

GENERAL AMERICAN INVESTORS CO INC

Form N-30B-2

April 28, 2010

For the three months ended March 31, 2010, the net asset value per Common Share increased 5.3%, while the investment return to our stockholders increased by 5.6%. By comparison, our benchmark, the Standard & Poor's 500 Stock Index (including income) increased 5.4%. For the twelve months ended March 31, 2010, the return on the net asset value per Common Share increased by 56.7%, and the return to our stockholders increased by 63.9%; these compare with an increase of 49.8% for the S&P 500. During both periods, the discount at which our shares traded continued to fluctuate and on March 31, 2010, it was 14.5%.

As detailed in the accompanying financial statements (unaudited), as of March 31, 2010, the net assets applicable to the Company's Common Stock were \$895,562,192 equal to \$28.97 per Common Share.

The increase in net assets resulting from operations for the three months ended March 31, 2010 was \$43,008,355. During this period, the net realized gain on investments sold was \$6,086,139, and the increase in net unrealized appreciation was \$38,618,273. Net investment income for the three months was \$1,131,939, and distributions to Preferred Stockholders amounted to \$2,827,996.

During the three months, 508,003 shares of the Company's Common Stock were repurchased for \$12,122,287 at an average discount from net asset value of 14.9%.

Equity markets continued to advance in the last quarter as signs of sustainable economic growth became more evident. General American's portfolio kept pace with the market, supported by our holdings of value-based retailers.

The recovery is likely to be moderate, by historic measures, owing to stubbornly high rates of unemployment and the erosion of that portion of wealth represented by home equity. While it facilitates continuing monetary ease, the recent strength of the dollar could have a dampening effect on exports; on a longer-term basis, moreover, the fiscal and trade deficits remain on unsustainable trajectories.

Despite the headwinds, as enumerated, the case for equities over time remains intact. To the extent that they represent businesses that are well-managed, with the flexibility to adjust to challenges and respond to opportunities, equities remain our asset class of choice.

Information about the Company, including our investment objectives, operating policies and procedures, investment results, record of dividend and distribution payments, financial reports and press releases, is on our website and has been updated through March 31, 2010. It can be accessed on the internet at [www.generalamericaninvestors.com](http://www.generalamericaninvestors.com).

By Order of the Board of Directors,

GENERAL AMERICAN INVESTORS COMPANY, INC.

*Spencer Davidson Chairman of the Board President and Chief Executive Officer*

April 14, 2010

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Shares	COMMON STOCKS	Value (note 1a)
<b>AEROSPACE/DEFENSE (3.2%)</b>		
215,000	Textron Inc.	\$4,564,450
325,000	United Technologies Corporation	23,923,250
		(COST \$33,409,026)
<b>BUILDING AND REAL ESTATE (2.1%)</b>		
1,872,000	CEMEX, S.A. de C.V. ADR (a)	(COST \$23,385,068)
<b>COMMUNICATIONS AND INFORMATION SERVICES (6.2%)</b>		
960,000	Cisco Systems, Inc. (a)(b)	24,988,800
78,000	Leap Wireless International, Inc. (a)	1,276,080
700,000	QUALCOMM Incorporated	29,372,000
		(COST \$41,318,833)
<b>COMPUTER SOFTWARE AND SYSTEMS (8.7%)</b>		
1,290,000	Dell Inc. (a)	19,375,800
570,000	Microsoft Corporation	16,693,875
168,100	NetEase.com, Inc. (a)	5,970,912
67,100	Nintendo Co., Ltd.	22,575,836
450,000	Teradata Corporation (a)	13,000,500
		(COST \$78,338,915)
<b>CONSUMER PRODUCTS AND SERVICES (11.2%)</b>		
350,000	Diageo plc ADR	23,607,500
325,000	Heineken N. V.	16,610,733
466,100	Hewitt Associates, Inc. Class A (a)	18,541,458
450,000	Nestle S.A.	22,966,133
285,000	PepsiCo, Inc.	18,855,600
		(COST \$78,085,518)
<b>ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (5.5%)</b>		
949,000	Republic Services, Inc.	27,539,980
630,000	Waste Management, Inc.	21,690,900
		(COST \$38,960,134)
<b>FINANCE AND INSURANCE (21.3%)</b>		
<b>BANKING (2.4%)</b>		
500,000	Bond Street Holdings LLC (a) (c)	10,000,000
140,000	M&T Bank Corporation	11,113,200
		(COST \$10,713,356)
<b>INSURANCE (12.5%)</b>		
315,000	Arch Capital Group Ltd. (a)	24,018,750
250,000	Everest Re Group, Ltd.	20,232,500
750,000	Fidelity National Financial, Inc.	11,115,000
37,500	Forethought Financial Group, Inc. Class A with Warrants (a)(d)	7,875,000
280,000	MetLife, Inc.	12,135,200
275,000	PartnerRe Ltd.	21,923,000
83,000	Transatlantic Holdings, Inc.	4,382,400
200,000	The Travelers Companies, Inc.	10,788,000

