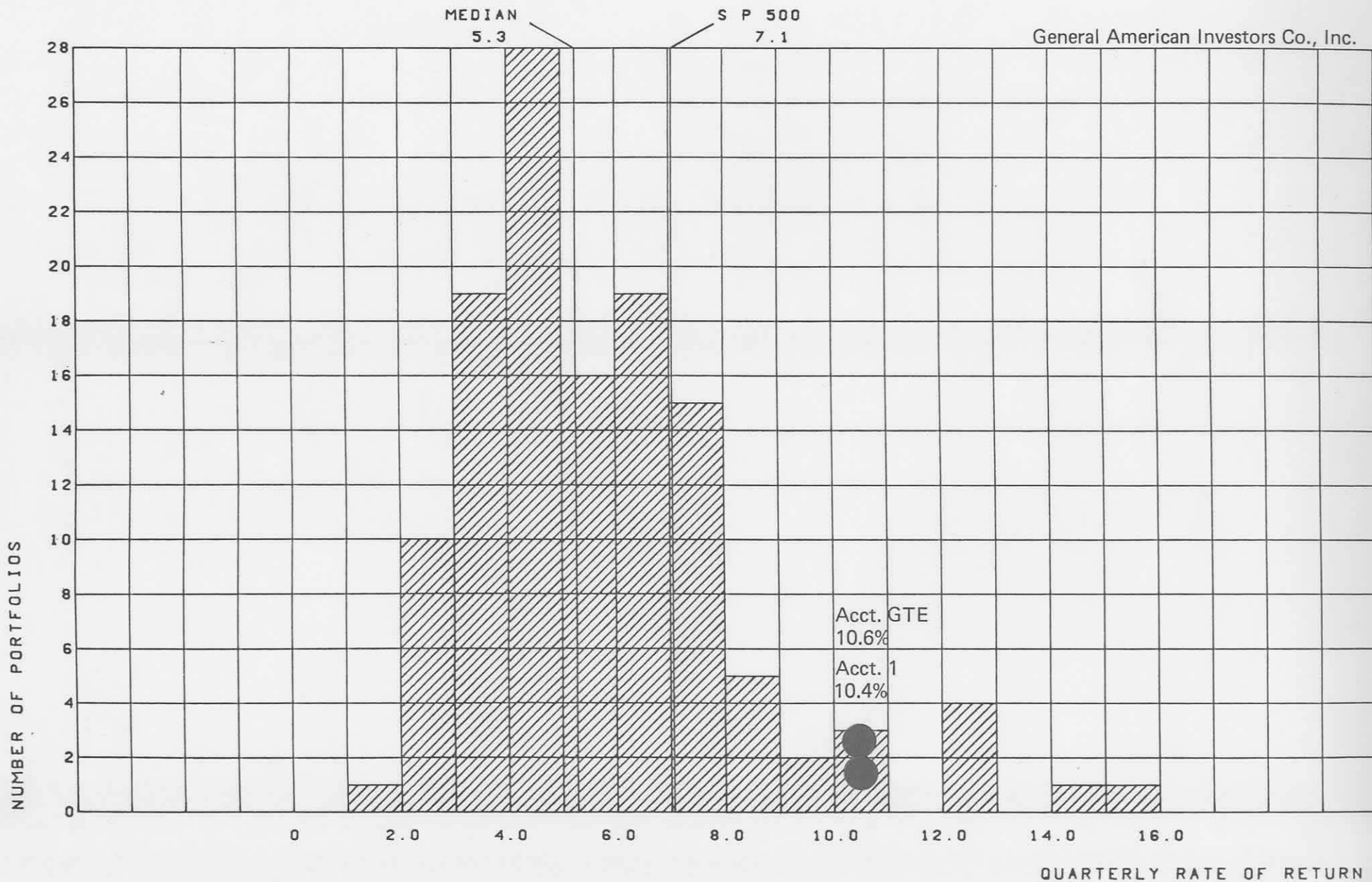
1 YEAR 1/1/78 - 12/31/78
RATE OF RETURN IN PERCENT



