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GENERAL AMERICAN INVESTORS CO INC

Form N-2

August 04, 2003

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 4, 2003

Securities Act File No. 333-\_\_\_\_\_

Investment Company Act File No. 811-00041

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

FORM N-2  
(Check Appropriate Box or Boxes)

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. \_\_\_\_\_

Post-Effective Amendment No. \_\_\_\_\_

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

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GENERAL AMERICAN INVESTORS COMPANY, INC.  
(Exact Name of Registrant as Specified in Charter)

-----

450 Lexington Avenue  
Suite 3300  
New York, New York 10017  
(212) 916-8400  
(Address of Principal Executive Offices)

-----

Eugene L. DeStaebler, Jr.  
450 Lexington Avenue  
Suite 3300  
New York, New York 10017  
(212) 916-8400  
(Name and Address of Agent for Service)

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Copies to:

John E. Baumgardner, Jr., Esq.  
Sullivan & Cromwell LLP  
125 Broad Street  
New York, New York 10004  
(212) 558-4000

Sarah E. Cogan, Esq.  
Simpson Thacher & Bartlett LLP  
425 Lexington Avenue  
New York, New York 10017  
(212) 455-2000

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Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box.

It is proposed that this filing will become effective (check appropriate box):  
 when declared effective pursuant to Section 8(c)

If appropriate, check the following box:

this [post-effective] amendment designates a new effective date for a previously filed [post-effective amendment] [registration statement].

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[ ] this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act and the Securities Act registration statement number of the earlier effective registration statement for the same offering is \_\_\_\_\_

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 CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933  
 =====

TITLE OF SECURITIES BEING REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED AGGREGATE PRICE
___% Cumulative Preferred Stock, Series B, par value \$1.00 per share	4,000,000	\$25.00	\$100,000,000

(1) Estimated solely for the purpose of calculating the registration fee.  
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The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

GENERAL AMERICAN INVESTORS COMPANY, INC.  
 CROSS-REFERENCE SHEET

Items in Part A of Form N-2	Location in Prospectus (
PART A	
1. Outside Front Cover.....	Outside Front Cover Page
2. Inside Front and Outside Back Cover Page.....	Outside Front Cover Page; Inside Front Cover Page; Outside Back Cover Page
3. Fee Table and Synopsis.....	Not Applicable
4. Financial Highlights.....	Financial Highlights
5. Plan of Distribution.....	Outside Front Cover Page; Prospectus Summary; Underwriting
6. Selling Shareholders.....	Not Applicable
7. Use of Proceeds.....	Prospectus Summary; Use of Proceeds; Objectives and Policies
8. General Description of the Registrant.....	Outside Front Cover Page; Prospectus Summary; Investment Objectives and Policies; Description of Series B Preferred Stock
9. Management.....	Prospectus Summary; Management; Custodian; Agent, Registrar and Dividend-Paying Agent
10. Capital Stock, Long-Term Debt, and Other Securities	Outside Front Cover Page; Prospectus Summary; Capitalization; Investment Objective and Policies; Description of Series B Preferred Stock; Capital Stock and Other Securities;

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11. Defaults and Arrears on Senior Securities.....	Not Applicable
12. Legal Proceedings.....	Not Applicable
13. Table of Contents of the Statement of Additional Information.....	Table of Contents of Statement of Ad

Items in Part B of Form N-2

Location in Statement of Additio

14. Cover Page.....	Outside Front Cover Page
15. Table of Contents.....	Outside Front Cover Page
16. General Information and History.....	General Information and History
17. Investment Objectives and Policies.....	Investment Objectives and Policies
18. Management.....	Management of the Company
19. Control Persons and Principal Holders of Securities	Management of the Company; Principal
20. Investment Advisory and Other Services.....	Investment Advisory and Other Servic
21. Brokerage Allocation and Other Practices.....	Brokerage Allocation and Other Pract
	Value
22. Tax Status.....	Taxation
23. Financial Statements.....	Financial Statements

PART C

Information required to be included in Part C is set forth under the appropriate item, so numbered, in Part C to this Registration Statement.

RED HERRING TEXT

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

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PROSPECTUS

SUBJECT TO COMPLETION, DATED \_\_\_\_\_, 2003

\_\_\_\_\_ SHARES

GENERAL AMERICAN INVESTORS COMPANY, INC.  
 \_\_\_% CUMULATIVE PREFERRED STOCK, SERIES B  
 (LIQUIDATION PREFERENCE \$25.00 PER SHARE)

General American Investors Company, Inc. is offering \_\_\_\_\_ shares of \_\_\_% Cumulative Preferred Stock, Series B, par value \$1.00 share (liquidation preference \$25.00 per share), which will be senior securities of the Company. The Company is a closed-end diversified management investment company. The Company's principal investment objective is long-term capital appreciation. Lesser emphasis is placed on current income. No assurance can be given, however, that the Company's investment objectives will be achieved.

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Dividends on the Series B Preferred Stock offered hereby will be cumulative from \_\_\_\_\_, 2003 at the annual rate of \_\_\_% of the liquidation preference of \$25.00 per share and will be payable quarterly on \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ in each year, commencing \_\_\_\_\_, 2003.

The Series B Preferred Stock may not be issued unless it is rated "Aaa" by Moody's Investors Service, Inc. In order to keep this rating, the composition of the Company's portfolio must reflect the guidelines established by Moody's, and the Company will be required to maintain a minimum discounted asset coverage ratio with respect to the Series B Preferred Stock. See "Description of Rating Agency Guidelines--Rating Agency Guidelines." The Company is also required to maintain the minimum asset coverage by the Investment Company Act of 1940, as amended.

The Series B Preferred Stock is subject to mandatory redemption in whole or in part by the Company in the event that the Company fails to maintain a quarterly asset coverage of at least 200% as required by the 1940 Act or fails to maintain the discounted asset coverage required by Moody's. Commencing \_\_\_\_\_, 2008 and any time thereafter, the Company, at its option, may redeem the Series B Preferred Stock in whole or in part. Prior to \_\_\_\_\_, 2008, the Series B Preferred Stock will be redeemable, at the option of the Company, only to the extent necessary for the Company to continue to qualify for tax purposes as a regulated investment company. In the event the Company redeems the Series B Preferred Stock, the redemption will be for cash, at a redemption price equal to \$25.00 per share plus accumulated but unpaid dividends (whether or not earned or declared). See "Description of Series B Preferred Stock--Redemption" and "Description of Rating Agency Guidelines--Redemption."

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The Company intends to apply to list the Series B Preferred Stock on the New York Stock Exchange. If listed, trading of the Series B Preferred Stock on the New York Stock Exchange is expected to commence within 30 days of the date of this prospectus. Prior to the offering, there has been no public market for the Series B Preferred Stock. See "Underwriting."

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INVESTING IN THE SERIES B PREFERRED STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 17 FOR CERTAIN CONSIDERATIONS RELEVANT TO AN INVESTMENT IN THE SERIES B PREFERRED STOCK.

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NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Per Share	Total
	-----	-----
Offering Price.....		
Underwriting Discount(1).....		
Proceeds to the Company(2).....		

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- (1) The Company has agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.
- (2) Before deducting estimated offering expenses of \$\_\_\_\_\_ payable by the Company.

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The shares of Series B Preferred Stock offered hereby are offered by the underwriters listed in this prospectus, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that certificates for the shares of Series B Preferred Stock will be ready for delivery only through the facilities of The Depository Trust Company in New York, New York on or about \_\_\_\_\_, 2003 against payment therefor in immediately available funds.

CITIGROUP

[UNDERWRITER]

The date of this prospectus is \_\_\_\_\_, 2003.

Certain persons participating in the offering of the Series B Preferred Stock may engage in transactions that stabilize, maintain or otherwise affect the market price of the Series B Preferred Stock, including the entry of stabilizing bids, syndicate covering transactions or the imposition of penalty bids. See "Underwriting."

This prospectus sets forth important information about the Company you should know before deciding whether to invest in the Series B Preferred Stock. You should read this prospectus carefully and retain it for future reference.