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	(COST \$58,086,700)	112,469,850
OTHER (6.4%)		
325,000 American Express Company		13,409,500
110 Berkshire Hathaway Inc. Class A (a)		13,398,000
1,666,667 Epoch Holding Corporation		18,816,670
635,000 Nelnet, Inc.		11,785,600
	(COST \$30,301,088)	57,409,770
	(COST \$99,101,144)	190,992,820

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Shares	COMMON STOCKS (continued)	Value (note 1a)
<b>HEALTH CARE / PHARMACEUTICALS (4.7%)</b>		
347,100	Cephalon, Inc. (a)	\$23,526,438
529,900	Cytokinetics, Incorporated (a)	1,695,680
119,500	Gilead Sciences, Inc. (a)	5,433,665
655,808	Pfizer Inc.	11,247,107
195,344	Poniard Pharmaceuticals, Inc. (a)	224,646
	(COST \$39,602,800)	42,127,536
<b>MACHINERY AND EQUIPMENT (2.9%)</b>		
1,200,000	ABB Ltd. ADR	(COST \$13,364,456) 26,208,000
<b>METALS (2.2%)</b>		
254,200	Alpha Natural Resources, Inc. (a)	12,682,038
150,000	Nucor Corporation	6,807,000
	(COST \$19,939,605)	19,489,038
<b>MISCELLANEOUS (5.0%)</b>		
	Other (e)	(COST \$38,670,419) 44,424,874
<b>OIL AND NATURAL GAS (INCLUDING SERVICES) (12.6%)</b>		
295,478	Apache Corporation	29,991,017
100,000	Devon Energy Corporation	6,443,000
800,000	Halliburton Company	24,104,000
325,000	McDermott International, Inc. (a)	8,749,000
2,150,000	Weatherford International Ltd. (a)	34,099,000
200,000	XTO Energy Inc.	9,436,000
	(COST \$82,773,479)	112,822,017
<b>RETAIL TRADE (17.1%)</b>		
575,000	Costco Wholesale Corporation	34,333,250
400,000	J.C. Penney Company, Inc.	12,868,000
1,775,000	The TJX Companies, Inc.	75,473,000
550,000	Wal-Mart Stores, Inc.	30,580,000
	(COST \$61,858,262)	153,254,250
<b>SEMICONDUCTORS (2.8%)</b>		
700,000	ASML Holding N.V.	(COST \$17,340,380) 24,780,000
<b>TECHNOLOGY (3.6%)</b>		
750,000	International Game Technology	13,837,500
1,900,000	Xerox Corporation	18,525,000
	(COST \$34,368,474)	32,362,500
<b>TRANSPORTATION (0.9%)</b>		
236,100	Alexander & Baldwin, Inc.	(COST \$11,005,032) 7,803,105
<b>TOTAL COMMON STOCKS (110.0%)</b>		
		(COST \$711,521,545) 984,931,067
<b>Principal Amount CORPORATE DEBT (f)</b>		
<b>CONSUMER PRODUCTS AND SERVICES (1.1%)</b>		
\$9,600,000	Smithfield Foods, Inc.	
	7.75% due 5/15/2013	(COST \$7,827,836) 9,864,096
<b>TECHNOLOGY (1.0%)</b>		
\$10,000,000	VeriFone Holdings, Inc.	