DISTRIBUTION OF RETURNS

INVESTMENT ADVISOR SEPARATE ACCOUNTS
124 PORTFOLIOS

1ST QUARTER 1/1/79 - 3/31/79
RATE OF RETURN IN PERCENT

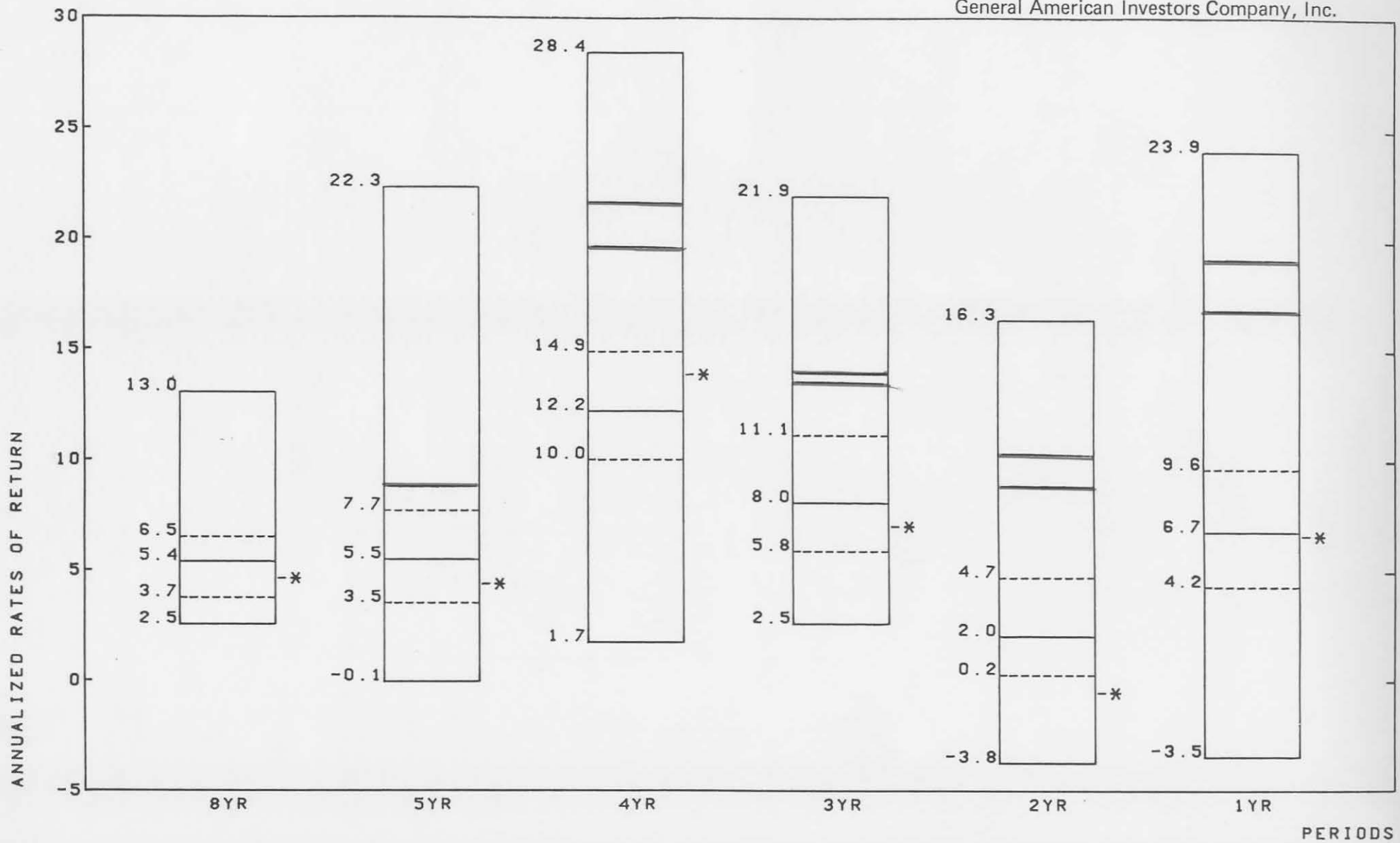


UNIVERSE QUARTILE RANGES

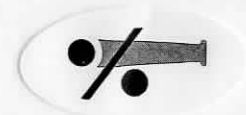
INVESTMENT ADVISOR SEPARATE ACCOUNTS

PERIODS ENDING DEC. 31, 1978

General American Investors Company, Inc.



* S P 500



BATTERYMARCH
FINANCIAL MANAGEMENT
C O R P O R A T I O N

600 ATLANTIC AVENUE
BOSTON • MASSACHUSETTS 02210
AREA CODE 617 973-9300
TWX 710 321-6988

DEAN LEBARON

December 13, 1979

Mr. John Hunt
Associate Director
and Secretary of the Corporation
The Institute for Advanced Study
Princeton, New Jersey 08540

Dear Mr. Hunt:

Thank you very much for letting me know the results of your
Trustee's meeting. I am disappointed that Batterymarch was not
selected for responsibilities but I can well understand their
interest in preserving a more traditional approach.

You could be of some help to us. I would appreciate it if you
would take a moment to complete the brief survey I am enclosing.
Your responses will be very helpful in guiding us in presenting
clearly our characteristics to future prospective clients.

Please thank your Committee for the time and attention to our
activities. It was especially pleasant to see your Chairman after
a number of years.

Sincerely,

President

DL/mbc

Enclosure

*not completed
or returned*

December 7, 1979

Mr Dean LeBaron
President
Batterymarch Financial Management Corporation
600 Atlantic Avenue
Boston, Massachusetts 02210

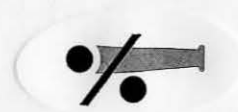
Dear Mr LeBaron:

I am writing on behalf of the Institute's Investment Management Committee to thank you for your most interesting and informative presentation on November 30. In light of the successful results of past investment management policies at the Institute, the Committee has decided to continue a mode of operation more in keeping with our traditional practices. We have therefore decided against proceeding further with Batterymarch Financial Management Corporation at this time. Should we decide in future to move in directions more compatible with those of your company, we will be back in touch.

With best regards, I am

Sincerely,

John Hunt
Secretary of the Corporation



BATTERYMARCH
FINANCIAL MANAGEMENT
C O R P O R A T I O N

600 ATLANTIC AVENUE
BOSTON • MASSACHUSETTS 02210
AREA CODE 617 973-9300
TWX 710 321-6988

November 20, 1979

Mr. John Hunt
Associate Director
The Institute for Advanced Study
Olden Lane
Princeton, New Jersey 08540

Dear Mr. Hunt:

Thank you very much for your interest in Battery March. We are delighted to be included among those firms you are considering as a possible investment managers for the Institute's endowment.

Dean LeBaron, President of Battery March, will be meeting with you and your Trustees at 10:30, Friday, November 30th at 30 Rockefeller Plaza, Room 5600 in New York City.

Enclosed are eight copies of our Annual Report/Brochure which acts as a brief introduction to Battery March and its people.

Thanks once again for your interest.

Sincerely,

Alan J. Strassman

AJS/mm

cc: Dean LeBaron

November 20, 1979

Mr Alan Strassman
Executive Vice President
Batterymarch Financial
Management Corporation
600 Atlantic Avenue
Boston, Massachusetts 02210

Dear Mr Strassman:

I am writing to confirm the time and place of the presentation by the Batterymarch Financial Investment Corporation to the Committee on Investment Management of the Institute for Advanced Study.

Your presentation will be one half-hour in duration, from 10:30 am to 11:00 am on Friday, November 30. The meeting will take place in Room 5600 at 30 Rockefeller Plaza, New York City.

As soon as I have received your materials, I will distribute them to the members of the Committee. In accordance with our conversation, I have made no arrangements for the use of slides or other visual aids during your presentation.

Please let me know if there is further information you require.

