

ADAMS EXPRESS CO  
Form N-30B-2  
April 19, 2006

THE ADAMS EXPRESS COMPANY

**Board of Directors**

Enrique R. Arzac <sup>1,3</sup>	Thomas H. Lenagh <sup>1,4</sup>
Phyllis O. Bonanno <sup>1,4</sup>	Kathleen T. McGahran <sup>2,4</sup>
Daniel E. Emerson <sup>2,3</sup>	Douglas G. Ober <sup>1</sup>
Frederic A. Escherich <sup>2,3</sup>	John J. Roberts <sup>1,3</sup>
Roger W. Gale <sup>1,3</sup>	Craig R. Smith <sup>2,4</sup>

1. Member of Executive Committee  
2. Member of Audit Committee  
3. Member of Compensation Committee  
4. Member of Retirement Benefits Committee

**Officers**

Douglas G. Ober	<i>Chairman and Chief Executive Officer</i>
Joseph M. Truta	<i>President</i>
Lawrence L. Hooper, Jr.	<i>Vice President, General Counsel and Secretary</i>
Maureen A. Jones	<i>Vice President, Chief Financial Officer and Treasurer</i>
Stephen E. Kohler	<i>Vice President Research</i>
David R. Schiminger	<i>Vice President Research</i>
D. Cotton Swindell	<i>Vice President Research</i>
Christine M. Sloan	<i>Assistant Treasurer</i>
Geraldine H. Paré	<i>Assistant Secretary</i>

**Stock Data**

Market Price (3/31/06)	\$ 13.30
Net Asset Value (3/31/06)	\$ 15.48
Discount:	14.1%

New York Stock Exchange and Pacific Exchange ticker symbol: ADX  
NASDAQ Mutual Fund Quotation Symbol: XADEX

Newspaper stock listings are generally under the abbreviation: AdaEx

**Distributions in 2006**

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From Investment Income (paid or declared)	\$ 0.08
From Net Realized Gains	0.02
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Total	\$ 0.10
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**2006 Dividend Payment Dates**

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March 1, 2006

June 1, 2006

September 1, 2006\*

December 27, 2006\*

\*Anticipated

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LETTER TO STOCKHOLDERS

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We submit herewith the financial statements of the Company for the three months ended March 31, 2006. Also provided are a schedule of investments and other summary financial information.

Net assets of the Company at March 31, 2006 were \$15.48 per share on 85,308,628 shares outstanding, compared with \$14.71 per share at December 31, 2005 on 86,099,607 shares outstanding. On March 1, 2006, a distribution of \$0.05 per share was paid, consisting of \$0.02 from 2005 investment income, \$0.02 from 2005 short-term capital gain, and \$0.01 from 2006 investment income, all taxable in 2006. On April 13, 2006, an investment income dividend of \$0.05 per share was declared to shareholders of record May 18, 2006, payable June 1, 2006.

Net investment income for the three months ended March 31, 2006 amounted to \$3,995,963, compared with \$4,007,315 for the same period in 2005. These earnings are equal to \$0.05 and \$0.05 per share, respectively, on the average number of shares outstanding during each period.

Net capital gain realized on investments for the three months ended March 31, 2006 amounted to \$8,038,717, the equivalent of \$0.09 per share.

The Annual Meeting, held on March 28, 2006, in Orlando, Florida, was well attended. The results of the voting at the Annual Meeting are shown on page 14.

Current and potential shareholders can find information about the Company, including the daily net asset value (NAV) per share, the market price, and the discount/premium to the NAV, at its website ([www.adamsexpress.com](http://www.adamsexpress.com)). Also available at the website are a history of the Company, historical financial information, and other useful content. Further information regarding shareholder services is located on page 15 of this report.

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After serving 30 years on the Company's Board of Directors, Mr. Robert J.M. Wilson retired in March 2006. Mr. Wilson started his career with the Company as the President and a Director in 1975. He retired from the Company in 1986 and continued serving on the Board until this year. Over the years, his insight in the financial markets and strong analytical discipline were invaluable to the Company, and all of our shareholders gained from the wisdom and judgment that he provided. We wish him well in his retirement and thank him for all his years of commitment to the Company.

We are pleased to announce the appointment of Mr. Frederic A. Escherich to the Board of Directors of the Company, effective February 9, 2006. Mr. Escherich, a 25-year veteran of J.P. Morgan, is now a private investor. He retired from J.P. Morgan in 2002 as the head of Mergers and Acquisition Research. Prior to that he was head of J.P. Morgan's Financial Advisory Department; he managed industry analyst teams in transportation and technology and in the consumer and health care sectors. With his broad knowledge and experience in the equities markets, he is a valuable addition to the Board of Directors.