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1.375% due 6/15/2012	(COST \$6,152,290)	9,100,000
TOTAL CORPORATE DEBT (2.1%)	(COST \$13,980,126)	18,964,096

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Shares or Principal Amount	SHORT-TERM SECURITIES AND OTHER ASSETS		Value (note 1a)
\$50,000,000	U. S. Treasury Bills due 5/27-6/24/10; .100%-.115%	(COST \$49,989,328)	\$49,989,328
30,871,813	SSgA Prime Money Market Fund	(COST \$30,871,813)	30,871,813
	TOTAL SHORT-TERM SECURITIES (9.0%)	(COST \$80,861,141)	80,861,141
	TOTAL INVESTMENTS (g) (121.1%)	(COST \$806,362,812)	1,084,756,304
	Cash, receivables and other assets less liabilities (0.1%)		923,063
	PREFERRED STOCK (-21.2%)		(190,117,175)
	NET ASSETS APPLICABLE TO COMMON STOCK (100%)		\$895,562,192

(a) Non-income producing security.

(b) 130,500 shares held by custodian in a segregated custodial account as collateral for short positions or options, if any.

(c) Level 3 fair value measurement, restricted security acquired 11/4/09, note 8.

(d) Level 3 fair value measurement, restricted security acquired 11/3/09, note 8.

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

(f) Level 2 fair value measurement, note 8.

(g) At March 31, 2010: (1) the cost of investments for Federal income tax purposes was the same as the cost for financial reporting purposes, (2) aggregate gross unrealized appreciation was \$317,126,247, (3) aggregate gross unrealized depreciation was \$38,732,755, and (4) net unrealized appreciation was \$278,393,492.

Contracts (100 shares each)	COMMON STOCK/EXPIRATION DATE/EXERCISE PRICE		Value (note 1a)
	COMMUNICATIONS AND INFORMATION SERVICES		
1,305	Cisco Systems, Inc./July 10/\$27.00 (PREMIUM DEPOSITED WITH BROKERS \$135,333)		\$103,095

The diversification of the Company's net assets applicable to its Common Stock by industry group as of March 31, 2010 is shown in the following table.

INDUSTRY CATEGORY	COST(000)	VALUE(000)	PERCENT COMMON NET ASSETS*
Finance and Insurance			
Banking	\$10,713	\$21,113	2.4%
Insurance	58,087	112,470	12.5
Other	30,301	57,410	6.4
	99,101	190,993	21.3
Retail Trade	61,858	153,254	17.1
Oil and Natural Gas (Including Services)	82,774	112,822	12.6
Consumer Products and Services	85,913	110,445	12.3
Computer Software and Systems	78,339	77,617	8.7
Communications and Information Services	41,319	55,637	6.2
Environmental Control (Including Services)	38,960	49,231	5.5
Miscellaneous**	38,670	44,425	5.0
Health Care/Pharmaceuticals	39,603	42,127	4.7

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Technology	40,521	41,463	4.6
Aerospace/Defense	33,409	28,488	3.2
Machinery and Equipment	13,365	26,208	2.9
Semiconductors	17,340	24,780	2.8
Metals	19,940	19,489	2.2
Building and Real Estate	23,385	19,113	2.1
Transportation	11,005	7,803	0.9
	725,502	1,003,895	112.1
Short-Term Securities	80,861	80,861	9.0
Total Investments	\$806,363	1,084,756	121.1
Other Assets and Liabilities - Net		923	0.1
Preferred Stock		(190,117)	(21.2)
Net Assets Applicable to Common Stock		\$895,562	100.0%

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

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

(see notes to financial statements)