Sincerely,

John Hunt
Secretary of the Corporation

THE INSTITUTE FOR ADVANCED STUDY

Ad Hoc Committee on Investment Management

James R. Houghton, chairman

Howard C. Petersen, chairman of the Board of Trustees

J. Richardson Dilworth, president and vice-chairman

Ralph E. Hansmann, treasurer

Harry Woolf, director of the Institute for Advanced Study

John Hunt, secretary of the Corporation

Harold F. Linder, trustee emeritus

December 7, 1979

Mr John Hurford
Vice President and Director
BEA Associates, Inc.
58th floor
One Citicorp Center
153 East 53 Street
New York, New York 10022

Dear Mr Hurford:

I am writing on behalf of the Institute's Investment Management Committee to thank you and Mr Regan for your most interesting and informative presentation on November 30. In light of the successful results of past investment management policies at the Institute, the Committee has decided to continue a mode of operation more in keeping with our traditional practices. We have therefore decided against proceeding further with BEA Associates, Inc. at this time. Should we decide in future to move in directions more compatible with those of your company, we will be in touch.

With best regards, I am

Sincerely,

John Hunt
Secretary of the Corporation

BEA

Patrick J. Regan
Vice President

November 21, 1979

Mr. John Hunt
Associate Director
Institute for Advanced Studies
Olden Lane
Princeton, New Jersey 08540

Dear Mr. Hunt:

As per our conversation, I have enclosed eight copies of some background material on BEA. The brochure describes the history and philosophy of the firm and contains biographical sketches of the nine principals.

The Frank Russell material and the Evaluation Associates report contain performance figures on BEA portfolios. The equity portfolios that we manage for the pension funds of the State of Oregon and Jersey Central Power and Light have been among the top performers in the Frank Russell universe. The Evaluation Associates data shows a similar picture, but it is based on our median account results, with large and small portfolios weighted equally.

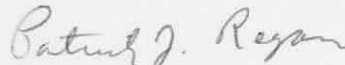
Our client list is also enclosed. We have had no turnover on the professional staff and almost no turnover of accounts, and we use our clients as a reference.

I mentioned that our fee structure is high -- 1.00% on the \$5 million, 0.75% on the next \$5 million and 0.5% thereafter.

I spoke with Judith Grisham regarding the November 30, 1979 meeting at 30 Rockefeller Plaza. John Hurford, Vice President and Director and manager of the Smithsonian account, and I will attend the 11:15 meeting.

If you have any questions or need any more information on BEA, please call me.

Very truly yours,


Patrick J. Regan

PJR/clk

November 20, 1979

Mr Patrick J. Regan
Vice President
BEA Associates Inc.
58th floor
One Citicorp Center
153 East 53 Street
New York, New York 10022

Dear Mr Regan:

I am writing to confirm the time and place of the presentation by the BEA Associates to the Committee on Investment Management of the Institute for Advanced Study.

Your presentation will be one half-hour in duration, from 11:15 am to 11:45 pm on Friday, November 30. The meeting will take place in Room 5600 at 30 Rockefeller Plaza.

As soon as I have received your materials, I will distribute them to the members of the Committee. In accordance with our conversation, I have made no arrangements for the use of slides or other visual aids during your presentation.

Please let me know if there is further information you require.

Sincerely,

John Hunt
Secretary of the Corporation

THE INSTITUTE FOR ADVANCED STUDY

Ad Hoc Committee on Investment Management

James R. Houghton, chairman

Howard C. Petersen, chairman of the Board of Trustees

J. Richardson Dilworth, president and vice-chairman

Ralph E. Hansmann, treasurer

Harry Woolf, director of the Institute for Advanced Study

John Hunt, secretary of the Corporation

Harold F. Linder, trustee emeritus

December 7, 1979

Mr Paul F. Miller, Jr.
Miller, Anderson + Sherrerd
Two Bala-Cynwyd Plaza
Bala-Cynwyd, Pennsylvania 19004

Dear Mr Miller:

I am writing on behalf of the Institute's Investment Management Committee to thank you and your associates for your most interesting and informative presentation on November 30. In light of the successful results of past investment management policies of the Institute, the Committee has decided to continue a mode of operation more in keeping with our traditional practices. We have therefore decided against proceeding further with Miller, Anderson + Sherrerd at this time. Should we decide in future to move in directions more compatible with those of your company, we will be back in touch.

With best regards, I am

Sincerely,

John Hunt
Secretary of the Corporation

November 20, 1979

Mr Paul F. Miller, Jr.
Partner
Miller Anderson + Sherrerd
Two Bala Cynwyd Plaza
Bala Cynwyd, Pennsylvania 19004

Dear Mr Miller:

I am writing to confirm the time and place of the presentation by Miller Anderson + Sherrerd to the Committee on Investment Management of the Institute for Advanced Study.

Your presentation will be one half-hour in duration, from 12:00 noon to 12:30 pm on Friday, November 30. The meeting will take place in Room 5600 at 30 Rockefeller Plaza, New York City.

As soon as I have received your materials, I will distribute them to the members of the Committee. In accordance with our conversation, I have made no arrangements for the use of slides or other visual aids during your presentation.

Please let me know if there is further information you require.

Sincerely,

John Hunt
Secretary of the Corporation

cc: Mr Morris Williams

THE INSTITUTE FOR ADVANCED STUDY

Ad Hoc Committee on Investment Management

James R. Houghton, chairman

Howard C. Petersen, chairman of the Board of Trustees

J. Richardson Dilworth, president and vice-chairman

Ralph E. Hansmann, treasurer

Harry Woolf, director of the Institute for Advanced Study

John Hunt, secretary of the Corporation

Harold F. Linder, trustee emeritus

MILLER,
ANDERSON
& SHERRERD

TWO BALA-CYNWYD PLAZA • BALA-CYNWYD, PENNSYLVANIA 19004 • 215-839-1620

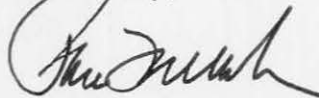
November 23, 1979

Mr. John Hunt
Secretary of the Corporation
The Institute for Advanced Study
Princeton, New Jersey 08540

Dear Mr. Hunt:

Because the time will be limited when we meet with your Committee next Friday, we thought it might be useful for them to have the enclosed letters which, while they repeat some of the material we have sent to you earlier, are a more complete description of our firm and the way it operates. I believe I am enclosing enough copies for you to distribute to your Committee if you think that is appropriate.