The Company is an internally-managed equity fund whose investment policy is based on the primary objectives of preservation of capital, the attainment of reasonable income from investments, and an opportunity for capital appreciation.

By order of the Board of Directors,

Douglas G. Ober,

*Chairman and*

*Chief Executive Officer*

Joseph M. Truta,

*President*

April 21, 2006

## STATEMENT OF ASSETS AND LIABILITIES

March 31, 2006

(unaudited)

**Assets**

Investments\* at value:

Common stocks and convertible securities (cost \$894,787,699)	\$ 1,230,060,709	
Non-controlled affiliate, Petroleum & Resources Corporation (cost \$27,963,162)	65,935,067	
Short-term investments (cost \$23,482,450)	23,482,450	
Securities lending collateral (cost \$19,229,896)	19,229,896	\$ 1,338,708,122
Cash		276,798
Receivables:		
Investment securities sold		537,661
Dividends and interest		1,215,225
Prepaid pension cost		5,404,492
Prepaid expenses and other assets		1,815,731
<i>Total Assets</i>		1,347,958,029

**Liabilities**

Investment securities purchased	3,710,149
Open written option contracts at value (proceeds \$894,706)	760,675
Obligations to return securities lending collateral	19,229,896
Accrued expenses	3,746,193
<i>Total Liabilities</i>	27,446,913

**Net Assets** \$ 1,320,511,116**Net Assets**

Common Stock at par value \$1.00 per share, authorized 150,000,000 shares; issued and outstanding 85,308,628 shares (includes 53,543 restricted shares, restricted stock units for 13,500 shares and deferred stock units for 1,024 shares) (Note 6)	\$ 85,308,628
Additional capital surplus	848,626,551
Unearned compensation restricted stock awards (Note 6)	(704,666)
Undistributed net investment income	6,095,049
Undistributed net realized gain on investments	7,806,608
Unrealized appreciation on investments	373,378,946
<b>Net Assets Applicable to Common Stock</b>	<b>\$ 1,320,511,116</b>
<b>Net Asset Value Per Share of Common Stock</b>	<b>\$15.48</b>

\*See Schedule of Investments on pages 8 and 9.

The accompanying notes are an integral part of the financial statements.

## STATEMENT OF OPERATIONS

Three Months Ended March 31, 2006

(unaudited)

<b>Investment Income</b>	
Income:	
Dividends:	
From unaffiliated issuers	\$ 5,372,928
From non-controlled affiliate	119,160
Interest and other income	214,053
<i>Total Income</i>	5,706,141
Expenses:	
Investment research	749,455
Administration and operations	390,598
Directors' fees	95,258
Reports and stockholder communications	110,926
Transfer agent, registrar and custodian expenses	91,014
Auditing and accounting services	32,500
Legal services	27,442
Occupancy and other office expenses	171,197
Travel, telephone and postage	25,969
Other	15,819
<i>Total Expenses</i>	1,710,178
<b>Net Investment Income</b>	3,995,963
<b>Realized Gain and Change in Unrealized Appreciation on Investments</b>	
Net realized gain on security transactions	7,899,697
Net realized gain distributed by regulated investment company (non-controlled affiliate)	139,020
Change in unrealized appreciation on investments	56,901,579
<b>Net Gain on Investments</b>	64,940,296
<b>Change in Net Assets Resulting from Operations</b>	\$ 68,936,259

The accompanying notes are an integral part of the financial statements.

## STATEMENTS OF CHANGES IN NET ASSETS

	Three Months Ended March 31, 2006	Year Ended December 31, 2005
	(unaudited)	
<b>From Operations:</b>		
Net investment income	\$ 3,995,963	\$ 18,288,551
Net realized gain on investments	8,038,717	53,817,950
Change in unrealized appreciation on investments	56,901,579	(27,193,045)
<i>Change in net assets resulting from operations</i>	68,936,259	44,913,456
<b>Distributions to Stockholders from:</b>		
Net investment income	(2,573,618)	(18,634,893)
Net realized gain from investment transactions	(1,716,452)	(53,672,531)
<i>Decrease in net assets from distributions</i>	(4,290,070)	(72,307,424)
<b>From Capital Share Transactions:</b>		
Value of shares issued in payment of distributions	1,295	30,523,934
Cost of shares purchased (Note 4)	(10,962,838)	(32,052,187)
Deferred compensation (Notes 4, 6)	97,818	101,973
<i>Change in net assets from capital share transactions</i>	(10,863,725)	(1,426,280)
<b>Total Change in Net Assets</b>	<b>53,782,464</b>	<b>(28,820,248)</b>
<b>Net Assets:</b>		
Beginning of period	1,266,728,652	1,295,548,900
End of period (including undistributed net investment income of \$6,095,049 and \$4,672,704, respectively)	\$ 1,320,511,116	\$ 1,266,728,652

*The accompanying notes are an integral part of the financial statements.*

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NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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**1. Significant Accounting Policies**

The Adams Express Company (the Company) is registered under the Investment Company Act of 1940 as a diversified investment company. The Company's investment objectives as well as the nature and risk of its investment transactions are set forth in the Company's registration statement.