Additional information about the Company, including a Statement of Additional Information, has been filed with the Securities and Exchange Commission (the "Commission"). You may obtain the Statement of Additional Information, as well as other material incorporated by reference and other information regarding the Company, on the Commission's website (<http://www.sec.gov>). You may also obtain the Statement of Additional Information without charge by writing to the Company at its address at 450 Lexington Avenue, Suite 3300, New York, New York 10017, or by calling the Company at (212) 916-8400 or toll-free at (800) 436-8401. The Statement of Additional Information is dated the same date as this prospectus and is incorporated by reference in its entirety. The table of contents of the Statement of Additional Information appears on page 32 of this prospectus.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN OR INCORPORATED BY REFERENCE INTO THIS PROSPECTUS. NEITHER THE COMPANY NOR THE UNDERWRITERS HAVE AUTHORIZED ANY OTHER PERSON TO PROVIDE YOU WITH DIFFERENT OR INCONSISTENT INFORMATION. IF ANYONE PROVIDES YOU WITH DIFFERENT OR INCONSISTENT INFORMATION, YOU SHOULD NOT RELY ON IT. THE COMPANY IS NOT, AND THE UNDERWRITERS ARE NOT, MAKING AN OFFER TO SELL THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES TO WHICH IT RELATES. YOU SHOULD ASSUME THAT THE INFORMATION IN THIS PROSPECTUS IS ACCURATE ONLY AS OF THE DATE ON THE FRONT COVER OF THIS PROSPECTUS.

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PROSPECTUS SUMMARY

This is only a summary. You should review the more detailed information contained in this prospectus and in the Statement of Additional Information.

The Company..... General American Investors Company, Inc., a Delaware corporation (the "Company"), has been engaged in business as a closed-end diversified management investment company since October 15, 1928. The Company succeeded to a similar business established in 1927. The Company's outstanding common stock, par value \$1.00 per share, is listed and traded on the New York Stock Exchange, Inc. (the "NYSE") under the symbol "GAM." As of June 30, 2003, the sum of the net assets of the Company less the liquidation value of the Company's outstanding preferred stock (\$150,000,000) was approximately \$900,995,376. As of June 30, 2003, the Company had outstanding 29,882,056 shares of common stock and 6,000,000 shares of 7.20% Tax-Advantaged Cumulative Preferred Stock, Series A, par value \$1.00 per share (liquidation preference \$25.00 per share) (the "Series A Preferred Stock"). Pursuant to the Certificate of Designations, Preferences and Rights (the "Certificate of Designations") relating to the Series A Preferred Stock, the Company may redeem the Series A Preferred Stock

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on each quarterly dividend payment date on or after June 23, 2003. The Company intends to redeem all of the outstanding Series A Preferred Stock on September 23, 2003. See "--Condition to Offering" below.

The Offering..... The Company is offering up to \_\_\_\_\_ shares of \_\_\_\_% Cumulative Preferred Stock, Series B, par value \$1.00 per share (liquidation preference \$25.00 per share) (the "Series B Preferred Stock"), at a purchase price of \$\_\_\_ per share.

Investment Objectives and Policies... The primary objective of the Company is long-term capital appreciation. Lesser emphasis is placed on current income. In seeking to achieve its primary objective, the Company invests principally in common stocks believed by management to have better-than-average growth potential. No assurance can be given, however, that the Company's investment objectives will be achieved. See "Investment Objectives and Policies."

Portfolio..... As of June 30, 2003, the net assets applicable to the Company's common stock were \$900,995,376, of which \$341,758,920 was unrealized appreciation on investments and securities sold short. See "Portfolio."

Management..... The Board of Directors of the Company has overall management responsibility for the Company. Spencer Davidson, President and Chief Executive Officer of the Company, manages the Company's portfolio. See "Management--Portfolio Management" on page 17 of this prospectus and "Management of the Company" in the Statement of Additional Information.

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Dividends..... Dividends on the Series B Preferred Stock at the annual rate of \_\_\_\_% of the liquidation preference of \$25.00 per share, when, as and if declared by the Board of Directors, will be cumulative from \_\_\_\_\_, 2003. The dividends will be payable, out of the Company's legally available funds therefor, quarterly in arrears on \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ in each year, commencing

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\_\_\_\_\_, 2003 to the holders of record on the preceding \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, respectively. See "Description of Series B Preferred Stock--Dividends."

Rating..... The Company will issue the Series B Preferred Stock only if the shares receive a rating of "Aaa" from Moody's Investors Service, Inc ("Moody's"). A rating of "Aaa" is the highest investment grade rating issued for preferred stock by Moody's. The Certificate of Designations creating and fixing the rights and preferences of the Series B Preferred Stock contains certain provisions that reflect guidelines established by Moody's (the "rating agency guidelines") in order to obtain this rating on \_\_\_\_\_, 2003, the date of original issue of the Series B Preferred Stock. See "Description of Rating Agency Guidelines--Rating Agency Guidelines."

Asset Coverage..... The Company will be required to maintain two different asset maintenance requirements:

- o the asset coverage required by the Investment Company Act of 1940, as amended (the "1940 Act"), and
- o the discounted asset coverage required by Moody's.

Each asset maintenance requirement is summarized below.

The Company will be required to maintain, as of the last business day of March, June, September and December of each year, an asset coverage of at least 200% with respect to the Series B Preferred Stock, which is the asset coverage required by Section 18 of the 1940 Act. The Company estimates that if it had issued and sold the shares of Series B Preferred Stock offered hereby and redeemed all of its outstanding shares of Series A Preferred Stock as of June 30, 2003, the asset coverage for the Series B Preferred Stock under the 1940 Act would have been approximately \_\_\_\_% (after giving effect to the deduction of the underwriting discounts and estimated expenses payable in connection with the offering of



approximately \$\_\_\_\_\_). The asset coverage would have been computed as follows: value of the Company's assets less liabilities not constituting senior securities (\$\_\_\_\_\_ ) divided by senior securities representing indebtedness plus the liquidation preference of each class of preferred stock (\$\_\_\_\_\_ ), expressed as a percentage = \_\_\_\_\_%. See "Description of Rating Agency Guidelines--Asset Maintenance."

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Under the rating agency guidelines, the Company will be required to maintain assets having an aggregate discounted value at least equal to the basic maintenance amount, which is the minimum asset coverage specified by Moody's. Moody's has established the discount factors and guidelines for determining the discounted value of the Company's assets in connection with the Company's receipt of a rating of "Aaa" on the Series B Preferred Stock. See "Description of Rating Agency Guidelines--Rating Agency Guidelines."

The Certificate of Designations for the Series B Preferred Stock, which contains the technical provisions of the various components of the asset coverage tests, has been filed as an exhibit to this registration statement and may be obtained through the Commission's website (<http://www.sec.gov>).

Voting Rights.....

At all times, holders of shares of the Company's preferred stock then outstanding (including the Series B Preferred Stock), voting as a single class, will elect two members of the Company's Board of Directors, and holders of shares of preferred stock and common stock, voting as a single class, will elect the remaining directors. However, upon a failure by the Company to pay dividends on any of its preferred stock in an amount equal to two full years' dividends, holders of shares of the preferred stock, voting as a separate class, will have the right to elect the smallest number of directors that would constitute a majority of the

directors until cumulative dividends on all shares of preferred stock have been paid or provided for. Holders of shares of Series B Preferred Stock and any other preferred stock will vote separately as a class on certain other matters, as required under the Certificate of Designations relating to their series, the 1940 Act and Delaware law. Except as otherwise indicated in this prospectus and as otherwise required by applicable law, holders of shares of Series B Preferred Stock will be entitled to one vote per share on each matter submitted to a vote of stockholders and will vote together with holders of shares of common stock and any other preferred stock as a single class. See "Description of Series B Preferred Stock--Voting Rights."

Mandatory Redemption..... The Company will be required to redeem the Series B Preferred Stock in the situations discussed below.

The Series B Preferred Stock is subject to mandatory redemption in whole or in part by the Company in the event that the Company fails to maintain the asset coverage requirements in accordance with the rating agency guidelines or the 1940 Act as described above and, in each case, does not cure that failure by the applicable cure date. Any mandatory redemption will be made for cash at a redemption price equal to \$25.00 per share plus accumulated and unpaid dividends (whether or not earned or declared) to the redemption date.

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In the event that shares are redeemed due to a failure to maintain the quarterly asset coverage, the Company may, but is not required to, redeem a sufficient number of shares of Series B Preferred Stock in order that the asset coverage, as defined in the 1940 Act, of the remaining outstanding shares of Series B Preferred Stock and any other preferred stock after redemption is up to 225%.

Under the rating agency guidelines, in the event that shares are redeemed due to a failure to maintain weekly a

discounted asset coverage at least equal to the basic maintenance amount, the Company may redeem a sufficient number of shares of Series B Preferred Stock in order that the aggregate discounted value of the Company's assets exceeds the basic maintenance amount of the remaining outstanding shares of Series B Preferred Stock and any other preferred stock by up to 10%.