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	SHARES OR PRINCIPAL AMOUNT TRANSACTED	SHARES OR PRINCIPAL AMOUNT HELD
INCREASES		
NEW POSITION		
J.C. Penney Company, Inc.	400,000	400,000 (b)
ADDITIONS		
Cephalon, Inc.	10,000	347,100
Fidelity National Financial, Inc.	25,000	750,000
McDermott International, Inc	75,000	325,000
NetEase.com, Inc.	30,000	168,100
DECREASES		
ELIMINATIONS		
The Allstate Corporation	175,000	
AXIS Capital Holdings Limited	275,000	
ASML Holding N.V. Corporate Bond, 5.75% due 6/13/2017	\$8,000,000	
The Boeing Company	300,000	
MetroPCS Communications, Inc.	135,500	
REDUCTIONS		
Berkshire Hathaway Inc. Class A	20	110
Heineken N.V.	25,000	325,000
M&T Bank Corporation	10,000	140,000
Nelnet, Inc.	15,000	635,000
Teradata Corporation	115,000	450,000

(a) Excludes transactions in Common Stocks - Miscellaneous - Other.

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

(see notes to financial statements)

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ASSETS

INVESTMENTS, AT VALUE (NOTE 1a)

Common stocks (cost \$711,521,545)		\$984,931,067
Corporate debt (cost \$13,980,126)		18,964,096
U. S. Treasury Bills (cost \$49,989,328)		49,989,328
Money market fund (cost \$30,871,813)		30,871,813
Total investments (cost \$806,362,812)		1,084,756,304

RECEIVABLES AND OTHER ASSETS

Receivable for securities sold	\$1,280,925	
Premiums deposited with brokers for options written	135,333	
Dividends, interest and other receivables	2,546,446	
Qualified pension plan asset, net excess funded (note 6)	3,851,154	
Prepaid expenses and other assets	2,792,613	10,606,471

TOTAL ASSETS

1,095,362,775

LIABILITIES

Payable for securities purchased	1,422,895	
Accrued preferred stock dividend not yet declared	219,958	
Outstanding options written, at value (premiums deposited with brokers \$135,333)(note 1a)	103,095	
Accrued supplemental pension plan liability (note 6)	3,377,347	
Accrued supplemental thrift plan liability (note 6)	2,602,064	
Accrued expenses and other liabilities	1,958,049	

TOTAL LIABILITIES

9,683,408

5.95% CUMULATIVE PREFERRED STOCK, SERIES B -

7,604,687 shares at a liquidation value of \$25 per share (note 2)		190,117,175
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NET ASSETS APPLICABLE TO COMMON STOCK - 30,917,212 shares (note 2)

\$895,562,192

NET ASSET VALUE PER COMMON SHARE

\$28.97

NET ASSETS APPLICABLE TO COMMON STOCK

Common Stock, 30,917,212 shares at par value (note 2)	\$30,917,212	
Additional paid-in capital (note 2)	584,038,867	
Undistributed realized gain on investments	6,086,139	
Undistributed net investment income	3,654,601	
Accumulated other comprehensive income (note 6)	(4,512,406)	
Unallocated distributions on Preferred Stock	(3,047,951)	
Unrealized appreciation on investments and options	278,425,730	

NET ASSETS APPLICABLE TO COMMON STOCK

\$895,562,192

(see notes to financial statements)

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INCOME		
Dividends	\$3,804,877	
Interest	912,231	\$4,717,108
EXPENSES		
Investment research	2,055,917	
Administration and operations	790,450	
Office space and general	420,943	
Auditing and legal fees	100,000	
Directors' fees and expenses	67,687	
Miscellaneous taxes	52,997	
Transfer agent, custodian and registrar fees and expenses	50,000	
Stockholders' meeting and reports	47,175	3,585,169
NET INVESTMENT INCOME		1,131,939
REALIZED GAIN AND INCREASE IN UNREALIZED APPRECIATION ON INVESTMENTS (NOTES 1, 4 AND 5)		
Net realized gain on investments:		
Securities transactions (long-term, except for \$929,917)	6,039,916	
Written option transactions	46,223	
	6,086,139	
Net increase in unrealized appreciation on investments:		
Securities	38,624,758	
Written options	(6,485)	
	38,618,273	
NET GAIN ON INVESTMENTS		44,704,412
DISTRIBUTIONS TO PREFERRED STOCKHOLDERS		(2,827,996)
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		\$43,008,355

