

# **The Adams Express Company**

Seven St. Paul Street  
Baltimore, Maryland 21202

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## **NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

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February 17, 2006

To the Stockholders of

THE ADAMS EXPRESS COMPANY:

Notice is hereby given that the Annual Meeting of Stockholders of THE ADAMS EXPRESS COMPANY, a Maryland corporation (the "Company"), will be held at the Gaylord Palms Resort & Conference Center, 6000 W. Osceola Parkway, Kissimmee, FL 34746, on Tuesday, March 28, 2006, at 9:30 a.m., for the following purposes:

- (1) to elect directors as identified in the Proxy Statement for the ensuing year;
- (2) to consider and vote upon the ratification of the selection of the independent registered public accounting firm of PricewaterhouseCoopers LLP to audit the books and accounts of the Company for or during the year ending December 31, 2006; and
- (3) to transact such other business as may properly come before the meeting or any adjournment thereof.

Stockholders of record, as shown by the transfer books of the Company, at the close of business on February 10, 2006, are entitled to notice of and to vote at this meeting.

By order of the Board of Directors,

LAWRENCE L. HOOPER, JR.  
*Vice President, General Counsel  
and Secretary*

Baltimore, MD

**Note: Stockholders who do not expect to attend the meeting are requested to fill in, sign, date and return the accompanying proxy in the enclosed envelope without delay. Telephone and Internet voting are also offered.**

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## **Proxy Statement**

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The Annual Meeting of Stockholders of The Adams Express Company, a Maryland corporation (the "Company"), will be held Tuesday, March 28, 2006, for the purposes set forth in the accompanying Notice of Annual Meeting. This statement is furnished in connection with the solicitation by the Board of Directors of proxies to be used at the meeting and at any and all adjournments thereof and is first being sent to stockholders on or about February 17, 2006.

At the Annual Meeting, action is to be taken on (1) the election of a Board of Directors; (2) the ratification of the selection of independent auditors; and (3) the transaction of such other business as may properly come before the meeting.

Except for Proposals (1) and (2) referred to above, the proxies confer discretionary authority on the persons named therein or their substitutes with respect to any business that may properly come before the meeting. Stockholders retain the right to revoke executed proxies at any time before they are voted by written notice to the Company, by executing a later dated proxy, or by appearing and voting at the meeting. All shares represented at the meeting by proxies in the accompanying form will be voted, provided that such proxies are properly signed. In cases where a choice is indicated, the shares represented will be voted in accordance with the specifications so made. In cases where no specifications are made, the shares represented will be voted for the election of directors and for Proposal (2). Under Maryland law, there are no appraisal or other dissenter rights with respect to any matter to be voted on at the Annual Meeting that is described herein.

The Company will pay all costs of soliciting proxies in the accompanying form. See "Other Matters and Annual Report" below. Solicitation will be made by mail, and officers, regular employees, and agents of the Company may also solicit proxies by telephone or personal interview. The Company expects to request brokers and nominees who hold stock in their names to furnish this proxy material to their customers and to solicit proxies from them, and will reimburse such brokers and nominees for their out-of-pocket and reasonable clerical expenses in connection therewith.

### **Shares Outstanding and Entitled to be Voted at Meeting**

Only stockholders of record at the close of business February 10, 2006, may vote at the Annual Meeting. The total number of shares of Common Stock of the Company outstanding and entitled to be voted on the record date was 85,783,229. Each share is entitled to one vote. The Company has no other class of security outstanding. For Proposal (1), referred to above, directors shall be elected by a plurality of the votes cast at the meeting. Proposal (2), referred to above, requires the affirmative vote of a majority of the votes cast at the meeting. Unless otherwise required by the Company's Articles of Incorporation or By-laws, or by applicable Maryland law, any other matter properly presented for a vote at the meeting will require the affirmative vote of a majority of the votes cast at the meeting. Proxies received by the Company that are marked "withhold authority" or abstain, or that constitute a broker non-vote, are counted as present for purposes of determining a quorum at the meeting. Broker non-votes are shares held in the name of a broker or nominee for which the broker or nominee indicates that instructions have not been received from the beneficial owner or person entitled to vote

and the broker or nominee does not have discretionary voting power. Proxies marked “withhold authority”, abstentions and broker non-votes do not count as votes cast with respect to any proposal, and therefore, such proxies would have no effect on the outcome of Proposals (1) and (2) above.

As of December 31, 2005, the Company knows of no person or group of persons that owns beneficially more than 5 percent of the outstanding Common Stock of the Company, except as set forth immediately below. According to information he has provided to the Company, Erik E. Bergstrom and related persons, directly and indirectly, own 7,715,000 shares of Common Stock of the Company, which represents 9% of the Company’s outstanding Common Stock. Mr. Bergstrom disclaimed beneficial ownership of certain of these shares. Mr. Bergstrom's address is P.O. Box 126, Palo Alto, CA 94302.