**Security Valuation** Investments in securities traded on a national security exchange are valued at the last reported sale price on the day of valuation. Over-the-counter and listed securities for which a sale price is not available are valued at the last quoted bid price. Short-term investments (excluding purchased options) are valued at amortized cost. Purchased and written options are valued at the last quoted asked price.

**Affiliated Companies** Investments in companies 5% or more of whose outstanding voting securities are held by the Company are defined as Affiliated Companies in Section 2(a)(3) of the Investment Company Act of 1940.

**Security Transactions and Investment Income** Investment transactions are accounted for on the trade date. Gain or loss on sales of securities and options is determined on the basis of identified cost. Dividend income and distributions to shareholders are recognized on the ex-dividend date, and interest income is recognized on the accrual basis.

**2. Federal Income Taxes**

The Company's policy is to distribute all of its taxable income to its shareholders in compliance with the requirements of the Internal Revenue Code applicable to regulated investment companies. Therefore, no federal income tax provision is required. For federal income tax purposes, the identified cost of securities at March 31, 2006 was \$964,975,956 and net unrealized appreciation aggregated \$373,732,166, of which the related gross unrealized appreciation and depreciation were \$455,814,243 and \$82,082,077, respectively.

Distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. Accordingly, annual reclassifications are made within the Company's capital accounts to reflect income and gains available for distribution under income tax regulations.

**3. Investment Transactions**

The Company's investment decisions are made by a committee of management, and recommendations to that committee are made by the research staff.



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Purchases and sales of portfolio securities, other than options and short-term investments, during the three months ended March 31, 2006 were \$36,007,870 and \$49,926,094, respectively. Options may be written (sold) or purchased by the Company. The Company, as writer of an option, bears the risks of possible illiquidity of the option markets and from movements in security values. The risk associated with purchasing an option is limited to the premium originally paid. A schedule of outstanding option contracts as of March 31, 2006 can be found on page 11.

Transactions in written covered call and collateralized put options during the three months ended March 31, 2006 were as follows:

	Covered Calls		Collateralized Puts	
	Contracts	Premiums	Contracts	Premiums
Options outstanding, December 31, 2005	2,320	\$ 244,294	2,465	\$ 317,641
Options written	3,400	451,597	3,615	397,467
Options terminated in closing purchase transactions	(300)	(35,598)	(800)	(108,715)
Options expired	(1,100)	(117,445)	(1,900)	(225,921)
Options exercised	(170)	(16,489)	(125)	(12,125)
Options outstanding, March 31, 2006	4,150	\$ 526,359	3,255	\$ 368,347

#### 4. Capital Stock

The Company has 10,000,000 authorized and unissued preferred shares without par value.

On December 27, 2005, the Company issued 2,400,624 shares of its Common Stock at a price of \$12.715 per share (the average market price on December 12, 2005) to stockholders of record on November 22, 2005 who elected to take stock in payment of the year-end distribution from 2005 capital gain and investment income.

During 2006, the Company issued 99 shares of its Common Stock at a weighted average price of \$13.09 per share as dividend equivalents to holders of deferred stock units and restricted stock units under the 2005 Equity Incentive Compensation Plan.

The Company may purchase shares of its Common Stock from time to time at such prices and amounts as the Board of Directors may deem advisable.

Transactions in Common Stock for 2006 and 2005 were as follows:

	Shares		Amount	
	Three months ended March 31, 2006	Year ended December 31, 2005	Three months ended March 31, 2006	Year ended December 31, 2005
Shares issued in payment of dividends	99	2,400,624	\$ 1,295	\$ 30,523,934

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Shares purchased (at a weighted average discount from net asset value of 14.2% and 12.6%, respectively)	(839,200)	(2,458,500)	(10,962,838)	(32,052,187)
Restricted shares/units granted under the Equity Incentive Compensation Plan	48,122	22,191	97,818	101,973
Net change	(790,979)	(35,685)	\$ (10,863,725)	\$ (1,426,280)

### 5. Retirement Plans

The Company's qualified defined benefit pension plan covers all employees with at least one year of service. In addition, the

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Company has a nonqualified defined benefit plan which provides eligible employees with retirement benefits to supplement the qualified plan. Benefits are based on length of service and compensation during the last five years of employment. The Company's policy is to contribute annually to the plans those amounts that can be deducted for federal income tax purposes, plus additional amounts as the Company deems appropriate in order to provide assets sufficient to meet benefits to be paid to plan participants. During the three months ended March 31, 2006, the Company did not contribute to the plans. The Company does not anticipate making any contributions to the plans in 2006.