Sincerely,



Paul F. Miller, Jr.

enclosures

MILLER,
ANDERSON
& SHERRERD

TWO BALA-CYNWYD PLAZA - BALA-CYNWYD, PENNSYLVANIA 19004 - 215-839-1620

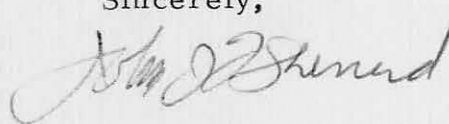
November 16, 1979

Ms. Judith Grisham
Office of the Director
The Institute for Advanced Study
Olden Lane
Princeton, New Jersey 08540

Dear Ms. Grisham:

Enclosed is the material I promised to send to you. Since we have no formal marketing program, we do not have any formalized brochure, but obviously are prepared to provide a good deal more information about the firm at the appropriate time. I hope that this is helpful to Mr. Hunt for next week. I look forward to hearing from him.

Sincerely,



John J. F. Sherrerd

Encs.

The Institute for Advanced Study

Minutes

Joint Meeting of the Executive and Finance Committees

January 31, 1980

Present: Messrs. Houghton (Chairman), Dilworth, Hansmann, Straus, and Woolf; Mrs. Whitehead. Also, Mr. Hunt (Secretary).

Absent: Mrs. Delmas; Messrs. Petersen, Segal, Simon, Wolfensohn.

Presiding Officer: Mr. Houghton opened the meeting at 1:00 pm and asked Mr. Hansmann to present his views on the future management of the Institute's investment portfolio.

Mr. Hansmann recommended that Rockefeller Family and Associates assume the management of the equity portion of the portfolio and that the fixed income portion remain with the Fidelity Bank.

Mr. Dilworth stated that Rockefeller Family and Associates was now incorporated in New York and had filed with the S.E.C. He added that it was the opinion of counsel that, pending formal recognition, one or two additional accounts could be handled by the Rockefeller group. He stated further that should the Rockefeller group be selected

Minutes

2

Joint Meeting of the
Executive and Finance Committees
January 31, 1980

to manage the Institute's portfolio, there would be no charge for services until the new status of Rockefeller Family and Associates is formalized.

After discussion, the Trustees voted unanimously (Mr. Dilworth abstaining) in favor of Rockefeller Family and Associates as the new managers of the Institute's investment portfolio.

It was agreed that the Rockefeller group would be asked to contact Mr. Hansmann and that Mr. Hansmann would work with the Rockefeller group during the forthcoming period of transition.

It was further agreed that a description of Rockefeller Family and Associates along with a description of the precise nature of the arrangement would be presented at the April meeting of the Board.

After a brief discussion, the Trustees confirmed the recommendation of the ad hoc Committee on Investment Management to retain the Fidelity Bank as the manager of the fixed income portion of the portfolio.

Mr. Houghton then proposed that Mr. Hansmann be designated Chairman of the Finance Committee. The motion was passed unanimously, with the understanding that Mr. Houghton would continue to be a member of the Finance Committee.

The Director then described the creation of an endowed Oswald Veblen Professorship in the School of Mathematics which would involve the amalgamation of two separate sums of \$250,000 each for this purpose. One of these sums would be taken from a bequest received during fiscal year 1979 from the estate of Mr. William Axer Graham. In accordance with the present proposal, this portion of the bequest would be allocated to the Veblen Professorship. The other

Minutes
Joint Meeting of the
Executive and Finance Committees
January 31, 1980

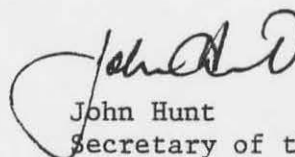
3

\$250,000 increment would come from the Oswald Veblen Fund, established many years ago by a bequest from Veblen himself. The Director reported that he had discussed the proposal with the School of Mathematics and that the School agreed with the proposal as described. There was general agreement that the proposal was satisfactory in every respect and that the Director should proceed to implement it so that he could bring before the Trustees at the April Board meeting the School's nominee for the Oswald Veblen Professorship.

The Director then made an interim report to the Board on the current candidate for the Faculty of the School of Social Science and stated that he would make a full report to the Board in April on the status of pending appointments in the School of Historical Studies and the School of Mathematics as well as the School of Social Science.

The Director then concluded his remarks by noting the receipt of a generous grant from the Exxon Education Foundation for the School of Social Science and describing the proposed purchase of a computer to be used primarily for projects relating to classical studies.

There being no further business, the meeting was adjourned at 2:00 pm.



John Hunt
Secretary of the Corporation

yellow

THE INSTITUTE FOR ADVANCED STUDY

PRINCETON, NEW JERSEY 08540

Telephone-609-924-4400

THE DIRECTOR

12 February 1980

Mr Ralph E. Hansmann
Room 4201
40 Wall Street
New York, New York 10005

Dear Ralph:

Enclosed you will find copies of our letters to the two investment companies. I assume that you will be hearing soon from Mr Fanning. The Minutes of the meeting have been sent under separate cover.

Once again, let me express to you our deepest appreciation for your splendid contributions to the Institute over the years. We know only too well what we are losing and take solace from the fact that you will continue to give us the benefit of your wisdom in the future, even if no longer on a day-to-day basis.

Thanks again for an extraordinary performance. The Institute will be forever in your debt.

With best personal regards, I am

Cordially yours,

Harry Woolf

THE INSTITUTE FOR ADVANCED STUDY

yellow

January 22, 1980

Mr Howard C. Petersen
Fidelity Bank Building
Room 742
135 South Broad Street
Philadelphia, Pennsylvania 19109

Dear Howard:

Attached is a copy of the memorandum sent out this date to all members of the Executive and Finance Committees. Since you will be the Chair, I wanted to provide you with some background information on item 2 on the agenda which Harry will present.