	Three Months Ended March 31, 2010	Year Ended December 31, 2009
OPERATIONS		
Net investment income	\$1,131,939	\$3,400,143
Net realized gain on investments	6,086,139	15,219,812
Net increase in unrealized appreciation	38,618,273	204,253,481
	45,836,351	222,873,436
Distributions to Preferred Stockholders:		
From net investment income		(3,389,107)
From short-term capital gains		(1,654,369)
From long-term capital gains		(6,107,907)
Return of capital		(333,668)
Unallocated distributions	(2,827,996)	11,047
Decrease in net assets from Preferred distributions	(2,827,996)	(11,474,004)
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	43,008,355	211,399,432
OTHER COMPREHENSIVE INCOME (Adjustment to apply FAS 158; Note 6)	352,752	1,911,451
DISTRIBUTIONS TO COMMON STOCKHOLDERS		
From net investment income		(3,248,669)
From short-term capital gains		(1,585,814)

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From long-term capital gains		(5,854,806)
Return of capital		(319,841)
DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS		(11,009,130)
CAPITAL SHARE TRANSACTIONS (NOTE 2)		
Value of Common Shares issued in payment of dividends and distributions		6,430,088
Cost of Common Shares purchased	(12,122,287)	(19,553,159)
Benefit to Common Shareholders resulting from Preferred Shares purchased		546,889
DECREASE IN NET ASSETS - CAPITAL TRANSACTIONS	(12,122,287)	(12,576,182)
NET INCREASE IN NET ASSETS	31,238,820	189,725,571
NET ASSETS APPLICABLE TO COMMON STOCK		
BEGINNING OF PERIOD	864,323,372	674,597,801
END OF PERIOD (including undistributed net investment income of \$3,654,601 and \$2,522,662, respectively)	\$895,562,192	\$864,323,372

(see notes to financial statements)

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The following table shows per share operating performance data, total investment return, ratios and supplemental data for the three months ended March 31, 2010 and for each year in the five-year period ended December 31, 2009. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

	Three Months Ended March 31, 2010 (Unaudited)	2009	2008	Year Ended December 31,		
				2007	2006	2005
<b>PER SHARE OPERATING PERFORMANCE</b>						
Net asset value, beginning of period	\$27.50	\$21.09	\$38.10	\$40.54	\$39.00	\$35.49
Net investment income	.04	.11	.42	.31	.34	.19
Net gain (loss) on investments - realized and unrealized	1.51	6.94	(16.15)	3.39	4.72	5.85
Other comprehensive income	.01	.07	(.25)	.02	.03	
<b>Distributions on Preferred Stock:</b>						
Dividends from net investment income		(.11)	(.11)	(.02)	(.04)	(.03)
Distributions from net short-term capital gains		(.05)		(.03)	(.01)	(.08)
Distributions from net long-term capital gains		(.19)	(.27)	(.36)	(.36)	(.30)
Distributions from return of capital		(.01)				
Unallocated	(.09)					
	(.09)	(.36)	(.38)	(.41)	(.41)	(.41)
Total from investment operations	1.47	6.76	(16.36)	3.31	4.68	5.63
<b>Distributions on Common Stock:</b>						
Dividends from net investment income		(.10)	(.19)	(.33)	(.29)	(.15)
Distributions from net short-term capital gains		(.05)		(.38)	(.04)	(.44)
Distributions from net long-term capital gains		(.19)	(.46)	(5.04)	(2.81)	(1.53)
Distributions from return of capital		(.01)				
		(.35)	(.65)	(5.75)	(3.14)	(2.12)
Net asset value, end of period	\$28.97	\$27.50	\$21.09	\$38.10	\$40.54	\$39.00
Per share market value, end of period	\$24.78	\$23.46	\$17.40	\$34.70	\$37.12	\$34.54
<b>TOTAL INVESTMENT RETURN - Stockholder return, based on market price per share</b>	5.63%*	36.86%	(48.20)%	8.72%	16.78%	17.40%
<b>RATIOS AND SUPPLEMENTAL DATA</b>						
Net assets applicable to Common Stock, end of period (000's omitted)	\$895,562	\$864,232	\$674,598	\$1,202,923	\$1,199,453	\$1,132,942
Ratio of expenses to average net assets applicable to Common Stock	1.67%**	1.93%	0.87%	1.11%	1.06%	1.25%
Ratio of net income to average net assets applicable to Common Stock	0.53%**	0.46%	1.31%	0.78%	0.86%	0.51%
Portfolio turnover rate	2.17%*	24.95%	25.52%	31.91%	19.10%	20.41%
<b>PREFERRED STOCK</b>						
Liquidation value, end of period (000's omitted)	\$190,117	\$190,117	\$199,617	\$200,000	\$200,000	\$200,000
Asset coverage	571%	555%	438%	701%	700%	666%
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00