**(1) NOMINEES FOR ELECTION AS DIRECTORS**

Unless contrary instructions are given by the stockholder signing a proxy, it is intended that each proxy in the accompanying form will be voted at the Annual Meeting for the election of the following nominees to the Board of Directors for the ensuing year, all of whom have consented to serve if elected:

Enrique R. Arzac	Roger W. Gale	Douglas G. Ober*
Phyllis O. Bonanno	Thomas H. Lenagh	John J. Roberts
Daniel E. Emerson	Kathleen T. McGahran	Craig R. Smith
Frederic A. Escherich		

If for any reason one or more of the nominees above named shall become unable or unwilling to serve when the election occurs, proxies in the accompanying form will, in the absence of contrary instructions, be voted for the election of the other nominees above named and may be voted for substitute nominees in the discretion of the persons named as proxies in the accompanying form. As an alternative to proxies being voted for substitute nominees, the size of the Board of Directors may be reduced so that there are no vacancies caused by a nominee above named becoming unable or unwilling to serve. The directors elected will serve until the next annual meeting or until their successors are elected, except as otherwise provided in the By-laws of the Company.

**Information as to Nominees for Election as Directors (as of December 31, 2005)\*\***

Set forth below with respect to each nominee for director are his or her name and age, any positions held with the Company, other principal occupations during the past five years, other directorships and business affiliations, the year in which he or she first became a director, and the

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\* Mr. Ober is an “interested person,” as defined by the Investment Company Act of 1940, because he is an officer of the Company.

\*\* The information for Mr. Escherich is as of February 9, 2006, the date he was elected to the Board.

number of shares of Common Stock of the Company beneficially owned by him or her. Also set forth below is the number of shares of Common Stock beneficially owned by all the directors and officers of the Company as a group. A separate table is provided showing the dollar value range of the shares beneficially owned by each director.

<b>Name, Age, Positions with the Company, Other Principal Occupations and Other Affiliations</b>	<b>Has been a Director since</b>	<b>Shares of Common Stock Beneficially Owned (a)(b)(c)(d)</b>
<b>Independent Directors</b>		
Enrique R. Arzac, 64, Professor of Finance and Economics, formerly, Vice Dean of Academic Affairs of the Graduate School of Business, Columbia University. Director of Petroleum & Resources Corporation* and Credit Suisse Asset Management Funds (28 funds) (investment companies).	1983	20,208
Phyllis O. Bonanno, 62, President & CEO of International Trade Solutions, Inc. (consultants). Formerly, President of Columbia College, Columbia, South Carolina, and Vice President of Warnaco Inc. (apparel). Director of Borg-Warner Inc. (industrial), Mohawk Industries, Inc. (carpets and flooring), and Petroleum & Resources Corporation.	2003	1,306
Daniel E. Emerson, 81, Retired Executive Vice President of NYNEX Corporation (communications), retired Chairman of the Board of both NYNEX Information Resources Co. and NYNEX Mobile Communications Co. Previously, Executive Vice President and Director of New York Telephone Company. Presently, Chairman, The National YMCA Fund, Inc., and Director of Petroleum & Resources Corporation.	1982	24,293
Frederic A. Escherich, 53, Private Investor, formerly Managing Director and head of the Mergers and Acquisitions Research and Financial Advisory Services Departments with J. P. Morgan. Director of Petroleum & Resources Corporation.	2006	750
Roger W. Gale, 59, President & CEO of GF Energy, LLC (consultants to electric power companies). Formerly, member of management group, PA Consulting Group (energy consultants). Director of Petroleum & Resources Corporation, Ormat Technologies, Inc. (geothermal and renewable energy), and U.S. Energy Association.	2005	750
Thomas H. Lenagh, 87, Financial Advisor, Chairman of the Board, Photonics Product Group (crystals). Formerly, Chairman of the Board and Chief Executive Officer of Greiner Engineering Inc. (formerly Systems Planning Corp.) (consultants). Formerly, Treasurer and Chief Investment Officer of the Ford Foundation (charitable foundation). Director of Cornerstone Funds, Inc. (3 funds), and Petroleum & Resources Corporation (investment companies).	1968	4,043
Kathleen T. McGahran, 55, Principal & Director of Pelham Associates, Inc. (executive education) and Adjunct Associate Professor, Columbia Executive Education, Graduate School of Business, Columbia University. Formerly, Associate Dean and Director of Executive Education and Associate Professor, Columbia University. Director of Petroleum & Resources Corporation.	2003	2,303

\* Non-controlled affiliate of the Company.