The creation of the Oswald Veblen Professorship involves the amalgamation of two separate sums of \$250,000 for the purpose of creating the endowed Veblen Professorship. One of these sums will be taken from a bequest received during fiscal year 1979 from the estate of William Axer Graham. In the present instance, this portion of the bequest is simply being allocated to the Veblen Professorship. The other \$250,000 increment comes from the Oswald Veblen Fund, established many years ago by a bequest from Veblen himself. There is now enough in the fund to permit us to allocate this amount for the Professorship and still have funds left over, the income from which will be used for members' stipends in accordance with the spirit of the bequest.

This arrangement has the agreement of the School of Mathematics and is being presented for the approval of the Executive Committee.

Any other items to be brought before the Committee will be presented under the rubric of other business. As there was some talk at our last meeting of asking Ralph to assume the chairmanship of the Finance Committee, you might wish to confer with Jamie about this point.

We are now expecting all members of the two Committees to be in attendance with the exception of Gladys Delmas, Martin Segal and Norton Simon.

I look forward to seeing you on the 31st.

Sincerely,



John Hunt
Secretary of the Corporation

yellow

THE INSTITUTE FOR ADVANCED STUDY

January 22, 1980

Mr James R. Houghton
Vice Chairman of the Board
Corning Glass Works
Corning, New York 14830

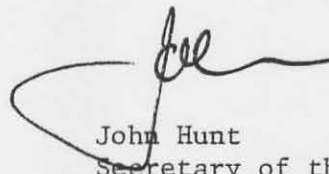
Dear Jamie:

Attached is a copy of the memorandum sent out this date to all members of the Executive and Finance Committees, as well as a copy of my letter to Howard. Since the Executive Committee is involved, I assume that Howard will chair the meeting.

Thank you very much for your help in moving the matter in question to this stage and in providing a place for us to meet.

With kind regards, I am

Sincerely yours,



John Hunt
Secretary of the Corporation

yellow

THE INSTITUTE FOR ADVANCED STUDY

January 22, 1980

Memorandum

To: Members of the Executive and Finance Committees

From: John Hunt, Secretary of the Corporation

Subject: January 31, 1980, meeting to determine future management of the Institute's investment portfolio

As indicated in earlier correspondence, there will be a joint meeting of the Executive and Finance Committees for lunch at 12:30 pm, Thursday, January 31, to determine the future management of the Institute's investment portfolio. The place of the luncheon will be the

Links Club
Auchincloss Room
(fourth floor)
36 East 62 Street
New York City

The agenda of the meeting is as follows:

1. Report and recommendations of the Finance Committee with regard to the future management of the Institute's investment portfolio.
2. Report and recommendations of the Director with regard to the creation of the Oswald Veblen Professorship in the School of Mathematics.
3. Other business.

It is expected that the meeting will adjourn not later than 2:00 pm.

copies to

Howard C. Petersen
J. Richardson Dilworth
Ralph E. Hansmann
Gladys K. Delmas
James R. Houghton
Harold Linder (trustee emeritus)

Martin E. Segal
Norton Simon
Donald B. Straus
Elizabeth A. Whitehead
James D. Wolfensohn
Harry Woolf



THE INSTITUTE FOR ADVANCED STUDY

January 4, 1980

Memorandum

To: Members of the Executive and Finance Committees

From: John Hunt ~~JH~~

Subject: Change of time for the January 31 meeting

By now you will have received my December 20 memorandum announcing that the members of the Executive and Finance Committees will meet for lunch at the Links Club in New York City on Thursday, January 31, 1980, to discuss the management of the Institute's investment portfolio.

This notice is to let you know that the time of the meeting has been changed from 12:00 noon to 12:30 p.m. It is expected that the meeting will adjourn not later than 2:00 p.m.

I look forward to seeing you on the 31st.

copies to

Howard C. Petersen
J. Richardson Dilworth
Ralph E. Hansmann
Gladys K. Delmas
James R. Houghton
Harold Linder (Trustee emeritus)
Martin E. Segal
Norton Simon
Donald B. Straus
Elizabeth A. Whitehead
James D. Wolfensohn
Harry Woolf

INSTITUTE FOR ADVANCED STUDY
PRINCETON, NEW JERSEY 08540

RALPH E. HANSMANN
TREASURER

TREASURER'S OFFICE
40 WALL STREET
NEW YORK, NEW YORK 10005
WHITEHALL 4-0127

December 19, 1979

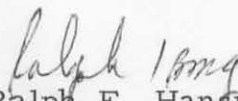
Dear John,

When I spoke to you on the telephone some days ago, you indicated that you had scheduled a luncheon meeting of the Institute's Executive and Finance Committees for January 31st at 12:00 p.m. Unfortunately, I have a doctor's appointment at 11:00 a.m. on that day which will last for about an hour and, therefore, I will not be available until 12:30 p.m. I wonder if it would be possible to reschedule the luncheon meeting for 12:30 p.m. instead of 12:00 p.m.

Sorry to trouble you about this, but I thought that perhaps it would not be inconvenient for the others if the luncheon were delayed for a half hour. This would be a great help to me.

Merry Christmas and all the best in the New Year.

Sincerely,


Ralph E. Hansmann

Mr. John Hunt
Associate Director
Institute for Advanced Study
Princeton, New Jersey 08540

REH:BMG

THE INSTITUTE FOR ADVANCED STUDY

December 20, 1979

Memorandum

To: Members of the Executive and Finance Committees

From: John Hunt, Secretary of the Corporation

Subject: January 31, 1980, meeting to discuss management
of the Institute's investment portfolio

On November 30, 1979, the ad hoc Trustee Committee on Investment Management met to interview candidates to manage the Institute's investment portfolio. At the meeting, a series of formal presentations were made by representatives of these investment management companies: Batterymarch Financial Management Corporation; BEA Associates, Inc.; Miller Anderson + Sherrerd; Rockefeller Family and Associates; and General American Investors Company, Inc.