The Series B Preferred Stock is also subject to mandatory redemption in whole if the Company's Board of Directors and holders of common stock authorize certain transactions. See "Description of Series B Preferred Stock--Redemption--Mandatory Redemption" and "Description of Rating Agency Guidelines--Redemption."

Optional Redemption..... Subject to the limitations of the 1940 Act and Delaware law, commencing \_\_\_\_, 2008 and any time thereafter the Company at its option may redeem the Series B Preferred Stock in whole or in part. Prior to \_\_\_\_, 2008, the Series B Preferred Stock will be redeemable at the option of the Company only to the extent necessary for the Company to continue to qualify for tax purposes as a regulated investment company. Any optional redemption will be made for cash at a price equal to \$25.00 per share plus accumulated and unpaid dividends (whether or not earned or declared) to the redemption date. See "Description of Series B Preferred Stock--Redemption--Optional Redemption."

Liquidation Preference..... The liquidation preference of each share of Series B Preferred Stock is \$25.00 plus an amount equal to accumulated and unpaid dividends (whether or not earned or declared) to the date of distribution. See "Description of Series B Preferred Stock--Liquidation Rights."

Use of Proceeds..... The Company will use the net proceeds from the offering of the Series B Preferred Stock to purchase additional portfolio securities in accordance with its investment objectives and policies. See "Use of Proceeds."

Listing..... Prior to this offering, there has been

no public market for the Series B Preferred Stock. The Company intends to apply to list the shares of Series B Preferred Stock on the NYSE. However, during an initial period which is not expected to exceed 30 days from the date of this prospectus, the Series B Preferred Stock

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may not be listed on the NYSE.

Risk Factors..... Risk is inherent in all investing. Therefore, before investing in Series B Preferred Stock you should consider the risks carefully. These risks include:

General

- o The market price for the Series B Preferred Stock will be influenced by changes in interest rates, the perceived credit quality of the Series B Preferred Stock and other factors.
- o The Company may be required to redeem your Series B Preferred Stock to meet regulatory or rating agency requirements or may voluntarily redeem your Series B Preferred Stock. Subject to these redemptions, the Series B Preferred Stock is perpetual.
- o The Series B Preferred Stock is not a debt obligation of the Company. The Series B Preferred Stock will be junior in respect of dividends and liquidation preferences to any indebtedness incurred by the Company. Although unlikely, precipitous declines in the value of the Company's assets could result in the Company having insufficient assets to redeem all of the Series B Preferred Stock for the full redemption price.
- o The value of the Company's investment portfolio may decline, reducing the asset coverage for the Series B Preferred Stock. Further, if an issuer of a common stock in which the Company invests experiences financial difficulties or if an issuer's preferred stock

or debt security is downgraded or defaults or if an issuer in which the Company invests is affected by other adverse market factors, there may be a negative impact on the income and/or asset value of the Company's investment portfolio.

- o The Company may not meet the asset coverage requirements or earn sufficient income from its investments to pay dividends on the Series B Preferred Stock.

#### Rating Agency Risk

- o Moody's could downgrade or withdraw the rating assigned to the Series B Preferred Stock, which would likely have an adverse effect on the liquidity and market value of these preferred shares. The present credit rating does not eliminate or mitigate the risks of investing in these preferred shares.

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#### Illiquidity Prior to Exchange Listing

- o During an initial period which is not expected to exceed 30 days after the date of its issuance, the Series B Preferred Stock will not be traded on any securities exchange. During this period, it is expected that the underwriters intend to make a market in the Series B Preferred Stock; however, they have no obligation to do so. As a result, an investment in the Series B Preferred Stock may be illiquid during this period.

#### Foreign Securities

- o The Company may invest its assets in foreign securities. Investing in securities of foreign companies and foreign governments, which generally are denominated in foreign currencies, may involve certain risk and opportunity considerations not typically associated with investing in domestic companies and could cause the Company to be affected

favorably or unfavorably by changes in currency exchange rates and revaluations of currencies.

Dependence on Key Personnel

- o The Company is dependent upon the expertise of Mr. Spencer Davidson in providing portfolio management services with respect to the Company's investments. If the Company were to lose the services of Mr. Davidson, its investment decisions could be adversely affected to the extent the Company could not appoint a successor in a timely manner. The Company cannot assure you that it will find a suitable replacement for Mr. Davidson in a timely manner in the event of his death, resignation, retirement or inability to act on behalf of the Company.

Condition to Offering.....

Under the Company's Restated Certificate of Incorporation, it is authorized to issue up to 10,000,000 shares of preferred stock in one or more series from time to time. As of the date of this prospectus, 6,000,000 shares of the Company's Series A Preferred Stock were issued and outstanding. Pursuant to the Certificate of Designations relating to the Series A Preferred Stock, upon redemption, the shares of Series A Preferred Stock shall be canceled and shall revert to authorized but unissued shares of preferred stock undesignated as to series. Accordingly, the Series B Preferred Stock offered hereby may not be validly issued until a sufficient number of shares of Series A Preferred Stock outstanding have been redeemed. Pursuant to the Certificate of Designations, the Company intends to notify the holders of the Series A Preferred Stock on August \_\_, 2003 that it will redeem all of the outstanding shares of Series A Preferred Stock on September 23, 2003 for an aggregate

redemption price equal to approximately \$\_\_\_\_\_. All conditions precedent to redemption of the Series A Preferred Stock will be satisfied

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in all material respects prior to the issuance of the Series B Preferred Stock offered hereby.

Federal Income Tax

Considerations.....

The Company has qualified, and intends to remain qualified, for federal income tax purposes, as a regulated investment company. Qualification requires, among other things, compliance by the Company with certain distribution requirements. Limitations on distributions, which could be imposed in the event the Company fails to satisfy the asset coverage requirements under the 1940 Act on the Series B Preferred Stock, could jeopardize the Company's ability to meet the distribution requirements. The Company presently intends, however, to the extent possible, to purchase or redeem Series B Preferred Stock, if necessary, in order to maintain compliance with those asset coverage requirements. See "Taxation" for a more complete discussion of these and other federal income tax considerations.

Anti-takeover Provisions.....

Certain provisions of the Company's Restated Certificate of Incorporation and By-Laws may be regarded as "anti-takeover" provisions. Pursuant to these provisions, the affirmative vote of the holders of 66 2/3% of the outstanding shares of capital stock of the Company is necessary to authorize the conversion of the Company from a closed-end to an open-end investment company and to authorize a merger or consolidation of the Company with an open-end investment company. The overall effect of these provisions is to make it more difficult to convert the Company's status to an open-end investment company. In addition, the affirmative vote of the holders of 66 2/3% of the outstanding shares of capital stock of the Company is necessary to authorize the sale of all or substantially all of the assets of the Company. See "Certain Provisions of the Restated Certificate of Incorporation and By-Laws; Anti-Takeover Provisions."

Custodian, Transfer Agent, Registrar and Dividend-Paying Agent.....

Deutsche Bank Trust Company Americas serves as the Company's custodian. Mellon Investor Services LLC serves

as the Company's stock transfer agent, registrar and dividend-paying agent. See "Custodian, Transfer Agent, Registrar and Dividend-Paying Agent."

FINANCIAL HIGHLIGHTS

The selected financial data below sets forth per share operating performance data, total investment return, ratios and supplemental data for the six months ended June 30, 2003 and for each year in the ten-year period ended December 31, 2002. The financial information was derived from and should be read in conjunction with the financial statements of the Company incorporated by reference into this prospectus and the Statement of Additional Information. The financial information set forth below (except for the financial data for the six months ended June 30, 2003) has been audited by Ernst & Young LLP, independent auditors, as stated in their unqualified report accompanying the financial statements, which report is incorporated by reference into this prospectus and the Statement of Additional Information.