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Market value per share	\$24.82	\$24.53	\$21.90	\$21.99	\$24.44	\$24.07
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\*Not annualized

\*\*Annualized

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

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

a. SECURITY VALUATION Equity securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the period. Equity securities reported on the NASDAQ national market are valued at the official closing price on that day. Listed and NASDAQ equity securities for which no sales are reported on that day and other securities traded in the over-the-counter market are valued at the last bid price (asked price for options written) on the valuation date. Equity securities traded primarily in foreign markets are valued at the closing price of such securities on their respective exchanges or markets. Corporate debt securities, domestic and foreign, are generally traded in the over-the-counter market rather than on a securities exchange. The Company utilizes the latest bid prices provided by independent dealers and information with respect to transactions in such securities to determine current market value. If, after the close of foreign markets, conditions change significantly, the price of certain foreign securities may be adjusted to reflect fair value as of the time of the valuation of the portfolio. Investments in money market funds are valued at their net asset value. Special holdings (restricted securities) and other securities for which quotations are not readily available are valued at fair value determined in good faith pursuant to procedures established by and under the general supervision of the Board of Directors

b. OPTIONS The Company may purchase and write (sell) put and call options. The Company purchases put options or writes call options to hedge the value of portfolio investments while it purchases call options and writes put options to obtain equity market exposure. The risk associated with purchasing an option is that the Company pays a premium whether or not the option is exercised. Additionally, the Company bears the risk of loss of the premium and a change in market value should the counterparty not perform under the contract. Put and call options purchased are accounted for in the same manner as portfolio securities. Premiums received from writing options are reported as a liability on the Statement of Assets and Liabilities. Those that expire unexercised are treated by the Company on the expiration date as realized gains on written option transactions in the Statement of Operations. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss on written option transactions in the Statement of Operations. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Company has realized a gain or loss on investments in the Statement of Operations. If a put option is exercised, the premium reduces the cost basis for the securities purchased by the Company and is parenthetically disclosed under cost of investments on the Statement of Assets and Liabilities. The Company as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option. See Note 5 for written option activity.

c. SECURITY TRANSACTIONS AND INVESTMENT INCOME Security transactions are recorded as of the trade date. Dividend income and distributions to stockholders are recorded as of the ex-dividend dates. Interest income, adjusted for amortization of discount and premium on investments, is earned from settlement date and is recognized on the accrual basis. Cost of short-term investments represents amortized cost.

d. FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies versus U.S. dollars on the date of valuation. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Events may impact the availability or reliability of foreign exchange rates used to

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convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Company's Board of Directors. The Company does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statement of Operations.

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

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

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

f. **FEDERAL INCOME TAXES** The Company's policy is to fulfill the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all taxable income to its stockholders. Accordingly, no provision for Federal income taxes is required. As of and during the period ended March 31, 2010, the Company did not have any liabilities for any unrecognized tax positions. The Company recognizes interest and penalties, if any, related to unrecognized tax positions as income tax expense in the Statement of Operations. During the period, the Company did not incur any interest or penalties.