The following table aggregates the components of the plans' net periodic pension cost for the three months ended March 31, 2006:

Service cost	\$ 115,242
Interest cost	129,504
Expected return on plan assets	(198,509)
Amortization of prior service cost	29,944
Amortization of net loss	45,191
Net periodic pension cost	\$ 121,372

The Company also sponsors a defined contribution plan that covers substantially all employees. For the three months ended March 31, 2006, the Company expensed contributions of \$45,746. The Company does not provide postretirement medical benefits.

## 6. Stock-Based Compensation

The Stock Option Plan adopted in 1985 ( 1985 Plan ) permits the issuance of stock options and stock appreciation rights for the purchase of up to 2,610,146 shares of the Company's Common Stock at the fair market value on the date of grant. The exercise price of the options and related stock appreciation rights is reduced by the per share amount of capital gains paid by the Company during subsequent years. Options are exercisable beginning not less than one year after the date of grant and stock appreciation rights are exercisable beginning not less than two years after the date of grant. The stock appreciation rights allow the holders to surrender their rights to exercise their options and receive cash or shares in an amount equal to the difference between the option exercise price and the fair market value of the Common Stock at the date of surrender. All options terminate 10 years from the date of grant if not exercised. With the adoption of the 2005 Equity Incentive Compensation Plan ( 2005 Plan ) at the 2005 Annual Meeting, no further grants will be made under the 1985 Plan, although unexercised awards granted in 2004 and prior years remain outstanding.

A summary of option activity under the 1985 Plan as of March 31, 2006, and changes during the period then ended, is presented below:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)
	<u>Options</u>	<u>Price</u>	<u>Life (Years)</u>
Outstanding at December 31, 2005	254,766	\$ 11.71	
Exercised	(34,063)	7.94	
Cancelled	(8,233)	10.87	
Outstanding at March 31, 2006	212,470	\$ 12.32	5.37

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Exercisable at March 31, 2006	134,548	\$ 12.44	5.25
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The options outstanding as of March 31, 2006 are set forth below:

Exercise Price	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
\$8.50-\$10.74	57,538	\$ 9.68	3.75
\$10.75-\$12.99	103,784	11.51	6.79
\$13.00-\$15.24			
\$15.25-\$17.50	51,148	16.94	4.34
<b>Outstanding at March 31, 2006</b>	<b>212,470</b>	<b>\$ 12.32</b>	<b>5.37</b>

Compensation cost resulting from stock options and stock appreciation rights granted under the 1985 Plan is based on the intrinsic value of the award, recognized over the award's vesting period, and remeasured at each reporting date through the date of settlement. The total compensation cost recognized for the three months ended March 31, 2006 was \$113,312.

The 2005 Equity Incentive Compensation Plan ( 2005 Plan ) permits the grant of stock options, restricted stock awards and other stock incentives to key employees and all non-employee directors. The 2005 Plan provides for the issuance of up to 3,413,131 shares of the Company's Common Stock, including both performance and nonperformance-based restricted stock. Performance-based restricted stock awards vest at the end of a specified three year period, with the ultimate number of awards earned contingent on achievement of certain performance targets. If performance targets are not achieved, all or a portion of the performance-based awards are forfeited and become available for future grants. Nonperformance-based restricted stock awards vest ratably over a three year period and nonperformance-based restricted stock units (granted to non-employee directors) vest over a one year period. The Plan provides for accelerated vesting in the event of death or retirement. Non-employee directors also may elect to defer a portion of their cash compensation, with such deferred amount to be paid by delivery of deferred stock units. Outstanding awards were granted at fair market value on grant date. The number of shares of Common Stock which remains available for future grants under the Plan at March 31, 2006 is 3,342,818 shares.

The Company pays dividends and dividend equivalents on outstanding awards, which are charged to net assets when paid. Dividends and dividend equivalents paid on restricted awards that are later forfeited are reclassified to compensation expense.

A summary of the status of the Company's awards granted as of March 31, 2006, and changes during the period then ended is presented below:

Awards	Shares/Units	Weighted Average Grant-Date Fair Value
Balance at December 31, 2005		