	Six Months Ended June 30,		Year Ended De	
	2003  (unaudited)	2002	2001	20
PER SHARE OPERATING PERFORMANCE:				
Net asset value, beginning of period.....	\$26.48	\$35.14	\$39.91	\$4
Net investment income.....	.02	.19	.41	
Net gain (loss) on securities-realized and unrealized.....	3.87	(7.88)	(.66)	
Distributions on Preferred Stock:				
Dividends from investment income(1)...	-	(.12)	(.07)	(
Distributions from capital gains.....	-	(.23)	(.29)	(
Unallocated.....	(.18)	-	-	
	(.18)	(.35)	(.36)	(
Total from investment operations.....	3.71	(8.04)	(.61)	
Less distributions on Common Stock:				
Dividends from investment income(2)...	(.01)	(.21)	(.88)	(2
Distributions from capital gains.....	(.03)	(.41)	(3.28)	(5
In excess of net income.....	-	-	-	
	(.04)	(.62)	(4.16)	(8
Capital Stock transaction- effect of Preferred Stock offering....	-	-	-	
Net asset value, end of period.....	\$30.15	\$26.48	\$35.14	\$3



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Per share market value, end of period.....	=====	=====	=====	=====
	\$27.44	\$23.85	\$33.47	\$3
	=====	=====	=====	=====
TOTAL INVESTMENT RETURN:				
Stockholder Return, based on market price per share.....	15.24% (3)	-27.21%	4.33%	19
RATIOS AND SUPPLEMENTAL DATA:				
Net assets applicable to common stock, end of period (000's omitted).....	\$900,995	\$809,192	\$1,097,530	\$1,155
Ratio of expenses to average net assets applicable to common stock.....	0.61% (3)	0.97%	1.02%	1
Ratio of net income to average net assets applicable to common stock.....	0.07% (3)	0.61%	1.15%	1
Portfolio turnover rate.....	7.15% (3)	22.67%	23.81%	40
Shares outstanding, end of period (000's omitted).....	29,882	30,561	31,232	28

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	Year Ended December 31,		
	1997	1996	1995
PER SHARE OPERATING PERFORMANCE:			
Net asset value, beginning of period.....	\$25.24	\$23.94	\$22.31
Net investment income.....	.21	.22	.08
Net gain (loss) on securities-realized and unrealized.....	7.15	3.86	4.54
Distributions on Preferred Stock:			
Dividends from investment income(1)...	-	-	-
Distributions from capital gains.....	-	-	-
Unallocated.....	-	-	-
Total from investment operations.....	7.36	4.08	4.62
Less distributions on Common Stock:			
Dividends from investment income(2)...	(.26)	(.20)	(.11)
Distributions from capital gains.....	(3.19)	(2.58)	(2.87)
In excess of net income.....	-	-	(.01)
	(3.45)	(2.78)	(2.99)
Capital Stock transaction-effect of Preferred Stock offering....	-	-	-
Net asset value, end of period.....	\$29.15	\$25.24	\$23.94
Per share market value, end of period.....	\$26.19	\$21.00	\$20.00

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**TOTAL INVESTMENT RETURN:**

Stockholder Return, based on market price per share.....	42.58%	19.48%	21.22%
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**RATIOS AND SUPPLEMENTAL DATA:**

Net assets applicable to common stock, end of period (000's omitted).....	\$702,597	\$597,597	\$573,693
Ratio of expenses to average net assets applicable to common stock.....	0.98%	1.05%	1.25%
Ratio of net income to average net assets applicable to common stock.....	0.80%	0.88%	0.36%
Portfolio turnover rate.....	32.45%	33.40%	29.14%
Shares outstanding, end of period (000's omitted).....	24,105	23,679	23,963

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The following table provides information about the Company's Series A Preferred Stock since its issuance in June 1998. The information has been audited (except for the financial data for the six months ended June 30, 2003) by Ernst & Young LLP, independent accountants.

Year	Total Amount Outstanding	Asset Coverage Per Share	Involuntary Liquidating Preference Per Share	Average Market Value Per Share
-----	-----	-----	-----	-----
1998	6,000,000	\$171.06	\$25.00	\$25.74
1999	6,000,000	\$209.25	\$25.00	\$24.64
2000	6,000,000	\$228.41	\$25.00	\$26.03
2001	6,000,000	\$212.53	\$25.00	\$25.47
2002	6,000,000	\$163.07	\$25.00	\$26.03
2003 (as of June 30) (unaudited)	6,000,000	\$177.28	\$25.00	\$25.59

For purposes of the foregoing table, the asset coverage per share is calculated by dividing the total value of the Company's assets on the last day of the relevant period by the number of shares of Series A Preferred Stock outstanding on that date. Involuntary liquidation preference per share refers to the amount holders of Series A Preferred Stock are entitled to receive per share in the event of liquidation of the Company prior to the holders of common stock being entitled to receive any amounts in respect of the assets of the Company. The average market value per share is the average of the weekly closing prices of the Series A Preferred Stock on the NYSE each week during the relevant period.

**THE COMPANY**

General American Investors Company, Inc. is a closed-end diversified management investment company, incorporated under the laws of the State of

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Delaware on October 15, 1928, and is registered under the 1940 Act. The Company succeeded to a similar business established in 1927. As of June 30, 2003, the Company had 29,882,056 shares of common stock outstanding with an aggregate net asset value of \$900,995,376, and 6,000,000 shares of Series A Preferred Stock outstanding. The Company's common stock is traded on the NYSE under the symbol "GAM." The Company's Series A Preferred Stock is traded on the NYSE under the symbol "GAM Pr."

The Company intends to redeem all of the outstanding Series A Preferred Stock on September 23, 2003. The Company's principal office is located at 450 Lexington Avenue, Suite 3300, New York, New York 10017, its telephone number is (212) 916-8400 and its toll-free telephone number is (800) 436-8401.

### USE OF PROCEEDS

The net proceeds to the Company from this offering are estimated to be approximately \$\_\_\_\_\_ (after deducting the underwriting discounts and estimated offering expenses). The Company expects to invest these proceeds in accordance with its investment objectives and policies within six months from the completion of the offering, depending on market conditions for the types of securities in which the Company principally invests. Pending this investment, the proceeds will be held in high quality short-term debt securities and instruments. See "Investment Objectives and Policies."

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### CAPITALIZATION

The following table sets forth the capitalization of the Company as of June 30, 2003 (unaudited) on an actual basis and as adjusted to give effect to (i) the redemption of 6,000,000 shares of Series A Preferred Stock for an aggregate redemption price of approximately \$\_\_\_\_\_ and (ii) the consummation of the offering of \_\_\_\_\_ shares of Series B Preferred Stock.

	June 30, 2003 (unaudited)	
	Actual	As Adjusted(1)
Long-term debt.....	--	
Stockholders' equity:		
Preferred stock, \$1.00 par value:		
10,000,000 shares, authorized (the "Actual" column reflects the Company's outstanding capitalization as of June 30, 2003; the "As Adjusted" column assumes the issuance of _____ shares of Series B Preferred Stock, liquidation preference \$25.00 per share, and the redemption and cancellation of 6,000,000 shares of Series A Preferred Stock, liquidation preference of \$25.00 per share).....	\$150,000,000	
	=====	

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Common stock, \$1.00 par value:

50,000,000 shares authorized, 29,882,056 shares outstanding (exclusive of 1,349,507 shares held in Treasury).....	\$29,882,056
Additional paid-in capital.....	547,762,055
Accumulated realized loss on investments.....	(14,374,856)
Undistributed net income.....	1,607,201
Unallocated distributions on Series A Preferred Stock.....	(5,640,000)
Unrealized appreciation on investments and securities sold short (including aggregate gross unrealized appreciation of \$398,757,748).....	341,758,920 -----
Net assets applicable to common stock.....	\$900,995,376 =====

-----  
(1) After deducting the underwriting discounts and estimated offering expenses of approximately \$\_\_\_\_\_.

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PORTFOLIO

The following table sets forth certain information regarding the Company's investment portfolio as of June 30, 2003.

	Value
	-----
Common stocks.....	\$753,824,719
Convertible corporate notes.....	10,400,000
Corporate discount notes.....	191,556,642
U.S. Treasury bills.....	95,732,612
Liabilities in excess of cash, receivables and other assets.....	(518,597)
Series A Preferred Stock (6,000,000 shares at a liquidation value of \$25.00 per share).....	(150,000,000)
	-----
Net assets applicable to common stock.....	\$900,995,376 =====
	=====
Sector weightings in common stock portfolio:	
Insurance.....	\$179,616,350

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Pharmaceuticals and health care.....	167,470,320
Retail trade.....	166,317,300
Banking.....	82,218,800
Communications and information services.....	43,344,000
Environment control (including services).....	29,689,060
Consumer products and services.....	19,844,000
Electronics.....	16,031,375
Oil and natural gas (including services).....	14,950,000
Miscellaneous.....	12,735,148
Semiconductors.....	11,378,871
Aerospace/Defense.....	6,864,000
Special holdings.....	2,072,000
Computer software and systems.....	1,293,495
	-----
	\$753,824,719
	=====

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The following table sets forth the Company's ten largest investment holdings as of June 30, 2003.