At the conclusion of these presentations, it was agreed by the Committee that the fixed-income portion of the Institute's portfolio should continue to be managed by the Fidelity Bank. It was further agreed that of the five companies which made presentations, the Rockefeller Family and Associates (which will be registered as the Rockefeller Group with the SEC by April, 1980, and will take on a maximum of two or three outside accounts in the next year or so) and the General American Investors Company were the most appropriate choices for managing the equity portion of the portfolio.

It was then agreed that members of the Executive and Finance Committees would convene in joint session in January to decide on behalf of the Board how the Institute's portfolio should be managed in the future.

Memorandum to the Members of the
Executive and Finance Committees

2

December 20, 1979

This meeting has now been set for Thursday, January 31, 1980,
at which time there will be a working lunch from 12:00 noon until
1:30 pm at the

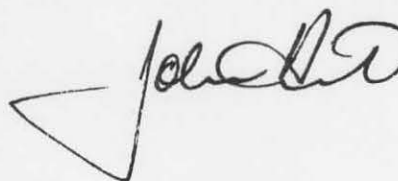
Links Club
Auchincloss Room
(fourth floor)
36 East 62 Street
New York City

The action required at the January 31 meeting will be twofold:
confirmation of the decision to leave the fixed income portion
of the portfolio with the Fidelity Bank, and a decision about whether
to give the entire equity portfolio to either the Rockefeller Family
and Associates or the General American Investors Company, or to split
it in some appropriate fashion between the two.

Should you desire further information about either of the manage-
ment companies in question, please let me know so that I can send you
the necessary materials before the meeting.

copies to

Howard C. Petersen
J. Richardson Dilworth
Ralph E. Hansmann
Gladys K. Delmas
James R. Houghton
Harold Linder (Trustee emeritus)
Martin E. Segal
Norton Simon
Donald B. Straus
Elizabeth A. Whitehead
James D. Wolfensohn
Harry Woolf



THE INSTITUTE FOR ADVANCED STUDY

December 20, 1979

Memorandum

To: Members of the Executive and Finance Committees

From: John Hunt, Secretary of the Corporation

Subject: January 31, 1980, meeting to discuss management
of the Institute's investment portfolio

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At the conclusion of these presentations, it was agreed by the Committee that the fixed-income portion of the Institute's portfolio should continue to be managed by the Fidelity Bank. It was further agreed that of the five companies which made presentations, the Rockefeller Family and Associates (which will be registered as the Rockefeller Group with the SEC by April, 1980, and will take on a maximum of two or three outside accounts in the next year or so) and the General American Investors Company were the most appropriate choices for managing the equity portion of the portfolio.

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Memorandum to the Members of the
Executive and Finance Committees

2

December 20, 1979

This meeting has now been set for Thursday, January 31, 1980, at which time there will be a working lunch from 12:00 noon until 1:30 pm at the

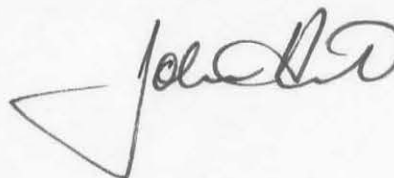
Links Club
Auchincloss Room
(fourth floor)
36 East 62 Street
New York City

The action required at the January 31 meeting will be twofold: confirmation of the decision to leave the fixed income portion of the portfolio with the Fidelity Bank, and a decision about whether to give the entire equity portfolio to either the Rockefeller Family and Associates or the General American Investors Company, or to split it in some appropriate fashion between the two.

Should you desire further information about either of the management companies in question, please let me know so that I can send you the necessary materials before the meeting.

copies to

Howard C. Petersen
J. Richardson Dilworth
Ralph E. Hansmann
Gladys K. Delmas
James R. Houghton
Harold Linder (Trustee emeritus)
Martin E. Segal
Norton Simon
Donald B. Straus
Elizabeth A. Whitehead
James D. Wolfensohn
Harry Woolf



General American Investors and
Rockefeller documents were mailed
Segal on 6 December; handed to
Wolfensohn by HW on 6 December;
and mailed to Straus and Whitehead
on 11 December; *also Delmas*

THE INSTITUTE FOR ADVANCED STUDY

PRINCETON, NEW JERSEY 08540

Telephone-609-924-4400

THE DIRECTOR

December 10, 1979

Mr. Donald B. Straus
Research Institute of the
American Arbitration Association
140 West 51st Street
New York, New York 10020

Dear Don:

The attached materials from General American Investors Co., Inc., and the Rockefeller group constitute the descriptions of the top two candidates to manage our portfolio. This will be discussed, and hopefully a decision will be made, at the joint meeting of the Executive and Finance Committees in January; the date to be determined in the next few days. I am sending it to you in order to inform you as fully as possible, and also in anticipation of a conversation by telephone so that I may more efficiently review the issues with you.

Sincerely yours,



Harry Wolf

Enclosures

SAME LETTER SENT TO MRS. DELMAS AND MR. STRAUS

December 10, 1979

Mrs. Elizabeth A. Whitehead
66 Vista Drive
Greenwich, Connecticut 06830

Dear Betsy:

The attached materials from General American Investors Co., Inc., and the Rockefeller group constitute the descriptions of the top two candidates to manage our portfolio. This will be discussed, and hopefully a decision will be made, at the joint meeting of the Executive and Finance Committees in January; the date to be determined in the next few days. I am sending it to you in order to inform you as fully as possible, and also in anticipation of a conversation by telephone so that I may more efficiently review the issues with you.

Sincerely yours,

Harry Woolf

Enclosures

yellow

THE INSTITUTE FOR ADVANCED STUDY

December 10, 1979

Mr James R. Houghton
Vice Chairman of the Board
Corning Glass Works
Corning, New York 14830

Dear Jamie:

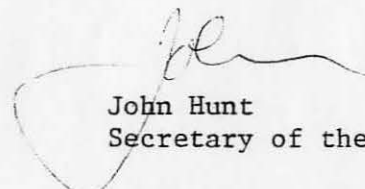
Thank you for your note about our November 30 meeting.