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

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

i. **OTHER** As customary in the investment company industry, security transactions are recorded as of the trade date. Interest income, adjusted for amortization of discount and premium on investments, is earned from settlement date and is recognized on the accrual basis. Cost of short-term investments represents amortized cost.

2. **CAPITAL STOCK AND DIVIDEND DISTRIBUTIONS** - The authorized capital stock of the Company consists of 50,000,000 shares of Common Stock, \$1.00 par value, and 10,000,000 shares of Preferred Stock, \$1.00 par value. With respect to the Common Stock, 30,917,212 shares were issued and outstanding; 8,000,000 Preferred Shares were originally issued and 7,604,687 were outstanding on March 31, 2010.

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2. CAPITAL STOCK AND DIVIDEND DISTRIBUTIONS - (Continued from bottom of previous page.)

On September 24, 2003, the Company issued and sold 8,000,000 shares of its 5.95% Cumulative Preferred Stock, Series B in an underwritten offering. The Preferred Shares were noncallable for the 5 year period ended September 24, 2008 and have a liquidation preference of \$25.00 per share plus accumulated and unpaid dividends to the date of redemption. On December 10, 2008, the Board of Directors authorized the repurchase of 1 million Preferred Shares in the open market at prices below \$25.00 per share. A total of 380,013 Preferred Shares were repurchased at an average cost per share of \$23.56 during the year ended December 31, 2009. The average discount of \$1.44 per Preferred Share, \$546,889 in the aggregate, was credited to additional paid-in capital of Common Stock.

The Company is required to allocate distributions from long-term capital gains and other types of income proportionately among holders of shares of Common Stock and Preferred Stock. To the extent that dividends on the shares of Preferred Stock are not paid from long-term capital gains, they will be paid from ordinary income or net short-term capital gains or will represent a return of capital.

Under the Investment Company Act of 1940, the Company is required to maintain an asset coverage of at least 200% of the Preferred Stock. In addition, pursuant to Moody's Investor Service, Inc. Rating Agency Guidelines, the Company is required to maintain a certain discounted asset coverage for its portfolio that equals or exceeds a Basic Maintenance Amount. The Company has met these requirements since the issuance of the Preferred Stock. If the Company fails to meet these requirements in the future and does not cure such failure, the Company may be required to redeem, in whole or in part, shares of Preferred Stock at a redemption price of \$25.00 per share plus accumulated and unpaid dividends. In addition, failure to meet the foregoing asset coverage requirements could restrict the Company's ability to pay dividends on shares of Common Stock and could lead to sales of portfolio securities at inopportune times.

The holders of Preferred Stock have voting rights equivalent to those of the holders of Common Stock (one vote per share) and, generally, vote together with the holders of Common Stock as a single class.

Holders of Preferred Stock elect two members of the Company's Board of Directors and the holders of Preferred and Common Stock, voting as a single class, elect the remaining directors. If the Company fails to pay dividends on the Preferred Stock in an amount equal to two full years' dividends, the holders of Preferred Stock will have the right to elect a majority of the directors. In addition, the Investment Company Act of 1940 requires that approval of the holders of a majority of any outstanding Preferred Shares, voting separately as a class, would be required to (a) adopt any plan of reorganization that would adversely affect the Preferred Stock and (b) take any action requiring a vote of security holders, including, among other things, changes in the Company's subclassification as a closed-end investment company or changes in its fundamental investment policies.

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

Transactions in Common Stock during the three months ended March 31, 2010 and the year ended December 31, 2009 were as follows:

	Shares		Amount	
	2010	2009	2010	2009
Shares issued in payment of dividends and distributions (includes 281,281 shares issued from treasury)		281,281		\$281,281
Increase in paid-in capital				6,148,807
Total increase				6,430,088
Shares purchased (average discount from NAV of 14.9% and 13.6%, respectively)	508,003	836,938	(\$508,003)	(836,938)
Decrease in paid-in capital			(11,614,284)	(18,716,221)
Total decrease			(12,122,287)	(19,553,159)

Net decrease