	Shares	Value	% Net Assets Applicable to Common Stock
	-----	-----	-----
The Home Depot, Inc.....	1,945,000	\$64,418,400	7.1%
Everest Re Group, Ltd.....	690,000	52,785,000	5.9
The TJX Companies, Inc.....	2,425,000	45,687,000	5.1
Pfizer Inc.....	1,025,000	35,003,750	3.9
Genentech, Inc.....	485,000	34,978,200	3.9
Golden West Financial Corporation....	410,000	32,804,100	3.6
Wal-Mart Stores, Inc.....	570,000	30,591,900	3.4
M&T Bank Corporation.....	310,000	26,108,200	2.9
Costco Wholesale Corporation.....	700,000	25,620,000	2.8
PartnerRe Ltd.....	490,000	25,043,900	2.8
		-----	-----
		\$373,040,450	41.4%
		=====	=====

The following table sets forth as of June 30, 2003 the unrealized appreciation on investments as a percentage of the Company's net assets applicable to common stock.

Cost basis of net assets.....	\$559,236,456	62.1%
Unrealized appreciation on investments and securities sold short.....	341,758,920	37.9
	-----	-----
Total net assets applicable to common stock....	\$900,995,376	100.0%
	=====	=====

INVESTMENT OBJECTIVES AND POLICIES

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### INVESTMENT OBJECTIVES

The Company's principal investment objective is long-term capital appreciation. Lesser emphasis is placed on current income. In seeking to achieve its primary investment objective, the Company invests principally in common stocks believed by its management to have better-than-average growth potential. There are market risks inherent in any investment, and no assurance can be given that the investment objectives of the Company will be achieved.

### INVESTMENT POLICIES

The Company's investment policy is flexible, as its Restated Certificate of Incorporation permits the Company to invest in all forms of securities without limiting the portion of its assets that may be invested in any one type. While common stocks have made up the bulk of investments, assets may be held in cash or invested in all types of securities. These types of securities include, among others, bonds, debentures, notes, preferred and common stocks, rights and warrants. The Company may invest its assets in whatever amounts or proportions that it believes are best suited to current and anticipated economic and market conditions. As a diversified management investment company registered under the 1940 Act, the Company may not make any investment which would result in less than 75% of its assets being in cash or cash items, government securities and securities of other companies, limited in the case of any one issuer to not more than 5% of the Company's total assets and to 10% of the voting securities of that issuer.

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### CHANGES IN INVESTMENT OBJECTIVES AND POLICIES; INVESTMENT RESTRICTIONS

The Company's principal investment objective is long-term capital appreciation. Lesser emphasis is placed on current income. These investment objectives may not be changed without the affirmative vote of the holders of a majority of the Company's outstanding voting securities.

The policies set forth below are fundamental policies of the Company and may not be changed without the affirmative vote of the holders of a majority of the Company's outstanding voting securities. Under these fundamental policies, the Company may not:

- o Issue any class of senior security, or sell any such security of which it is the issuer, except as permitted by the 1940 Act.
- o Borrow money in excess of 25% of its gross assets, except for the purchase or redemption of outstanding senior securities.
- o Underwrite securities in excess of 20% of its gross assets.
- o Increase its holdings in a particular industry by additional investment in that industry beyond 50% of the value of the Company's gross assets.
- o Purchase or sell real estate.
- o Purchase or sell commodities or commodity contracts in excess of 20% of its gross assets.
- o Make loans (other than through the purchase of a portion of an issue of bonds, debentures or other securities, issued by another

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person) to other persons in an amount exceeding 10% to any one person or exceeding in the aggregate 20% of its gross assets.

- o Invest in companies for the purpose of exercising control of management, unless it becomes necessary to do so to conserve any investment.

If a percentage restriction is met at the time of investment, a later increase or decrease in percentage resulting from a change in the value of portfolio securities or amount of total assets will not be considered a violation of that restriction.

Within the limits of these fundamental policies the Company has reserved freedom of action. While the Company's fundamental policy permits the Company to invest up to 50% of the gross value of its assets in a particular industry, it is the operating policy of the Company to invest not more than 25% of its assets in any one particular industry.

### FOREIGN SECURITIES

The Company may invest its assets in foreign securities, which may include securities issued by companies in developing countries. As of June 30, 2003, 9.6% of the Company's net assets applicable to common stock were invested in securities of companies domiciled in foreign countries.

### PORTFOLIO TURNOVER

The Company buys and sells securities to accomplish its investment objective. The investment policies of the Company and fluctuating market conditions are instrumental in determining the frequency of changes in investments. Consequently, it is not possible to predict the portfolio turnover of the Company with certainty. During the six months ended June 30, 2003 and the fiscal years ended December 31, 2002 and 2001, the portfolio turnover of the Company was 7.15% (not annualized), 22.67% and 23.81%, respectively.

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Portfolio turnover generally involves some expense to the Company, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities. The portfolio turnover rate is computed by dividing the lesser of the amount of the long-term securities purchased or securities sold by the average monthly value of securities owned during the year (excluding securities whose maturities at acquisition were one year or less).

### MANAGEMENT

Under the Company's Restated Certificate of Incorporation and Delaware General Corporation Law, the Company's business and affairs are managed by or under the direction of its Board of Directors. The Company's portfolio is internally managed by the officers of the Company, without an investment adviser. Information about the directors and officers of the Company is included in the Statement of Additional Information.

### PORTFOLIO MANAGEMENT

Spencer Davidson, President and Chief Executive Officer of the Company, has been responsible for the management of the Company's portfolio since August 1995. Mr. Davidson joined the Company in 1994 as senior investment counselor.

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Prior thereto, he was the general partner of a private investment partnership. He has spent his entire business career on "Wall Street" since first joining an investment and banking firm in 1966.

Mr. Davidson supervises and coordinates the Company's investment operations and provides overall guidance with respect to industry developments and the economic outlook. He is assisted by seven individuals who have ongoing responsibility for monitoring and evaluating developments in industries in which they specialize. The essential function of the investment staff is to assess social, economic and technological changes and to evaluate whether these changes give rise to investment opportunities.

### EXPENSES

The Company pays all of its own expenses, including, without limitation, salaries and benefits of its officers and employees; rent for office space; other investment research, administration and office operations costs; non-affiliated directors' fees; transfer agent, registrar and custodian fees; preparation, printing and distribution of its proxy statements, stockholder reports and notices; auditing and legal fees; federal registration fees; stock exchange listing fees and expenses; federal, state and local taxes; brokerage commissions; and the cost of issue and sale of its securities.

### RISK FACTORS

Prospective investors should consider carefully the following risk factors in addition to other information set forth in this prospectus and the Statement of Additional Information prior to making an investment in the Series B Preferred Stock.

### PREFERRED STOCK

General. There are a number of risks associated with an investment in Series B Preferred Stock. The market price for the Series B Preferred Stock will be influenced by changes in interest rates, the perceived credit quality of the Series B Preferred Stock and other factors. The Series B Preferred Stock is subject to redemption under specified circumstances and investors may not be able to reinvest the proceeds received from the redemption in an investment providing the same or a better rate than that of the Series B Preferred Stock. Subject to the redemption provisions, the Series B Preferred Stock is perpetual.

The Series B Preferred Stock is not a debt obligation of the Company. The Series B Preferred Stock would be junior in respect of dividends and liquidation preference to any indebtedness incurred by the Company. Although unlikely, precipitous declines in the value of the Company's assets could result in the Company having insufficient assets to redeem all of the Series B Preferred Stock for the full redemption price.

The value of the Company's investment portfolio may decline, reducing the asset coverage for the Series B Preferred Stock. Further, if an issuer of a common stock in which the Company invests experiences financial difficulties or if an issuer's preferred stock or debt security is downgraded or defaults or if an issuer in which the Company invests is affected by other adverse market factors, there may be a negative impact on the income and/or asset value of the Company's investment portfolio.

Restrictions on Dividends and Other Distributions. Restrictions imposed



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on the declaration and payment of dividends or other distributions to the holders of the Company's common stock and preferred stock, both by the 1940 Act and by requirements imposed by Moody's, might impair the Company's ability to maintain its qualification as a regulated investment company for federal income tax purposes. While the Company intends to redeem its preferred stock (including the Series B Preferred Stock) to the extent necessary to enable the Company to distribute its income as required to maintain its qualification as a regulated investment company under the Internal Revenue Code of 1986, as amended (the "Code"), there can be no assurance that those actions can be effected in time to meet the Code requirements. See "Taxation" in the Statement of Additional Information.

**Ratings and Asset Coverage Risk.** While it is a condition to the closing of the offering that Moody's assigns a rating of "Aaa" to the Series B Preferred Stock, the rating does not eliminate or necessarily mitigate the risks of investing in Series B Preferred Stock. The credit rating on the Series B Preferred Stock could be reduced or withdrawn while an investor holds shares, which would likely have an adverse effect on the liquidity and market value of the Series B Preferred Stock.