With regard to next steps, let me list what has been done.

1. All of those companies with which we met are being notified of how things stand. General American Investors and the Rockefeller group were told that they could expect a decision by early February.
2. Ralph Hansmann has now talked to the Rockefeller group and knows General American Investors well. He did not feel that there was any particular need for Marty Segal to see the candidates and, in any case, Marty will not be available for our January 31 meeting. Harry is therefore briefing Marty and others personally.
3. January 31, 1980, is the earliest date available for the joint meeting of the Executive Committee and the Finance Committee. It now appears that everyone except Gladys Delmas and Marty Segal can attend the meeting that day. Given your own schedule, we should try for a working lunch between 12:00 and 1:30. If you agree, we will confirm this date with those whom we have already contacted in a preliminary way and fix an appropriate place.
4. The action required at the meeting on the question of the investment advisors will be twofold: confirmation of the decision to leave the fixed income portfolio at the Fidelity, and a decision about whether we give the entire equity portfolio to one or the other, or split it between the two.

Let me know if you are in accord with this procedure, and I will set up the meeting.

Sincerely,



John Hunt
Secretary of the Corporation

CORNING GLASS WORKS
CORNING
CORNING, NEW YORK 14830

JAMES R. HOUGHTON
Vice Chairman of the Board

AREA CODE 607
974-8332

TO: John Hunt

cc: Messrs. Woolf
Peterson
Dilworth
Linder
Jenkins
Hansmann

SUBJECT: IAS FINANCE COMMITTEE - INVESTMENT ADVISORS

DATE: NOVEMBER 30, 1979

This is just to recap our meeting of today, and to list what I understand are the next steps:

1. There is general agreement that the two best candidates are General American Investors, and the Rockefeller group. I assume you'll tell the "runners up" of our decision.
2. You'll try to get both Ralph Hansman and (if possible) Marty Segal to see both our candidates before the end of 1979.
3. You'll try to set up a joint meeting of the Executive Committee and the Finance Committee in early January, so that we can finally resolve this issue.
4. It's my understanding that we've decided to have the Fixed Income portfolio at the Fidelity. The only remaining decision is whether we give the entire Equity portfolio to one or the other - or whether we split it between the two. This we can resolve in early January.

Thanks for all your help on this matter.

P.S. See the next page

Samie

P.S. Should you want me I'll be in Corning (and New York) until December 19th, when I leave for Europe (until January 4th). Unfortunately, I then leave again on the evening of January 9th, and will not be in the office until January 21st.

The best time for me, in terms of a meeting, would be the afternoon of January 9th. The next best time would be the late afternoon of January 8th.

THE INSTITUTE FOR ADVANCED STUDY

December 5, 1979

Memorandum for the file

Subject: Meeting of the ad hoc Committee on Investment
Management held on November 30, 1979

Trustees present: Messrs Houghton (Chairman), Dilworth,
Linder (Emeritus), Petersen, Woolf.

Trustee absent: Mr Hansmann.

Also present: Messrs Hunt (Secretary), Jenkins, and repre-
sentatives of various investment management
companies as noted on the attached agenda.

The Chairman called the meeting to order at 10:15 a.m.

Mr Petersen recommended that the fixed-income portion of the
endowment be continued with the Fidelity Bank. There was
general agreement on this point.

The Chairman raised the question of splitting the equity
portion of the account. Mr Dilworth recommended against
such a split.

The meeting was then turned over to a series of formal presenta-
tions by representatives of the following investment management
companies:

Batterymarch Financial Management Corporation
BEA Associates, Inc.
Miller Anderson + Sherrerd
Rockefeller Family and Associates
General American Investors Company, Inc.

Memorandum for the files:

2

Meeting of the ad hoc Committee on Investment
Management held on November 30, 1979

At the conclusion of these presentations, it was agreed that Rockefeller Family and Associates (which will be registered as the Rockefeller Group with the SEC by April, 1980, and will take on a maximum of two or three outside accounts in the next year or so) and General American Investors Company were the most logical choices for the Institute.

Mr Dilworth indicated that Rockefeller Family and Associates could handle the account without a fee until the Rockefeller Group was formally in existence.

Mr Linder suggested the possibility of splitting the account between the two companies, and it was agreed that this should be taken into consideration by the Executive Committee of the Board when making its decision about future investment management of the Institute's portfolio.

It was then agreed that other members of the Finance Committee or Executive Committee or the ad hoc Committee on Investment Management (to which Mr Charles Brown was added at the November 30 meeting) should be briefed by the Director. It was agreed that the three Committees should convene in joint session in January to decide on behalf of the Board how the Institute's portfolio would be managed in the future.

Those who should be contacted by the Director about the possibility of special briefings are:

Charles Brown
Gladys Delmas
Ralph Hansmann (who will be briefed
by Rockefeller Family and Associates)
Martin Segal
Donald Straus
Elizabeth Whitehead
James D. Wolfensohn

Memorandum for the file:


3

Meeting of the ad hoc Committee on Investment
Management held on November 30, 1979

Those who should be contacted for a review of the
November 30 meeting are:

James Houghton
Howard C. Petersen
J. Richardson Dilworth

The addition of Charles Brown to the overall joint session
of the three Committees should be cleared with all three
of the above.



John Hunt
Secretary of the Corporation

THE INSTITUTE FOR ADVANCED STUDY

December 5, 1979

Memorandum for the file

Subject: Meeting of the ad hoc Committee on Investment
Management held on November 30, 1979

Trustees present: Messrs Houghton (Chairman), Dilworth,
Linder (Emeritus), Petersen, Woolf.

Trustee absent: Mr Hansmann.

Also present: Messrs Hunt (Secretary), Jenkins, and repre-
sentatives of various investment management
companies as noted on the attached agenda.

The Chairman called the meeting to order at 10:15 a.m.

Mr Petersen recommended that the fixed-income portion of the endowment be continued with the Fidelity Bank. There was general agreement on this point.

The Chairman raised the question of splitting the equity portion of the account. Mr Dilworth recommended against such a split.