**Illiquidity Prior to Exchange Listing.** Prior to the offering, there has been no public market for the Series B Preferred Stock. The Company intends to apply to list the shares of Series B Preferred on the NYSE. However, in the event shares of the Series B Preferred Stock are issued and approved for listing, during an initial period, which is not expected to exceed 30 days after the date of its initial issuance, the Series B Preferred Stock will not be traded on any securities exchange. During this period, the underwriters intend to make a market in the Series B Preferred Stock though they have no obligation to do so. As a result, an investment in the Series B Preferred Stock may be illiquid during this period.

### FOREIGN SECURITIES

The Company may invest its assets in foreign securities. Investing in securities of foreign companies and foreign governments, which generally are denominated in foreign currencies, may involve certain risk and opportunity considerations not typically associated with investing in domestic companies, including the risks listed below.

- o Investing in foreign securities could cause the Company to be affected favorably or unfavorably by changes in currency exchange rates and revaluations of currencies.
- o Less information may be available about foreign companies and foreign governments than about domestic companies. For example, foreign companies and foreign governments generally are not subject to uniform accounting, auditing and financial reporting standards or to other regulatory practices and requirements comparable to those applicable to domestic companies.
- o Foreign securities and their markets may not be as liquid as U.S. securities and their markets.
- o Securities of some foreign companies may involve greater market risk than securities of U.S. companies.
- o Investing in foreign securities may result in higher expenses than investing in domestic securities because of the payment of fixed brokerage commissions on foreign exchanges, which generally are higher than commissions on U.S. exchanges, and the imposition of transfer taxes or transaction charges associated with foreign exchanges.

- o Investment in foreign securities may also be subject to local economic risks, including instability of some foreign governments, the possibility of currency blockage or the imposition of withholding taxes on dividend or interest payments, and the potential for expropriation, nationalization or confiscatory taxation and limitations on the use or removal of funds or other assets.

DEPENDENCE ON KEY PERSONNEL

The Company is dependent upon the expertise of Mr. Spencer Davidson in providing portfolio management services with respect to the Company's investments. If the Company were to lose the services of Mr. Davidson, its investment decisions could be adversely affected to the extent the Company could not appoint a successor in a timely manner. The Company cannot assure you that it can find a suitable replacement for Mr. Davidson in a timely manner in the event of his death, resignation, retirement or inability to act on behalf of the Company.

DESCRIPTION OF SERIES B PREFERRED STOCK

The following is a summary of the terms of the Series B Preferred Stock. This description may not be complete in all respects, and is qualified by reference to the Certificate of Designations relating to the Series B Preferred Stock, the form of which is filed as an exhibit to this registration statement.

GENERAL

Under its Restated Certificate of Incorporation, the Company is authorized to issue up to 10,000,000 shares of preferred stock. The Board of Directors has the authority to establish the designations and the powers, preferences and rights of the shares of each series of preferred stock, and the qualifications, limitations or restrictions of the shares of each series. As of June 30, 2003, 6,000,000 shares of the Company's Series A Preferred Stock were issued and outstanding. Pursuant to the Certificate of Designations relating to the Series A Preferred Stock, the Company may redeem the Series A Preferred Stock on each quarterly dividend payment date on or after June 23, 2003. The Company intends to notify the holders of the Series A Preferred Stock on August \_\_\_\_, 2003 that it will redeem all of the outstanding shares of the Series A Preferred Stock on September 23, 2003.

Following the redemption of the Series A Preferred Stock, the Certificate of Designations relating to the Series B Preferred Stock will authorize the Company to issue up to \_\_\_\_\_ shares of Series B Preferred Stock. No fractional shares of Series B Preferred Stock will be issued. The Board of Directors reserves the right to issue additional shares of Series B Preferred Stock, from time to time, subject to the restrictions set forth in the Certificate of Designations. The shares of Series B Preferred Stock will, upon issuance, be fully paid and nonassessable and will have no preemptive, exchange or conversion rights. Any shares of Series B Preferred Stock repurchased or redeemed by the Company will be canceled and will revert to authorized but unissued preferred stock undesignated as to series. The Board of Directors may, by resolution, classify or reclassify any authorized but unissued preferred stock from time to time by setting or changing the preferences, rights, voting powers, restrictions, limitations or terms of redemption. The Company will not issue any class of stock senior to the shares of Series B Preferred Stock.

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Payments to the holders of Series B Preferred Stock of dividends or upon redemption or in liquidation will be subject to the prior payments of interest and repayment of principal then due on any other indebtedness of the Company.

### DIVIDENDS

Holders of shares of Series B Preferred Stock will be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, cumulative cash dividends at the annual rate of \_\_\_% per share of the liquidation preference of \$25.00 per share and no more, payable quarterly in arrears on \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ in each year (or, if that date is not a business day, on the next succeeding business day) (each, a "dividend payment date"), commencing \_\_\_\_\_, 2003, to the persons in whose names the shares of Series B Preferred Stock are registered at the close of business on

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the preceding \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, respectively. Dividends on the shares of Series B Preferred Stock will accumulate from the date the shares are issued.

No dividends will be declared or paid or set apart for payment on shares of Series B Preferred Stock for any dividend period or part thereof unless full cumulative dividends have been or contemporaneously are declared and paid on all outstanding shares of Series B Preferred Stock through the most recent dividend payment dates thereof. If full cumulative dividends are not declared and paid (or a sum sufficient is set apart) on the Series B Preferred Stock, all dividends declared on the shares of Series B Preferred Stock will be paid pro rata to the holders of the outstanding shares. Holders of shares of Series B Preferred Stock will not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends. No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment that may be in arrears.

While any shares of Series B Preferred Stock are outstanding, the Company will not declare, pay or set apart for payment any dividend or other distribution on its common stock or any stock of the Company ranking junior to or on a parity with the Series B Preferred Stock as to dividends or upon liquidation unless the Company satisfies each condition specified below. This limitation will not apply to a dividend or distribution that will be paid in shares of, or options, warrants or rights relating to, the Company's common stock or stock ranking junior to the Series B Preferred Stock. In addition, while any shares of Series B Preferred Stock are outstanding, the Company will not call for redemption, redeem, purchase or otherwise acquire for consideration any shares of its common stock or any other of its stock ranking junior to the Series B Preferred Stock unless the Company satisfies each condition specified below. This limitation will not apply to the call for redemption, redemption, purchase or other acquisition by conversion into or exchange for the Company's common stock or other stock junior to the Series B Preferred Stock. The limitations on dividends and distributions or redemption and exchange discussed above will apply unless in each case the following conditions are satisfied:

- o immediately after the transaction, the Company will hold assets with an aggregate discounted value for Moody's at least equal to the basic maintenance amount and the Company will maintain the asset coverage required by Moody's (see "Description of Rating Agency Guidelines--Asset Maintenance" and "--Redemption"),

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- o full cumulative dividends on shares of Series B Preferred Stock due on or prior to the date of the transactions have been declared and paid (or sufficient funds to cover the payment of the dividends have been deposited with the dividend-paying agent), and
- o the Company has redeemed the full number of shares of Series B Preferred Stock required to be redeemed by any provision for mandatory redemption contained in the Certificate of Designations.

### REDEMPTION

Mandatory Redemption. The Company will be required to redeem the Series B Preferred Stock in whole or in part in the event that the Company fails to maintain a quarterly asset coverage of at least 200% or fails to maintain the discounted asset coverage required by Moody's. See "Description of Rating Agency Guidelines--Redemption."

The Series B Preferred Stock is also subject to mandatory redemption in whole by the Company at the redemption price if the Company's Board of Directors and holders of common stock authorize:

- o the dissolution of the Company,
- o any plan of reorganization (as that term is defined in the 1940 Act) adversely affecting the Series B Preferred Stock, or
- o any action to change the nature of the Company business so as to cease to be an investment company as provided in Section 13(a)(4) of the 1940 Act.

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Optional Redemption. Prior to \_\_\_\_\_, 2008, the Company may, at its option, redeem shares of Series B Preferred Stock only to the extent that the redemption is necessary, in the judgment of the Company, to maintain the Company's status as a regulated investment company under the Code. Commencing \_\_\_\_\_, 2008 and any time thereafter, the Company may, at its option, redeem shares of Series B Preferred Stock in whole or in part. Any redemption is subject to the limitations of the 1940 Act, Delaware law and any other agreement relating to indebtedness of the Company.

Redemption Price. Any redemption shall be made in cash at a price equal to \$25.00 per share plus accumulated and unpaid dividends (whether or not earned or declared) to the redemption date.

Redemption Procedures. A notice of redemption will be given to the holders of record of Series B Preferred Stock selected for redemption not less than 30 or more than 60 days prior to the date fixed for the redemption. Each notice of redemption will state:

- o the redemption date,
- o the number of shares of Series B Preferred Stock to be redeemed,
- o the CUSIP number(s) of the shares,
- o the redemption price,

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- o the place or places where the shares are to be redeemed,
- o that dividends on the shares to be redeemed will cease to accrue on the redemption date, and
- o the provision of the Certificate of Designations under which the redemption is being made.

No defect in the notice of redemption or in the mailing thereof will affect the validity of the redemption proceedings, except as required by applicable law.

### LIQUIDATION RIGHTS

Upon a liquidation, dissolution or winding up of the affairs of the Company (whether voluntary or involuntary), holders of shares of Series B Preferred Stock then outstanding will be entitled to receive a liquidation distribution in the amount of \$25.00 per share plus an amount equal to all accumulated but unpaid dividends thereon, up to and including the date fixed for the distribution or payment excluding interest thereon (the "liquidation preference"). The holders will be entitled to receive the liquidation preference out of assets of the Company available for distribution to stockholders, after satisfying claims of creditors but before any payment is made to holders of the Company's common stock or any other class of its stock ranking junior to the Series B Preferred Stock as to liquidation payments. Holders of Series B Preferred Stock are entitled to no further right or claim to any of the remaining assets of the Company. If the assets of the Company available for distribution among the holders of all outstanding shares of Series B Preferred Stock and any other shares of preferred stock then outstanding that rank equal with the Series B Preferred Stock with respect to payment upon liquidation, will be insufficient to permit the full payment of the liquidation preference, then the assets of the Company will be distributed ratably amongst those holders. If full payment of the liquidation preference is not made, no dividends or distributions will be made to holders of the Company's common stock or any other class of its stock ranking junior to the Series B Preferred Stock as to liquidation.

### VOTING RIGHTS

Except as otherwise stated in this prospectus and as otherwise required by applicable law, holders of shares of Series B Preferred Stock will be entitled to one vote per share on each matter submitted to a vote of stockholders and will vote together with holders of shares of common stock and of any other preferred stock of the Company then outstanding as a single class.

In connection with the election of the Company's directors, holders of shares of Series B Preferred Stock and any other preferred stock then outstanding, voting as a separate class, will be entitled at all times to elect two of the Company's directors, and the remaining directors will be elected by holders of shares of common stock and holders of shares of Series B Preferred Stock and any other preferred stock then outstanding, voting together as a single class. In addition, if at any time dividends on outstanding shares of Series B Preferred Stock and/or any other preferred stock are unpaid in an amount equal to at least two full years' dividends thereon or if at any time holders of any shares of preferred stock are entitled, together with the holders of shares of Series B Preferred Stock, to elect a majority of the directors of the Company under the 1940 Act, then the number of directors constituting the Board of Directors automatically will be increased by the smallest number that,

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when added to the two directors elected exclusively by the holders of shares of Series B Preferred Stock and any other preferred stock as described above, would constitute a majority of the Board of Directors as so increased by such smallest number. These additional directors will be elected at a special meeting of stockholders that will be called and held as soon as practicable. At all subsequent meetings at which directors are to be elected, the holders of shares of Series B Preferred Stock and any other preferred stock then outstanding, voting as a separate class, will be entitled to elect the smallest number of additional directors that, together with the two directors these holders in any event will be entitled to elect, constitutes a majority of the total number of directors of the Company as so increased. The terms of office of the persons who are directors at the time of that election will continue. If the Company thereafter pays, or declares and sets apart for payment in full, all dividends payable on all outstanding shares of Series B Preferred Stock and any other preferred stock for all past dividend periods, the additional voting rights of the holders of shares of Series B Preferred Stock and any other preferred stock as described above will cease, and the terms of office of all of the additional directors elected by the holders of shares of Series B Preferred Stock and any other preferred stock will terminate immediately and automatically. This termination will not affect any of the directors with respect to whose election the holders of shares of common stock were entitled to vote or the two directors the holders of shares of Series B Preferred Stock and any other preferred stock have the right to elect in any event.

So long as the shares of Series B Preferred Stock are outstanding, the Company will not, without the affirmative vote of the holders of a majority of the shares of Series B Preferred Stock outstanding at the time, voting separately as one class, amend, alter or repeal the provisions of the Restated Certificate of Incorporation, whether by merger, consolidation or otherwise, so as to materially adversely affect any of the rights set forth in the Restated Certificate of Incorporation of holders of the shares of Series B Preferred Stock. The Board of Directors, however, without stockholder approval, may amend, alter or repeal the rating agency guidelines in the event the Company receives confirmation from Moody's that the amendment, alteration or repeal would not impair the rating then assigned to the Series B Preferred Stock.

The affirmative vote of a majority of the votes entitled to be cast by holders of outstanding shares of the Series B Preferred Stock and any other preferred stock then outstanding, voting as a separate class, will be required to approve any plan of reorganization adversely affecting these shareholders or any action requiring a vote of security holders under Section 13(a) of the 1940 Act. These include, among other things, any action to change the subclassification from a closed-end investment company to an open-end investment company and changes in the Company's investment objective or changes in the investment restrictions described as fundamental policies under "Investment Objectives and Policies," each to the extent stockholder authorization is required. The class vote of holders of shares of the Series B Preferred Stock and any other preferred stock described above will be in addition to a separate vote of the requisite percentage of shares of common stock and Series B Preferred Stock and any other preferred stock, voting together as a single class, necessary to authorize the action in question.

The foregoing voting provisions will not apply to any shares of Series B Preferred Stock if, at or prior to the time when the act with respect to which the vote otherwise would be required will be effected, the shares will have been (i) redeemed or (ii) called for redemption and the Company has deposited with the dividend-paying agent sufficient funds to effect the redemption.

### LIMITATION ON INCURRENCE OF INDEBTEDNESS AND ISSUANCE OF ADDITIONAL PREFERRED STOCK

So long as any shares of Series B Preferred Stock are outstanding, the

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Company may issue and sell one or more series of a class of senior securities of the Company that represent indebtedness under the 1940 Act and/or otherwise create or incur indebtedness, if,

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- o immediately after giving effect to the incurrence of the indebtedness and to its receipt and application of the proceeds thereof, the Company will have an "asset coverage," as defined in the 1940 Act, of at least 300% of the amount of all indebtedness of the Company then outstanding, and
- o the additional indebtedness will not have any preference or priority over any other indebtedness of the Company upon the distribution of assets of the Company or in respect of the payment of interest.

Any possible liability resulting from lending and/or borrowing portfolio securities, entering into reverse repurchase agreements, entering into futures contracts and writing options, to the extent such transactions are made in accordance with the investment restrictions of the Company then in effect, will not be considered to be indebtedness limited by the Certificate of Designations.

So long as any shares of Series B Preferred Stock are outstanding, the Company may issue and sell shares of one or more other series of preferred stock constituting a class of senior securities of the Company that represent stock under the 1940 Act in addition to the shares of Series B Preferred Stock, provided that,

- o if the Company is using the proceeds (net of all offering expenses payable by the Company) of the additional preferred stock to purchase all or a portion of the shares of Series B Preferred Stock or to redeem or otherwise refinance all or a portion of the shares of Series B Preferred Stock, any other preferred stock and/or any indebtedness of the Company then outstanding, then the Company will, immediately after giving effect to the issuance of the additional preferred stock and to its receipt and application of the proceeds thereof, have an "asset coverage" for all senior securities of the Company which are stock, as defined in the 1940 Act, of at least 200% of the shares of Series B Preferred Stock and all other preferred stock of the Company then outstanding, or
- o if the Company is using the proceeds (net of all offering expenses payable by the Company) of the additional preferred stock for any other purpose, then the Company will, immediately after giving effect to the issuance of such additional preferred stock and to its receipt and application of the proceeds thereof, have an "asset coverage" for all senior securities of the Company which are stock, as defined in the 1940 Act, of at least 200% of the shares of Series B Preferred Stock and all other preferred stock of the Company then outstanding, and
- o in the case of either situation above, no such additional preferred stock will have any preference or priority over any other preferred stock of the Company upon the distribution of the assets of the Company or in respect of the payment of dividends.