The meeting was then turned over to a series of formal presentations by representatives of the following investment management companies:

Batterymarch Financial Management Corporation
BEA Associates, Inc.
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General American Investors Company, Inc.

Memorandum for the files:

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Meeting of the ad hoc Committee on Investment
Management held on November 30, 1979

At the conclusion of these presentations, it was agreed that Rockefeller Family and Associates (which will be registered as the Rockefeller Group with the SEC by April, 1980, and will take on a maximum of two or three outside accounts in the next year or so) and General American Investors Company were the most logical choices for the Institute.

Mr Dilworth indicated that Rockefeller Family and Associates could handle the account without a fee until the Rockefeller Group was formally in existence.

Mr Linder suggested the possibility of splitting the account between the two companies, and it was agreed that this should be taken into consideration by the Executive Committee of the Board when making its decision about future investment management of the Institute's portfolio.

It was then agreed that other members of the Finance Committee or Executive Committee or the ad hoc Committee on Investment Management (to which Mr Charles Brown was added at the November 30 meeting) should be briefed by the Director. It was agreed that the three Committees should convene in joint session in January to decide on behalf of the Board how the Institute's portfolio would be managed in the future.

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Memorandum for the file:

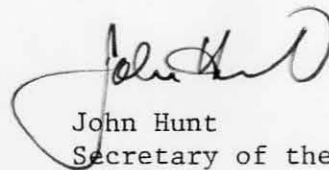
3

Meeting of the ad hoc Committee on Investment
Management held on November 30, 1979

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The addition of Charles Brown to the overall joint session
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John Hunt
Secretary of the Corporation

THE INSTITUTE FOR ADVANCED STUDY
Princeton, New Jersey 08540

November 27, 1979

Judith:

Nancy called from Mr. Houghton's office,
he had just spoken to Mr. Hansmann who told
Hansmann
him that he/would not be attending the meeting
on Friday, but that Mr. Jenkins would be
representing him (Hansmann). Houghton wanted
JH to know that.

A

same letter sent to Howard C. Petersen
J. Richardson Dilworth
Ralph E. Hansmann
Harold F. Linder

November 20, 1979

Mr James R. Houghton
Vice Chairman of the Board
Corning Glass Works
Corning, New York 14830

Dear Jamie:

The meeting of the ad hoc Committee on Investment Management has now been organized in accordance with the attached agenda. A list of participants is enclosed along with some comments by James Hamilton of Hamilton, Johnston and Company, Inc. I have asked each company to send me appropriate materials and I will distribute these materials at the beginning of next week.

I look forward to seeing you at the meeting.

With best regards, I am

Sincerely,

John Hunt
Secretary of the Corporation

THE INSTITUTE FOR ADVANCED STUDY

20 November 1979

Memorandum

To: Members of the ad hoc Committee on Investment Management

From: John Hunt, Secretary of the Corporation

Subject: Comments by James Hamilton of Hamilton, Johnston and Company, Inc. on investment companies under consideration

CONFIDENTIAL

1. General American Investors Company, Inc.
New York, New York

Very experienced - has done very well recently - not many accounts, with perhaps a half dozen outside clients - first choice of Hamilton among the group under consideration

2. Miller Andersen + Sherrerd
Bala Cynwyd, Pennsylvania

Nice people - numbers are not outstanding

3. Batterymarch Financial Management Corporation
Boston, Massachusetts

Run by two of the best people in the business - perhaps too computerized and not especially compatible with our approach - huge in size

4. BEA Associates Inc.
New York, New York

Approximately \$1.4 billion under management with eight portfolio managers - very few accounts over \$50,000 - many separate accounts and perhaps somewhat overbooked

THE INSTITUTE FOR ADVANCED STUDY

Meeting of the
Ad hoc Committee on Investment Management

James Houghton, Chairman

Friday, 30 November 1979

Room 5600
30 Rockefeller Plaza
New York City

AGENDA

10:00 am	Call to order
10:30-11:00	Batterymarch Financial Management Corporation*
11:00-11:15	Discussion (Committee only)
11:15-11:45	BEA Associates*
11:45-12:00 noon	Discussion (Committee only)
12:00-12:30 pm	Miller Anderson + Sherrerd *
12:30-1:30	Luncheon and discussion (Committee only) Dining Room D Hemisphere Club 30 Rockefeller Plaza
1:30-2:00	Rockefeller Family and Associates*
2:00-2:15	Discussion (Committee only)
2:15-2:45	General American Investors Company, Inc.*
2:45-3:30	Discussion (Committee only)
3:30	Other business Adjournment

*Formal presentation

Meeting of the
Ad Hoc Committee on Investment Management

Friday, 30 November 1979

PARTICIPANTS

Trustees of the Institute for Advanced Study:

James R. Houghton, chairman of the ad hoc committee
Howard C. Petersen, chairman of the Board of Trustees
J. Richardson Dilworth, president and vice-chairman
Ralph E. Hansmann, treasurer
Harry Woolf, director of the Institute
John Hunt, secretary of the corporation
Harold F. Linder, trustee emeritus

Batterymarch Financial Management Corporation
Boston, Massachusetts

Dean LeBaron, president

BEA Associates Inc.
New York, New York

John B. Hurford, vice president and director
Patrick J. Regan, vice president

Miller Anderson + Sherrerd
Bala Cynwyd, Pennsylvania

Paul F. Miller, Jr., partner
John J. F. Sherrard, partner
Thomas E. Beach, partner

Rockefeller Family and Associates
New York, New York

James E. Fanning, head of standard investments

General American Investors Company, Inc.
New York, New York

Malcolm B. Smith, president
Harold J. Kingsberg, executive vice president

THE INSTITUTE FOR ADVANCED STUDY

20 November 1979

Memorandum

To: Members of the ad hoc Committee on Investment Management

From: John Hunt, Secretary of the Corporation

Subject: Comments by James Hamilton of Hamilton, Johnston and Company, Inc. on investment companies under consideration

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Ad Hoc Committee on Investment Management

Friday, 30 November 1979

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