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### REPURCHASE OF SERIES B PREFERRED STOCK

The Company is a closed-end investment company. As a result, holders of Series B Preferred Stock do not, and will not, have the right to redeem their shares of the Company. The Company, however, may repurchase shares of the Series B Preferred Stock when it is deemed advisable by the Board of Directors in compliance with the requirements of the 1940 Act and the rules and regulations thereunder and the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

### BOOK-ENTRY

Shares of Series B Preferred Stock will initially be held in the name of Cede & Co. ("Cede") as nominee for The Depository Trust Company ("DTC"). The Company will treat Cede as the holder of record of the Series B Preferred Stock for all purposes. In accordance with the procedures of DTC, however, purchasers of Series B Preferred Stock will be deemed the beneficial owners of shares purchased for purposes of dividends, voting and liquidation rights. Purchasers of Series B Preferred Stock may obtain registered certificates by contacting the transfer agent.

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### DESCRIPTION OF RATING AGENCY GUIDELINES

#### RATING AGENCY GUIDELINES

The following is a summary of the terms of the rating agency guidelines. This description may not be complete in all respects and is qualified by reference to the Certificate of Designations relating to the Series B Preferred Stock, the form of which is filed as an exhibit to this registration statement. For the complete definitions of certain terms used in the rating agency guidelines and summarized herein, please refer to the glossary that appears at the end of the Statement of Additional Information as well as the Certificate of Designations.

The Series B Preferred Stock will be rated by Moody's. Moody's has established guidelines in connection with the Company's receipt of a rating of "Aaa" for the Series B Preferred Stock on their date of original issue. Moody's, a nationally recognized securities rating organization, issues ratings for various securities reflecting the perceived creditworthiness of those securities. The guidelines have been developed by Moody's in connection with issuances of asset-backed and similar securities, including debt obligations and various preferred stocks, generally on a case-by-case basis through discussions with the issuers of these securities. The guidelines are designed to ensure that assets underlying outstanding debt or preferred stock will be sufficiently varied and will be of sufficient quality and amount to justify investment-grade ratings. The guidelines do not have the force of law but are being adopted by the Company in order to satisfy current requirements necessary for Moody's to issue the above-described rating for the Series B Preferred Stock, which rating is generally relied upon by investors in purchasing these or similar securities. The guidelines provide a set of tests for portfolio composition and discounted asset coverage that supplements (and in some cases is more restrictive than) the applicable requirements of Section 18 of the 1940 Act. Moody's guidelines are included in the Certificate of Designations relating to the Series B Preferred Stock and are referred to in this prospectus as the "rating agency guidelines."

The Company intends to maintain assets having an aggregate discounted value weekly at least equal to the basic maintenance amount specified by the rating agency guidelines. See "--Asset Maintenance--Basic Maintenance Amount."



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If the Company fails to meet this requirement and its failure is not cured, the Company will be required to redeem some or all of the Series B Preferred Stock. See "-- Redemption." The rating agency guidelines exclude from the discounted asset value calculation certain types of securities in which the Company may invest and also limit the Company's acquisition of futures contracts or options on futures contracts, limit reverse repurchase agreements, limit the writing of options on portfolio securities and limit the lending of portfolio securities to 5% of the Company's total assets. The Company historically has either not acquired these instruments or has engaged in investment strategies requiring these instruments to only a limited degree. As a result, the Company does not believe that compliance with the rating agency guidelines will have an adverse effect on its portfolio or on the achievement of its investment objectives.

The Company may, but is not required to, adopt any modifications to the rating agency guidelines that may be established in the future by Moody's. Failure to adopt these modifications, however, may result in a change in Moody's rating or a withdrawal of a rating altogether. In addition, Moody's may, at any time, change or withdraw the rating. As set forth in the Certificate of Designations relating to the Series B Preferred Stock, the Board of Directors of the Company may, without stockholder approval, adjust, modify, alter or change the rating agency guidelines if Moody's advises the Company in writing that the adjustment, modification, alteration or change will not adversely affect its then current rating on the Series B Preferred Stock.

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As described by Moody's, a preferred stock rating is an assessment of the capacity and willingness of an issuer to pay preferred stock obligations. The rating on the Series B Preferred Stock is not a recommendation to purchase, hold or sell such shares, inasmuch as the rating does not comment as to market price or suitability for a particular investor. Nor do the rating agency guidelines address the likelihood that a holder of Series B Preferred Stock will be able to sell such shares. The rating is based on current information furnished to Moody's by the Company and information obtained from other sources. The rating may be changed, suspended or withdrawn as a result of changes in, or the unavailability of, such information.

The Company will pay fees to Moody's for rating the Series B Preferred Stock.

### ASSET MAINTENANCE

The Company will be required to satisfy two separate asset maintenance requirements under the terms of the Certificate of Designations relating to the Series B Preferred Stock. These requirements are summarized below.

**Asset Coverage.** The Company will be required under the Certificate of Designations to maintain as of the last business day of each March, June, September and December of each year, an asset coverage of at least 200% (or such higher percentage as may be required under the 1940 Act) with respect to all outstanding senior securities of the Company which are stock, including the Series B Preferred Stock. If the Company fails to maintain the asset coverage on these dates and its failure is not cured within 60 days, the Company will be required under certain circumstances to redeem certain of the shares of Series B Preferred Stock. See "--Redemption."

If the shares of Series B Preferred Stock offered hereby had been issued and sold and all of the shares of Series A Preferred Stock had been

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redeemed as of June 30, 2003, the asset coverage immediately following the issuance and sale (after giving effect to the deduction of the underwriting discounts and estimated offering expenses of \$\_\_\_\_\_) would have been computed as follows:

Value of Company assets less liabilities not constituting senior securities	\$	=	%
-----	-----		
Senior securities representing indebtedness plus liquidation preference of the Series B Preferred Stock	\$		

Basic Maintenance Amount. The Company will be required under the Certificate of Designations to maintain, as of each valuation date, assets meeting specified guidelines of Moody's, as described under "--Rating Agency Guidelines," having an aggregate discounted value at least equal to the basic maintenance amount. The basic maintenance amount is the minimum asset coverage specified by Moody's and generally is the dollar amount equal to:

- o the sum of the aggregate liquidation preference of the Series B Preferred Stock, including any unpaid dividends on the valuation date plus all dividends on the Series B Preferred Stock accruing during the 70 days following the valuation date, and the Company's other liabilities due on, or within 90 days after, the valuation date, less
- o the discounted value of the Company's assets and cash and certain high rated investments.

If the Company fails to meet this requirement as to any valuation date and its failure is not cured within 14 days after the relevant valuation date, the Company will be required to redeem certain of the shares of Series B Preferred Stock. See "--Redemption."

Any security not in compliance with the rating agency guidelines described under "--Rating Agency Guidelines" will be excluded from the discounted asset value calculation.

Moody's guidelines impose specified discounts, referred to as Moody's discount factors, to securities held by the Company. These discount factors and guidelines for determining the market value of the Company's portfolio holdings have been based on criteria established in connection with the rating of the Series B Preferred Stock. These factors include, but are not limited to:

- o the sensitivity of the market value of the relevant asset to changes in interest rates,
- o the liquidity and depth of the market for the relevant asset, the credit quality of the relevant asset (for example, the lower the rating of a corporate debt obligation, the higher the related discount factor), and
- o the frequency with which the relevant asset is marked to market.

The Moody's discount factor relating to any asset of the Company and the basic maintenance amount, the assets eligible for inclusion in the calculation of the discounted value of the Company's assets and certain

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definitions and methods of calculation relating thereto may be changed from time to time by the Board of Directors, provided that, among other things, these changes will not impair the rating then assigned to the Series B Preferred Stock by Moody's.

Under the rating agency guidelines, the Company is required to prepare a maintenance report relating to each valuation date, which is generally the last business day of each week. The maintenance report sets forth the assets of the Company, the market value and the discounted value (as defined by Moody's) of those assets and the basic maintenance amount. The Company will deliver the maintenance reports to Moody's on a monthly basis. Annually, the Company will deliver letters prepared by the Company's independent auditors regarding the accuracy of the calculations made by the Company in the maintenance reports prepared by the Company in that calendar year.

### REDEMPTION

The Company will be required to redeem, at a redemption price equal to \$25.00 per share plus accumulated and unpaid dividends (whether or not earned or declared) to the date of redemption, certain of the shares of Series B Preferred Stock (to the extent permitted under the 1940 Act, Delaware law and any other agreement relating to indebtedness of the Company), in the event that:

- o the Company fails to maintain the quarterly asset coverage of at least 200% and its failure is not cured on