<b>Name, Age, Positions with the Company, Other Principal Occupations and Other Affiliations</b>	<b>Has been a Director since</b>	<b>Shares of Common Stock Beneficially Owned (a)(b)(c)(d)</b>
John J. Roberts, 83, Retired Senior Advisor to American International Group, Inc. (insurance), and formerly, Vice-Chairman, External Affairs, American International Group, Inc. Formerly, Chairman and Chief Executive Officer of American International Underwriters Corporation (insurance). Previously, President of American International Underwriters Corporation-U.S./Overseas Operations. Honorary Director of American International Group, Inc., and Director of Petroleum & Resources Corporation.	1976	9,330
Craig R. Smith, M.D., 59, President, Williston Consulting LLC (consultants to pharmaceutical and biotechnology industries). Formerly, Chairman, President & CEO of Guilford Pharmaceuticals (pharmaceutical and biotechnology). Director of Petroleum & Resources Corporation, LaJolla Pharmaceutical Company, and Depomed, Inc. (specialty pharmaceuticals).	2005	750

**Interested Director**

Douglas G. Ober, 59, Chairman of the Board and Chief Executive Officer of the Company since April 1, 1991. Chairman of the Board, Chief Executive Officer and Director of Petroleum & Resources Corporation.	1989	107,801(e)
Directors and executive officers of the Company as a group.*		574,808

The address for each director is the Company's office, Seven St. Paul Street, Suite 1140, Baltimore, MD 21202.

- (a) To the Company's knowledge, other than shares referred to in footnote (c) below, each director and officer had sole investment and sole voting power with respect to the shares shown opposite his or her name.
- (b) Of the amount shown as beneficially owned by the directors and executive officers as a group, 308,137 shares were held by the Trustee under the Employee Thrift Plan of the Company and the Employee Thrift Plan of Petroleum & Resources Corporation.
- (c) The amounts shown include shares subject to options under the Company's Stock Option Plan (see "Stock Option Plan" below) and restricted stock under the Company's 2005 Equity Incentive Compensation Plan (see "2005 Plan" below) held by Mr. Ober (46,863 shares), restricted stock units under the 2005 Plan held by each director (750 units), and by directors and executive officers as a group (161,380 shares). Mr. Ober and the other officers with shares subject to options all disclaim beneficial ownership of those shares.
- (d) Calculated on the basis of 86,099,607 shares outstanding on December 31, 2005, each director owned less than 1.0% of the Common Stock outstanding. The directors and executive officers as a group owned less than 1.0% of the Common Stock outstanding.
- (e) Of the amount shown, 60,814 shares beneficially owned by Mr. Ober were held by the Trustee under the Employee Thrift Plan of the Company.

\* Mr. Robert J.M. Wilson, a current director of the Company, is not standing for reelection to the Board. Mr. Wilson beneficially owns 45,814 shares of Common Stock, which shares are included in the total for the group.

<b><u>Independent Directors</u></b>	<b><u>Dollar Value of Shares Owned</u></b>
Enrique R. Arzac	greater than \$100,000
Phyllis O. Bonanno	\$10,001-\$50,000
Daniel E. Emerson	greater than \$100,000
Frederic A. Escherich	\$1-\$10,000
Roger W. Gale	\$1-\$10,000
Thomas H. Lenagh	\$10,001-\$50,000
Kathleen T. McGahran	\$10,001-\$50,000
John J. Roberts	greater than \$100,000
Craig R. Smith	\$1-\$10,000
Robert J.M. Wilson	greater than \$100,000
<b><u>Interested Director</u></b>	
Douglas G. Ober	greater than \$100,000

In 2004, the Board adopted equity ownership requirements for the directors and senior staff. Under these equity ownership requirements, the Chief Executive Officer, portfolio managers, research analysts, and other executive officers must own, within 5 years of the requirement's adoption, a certain percentage of equity in the Company equal to a multiple of his or her annual salary, and non-employee directors must own, within 5 years, at least \$50,000 of Common Stock of the Company.

The nominees for election as directors of the Company identified above are also the nominees for election to the Board of Directors of Petroleum & Resources Corporation ("Petroleum"), the Company's non-controlled affiliate, of which the Company owned 1,985,996 shares or approximately 9.2% of Petroleum's outstanding Common Stock on December 31, 2005.

#### **Process for Stockholders to Communicate with Board**

The Board of Directors has implemented a process for stockholders of the Company to send communications to the Board. Any stockholder desiring to communicate with the Board, or with specific individual directors, may so do by writing to the Secretary of the Company, at The Adams Express Company, Seven St. Paul Street, Suite 1140, Baltimore, MD 21202. The Secretary has been instructed by the Board to promptly forward all such communications to the addressees indicated thereon.

#### **Policy on Board of Directors' Attendance at Annual Meetings**

The Company's policy with regard to attendance by the Board of Directors at Annual Meetings is that all directors are expected to attend, absent unusual and extenuating circumstances that prohibit attendance. The number of directors who attended the 2005 Annual Meeting was 8 (out of 10 directors).

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Each director and officer of the Company who is subject to Section 16 of the Securities Exchange Act of 1934 is required to report to the Securities and Exchange Commission by a specified date his or her beneficial ownership of or transactions in the Company's securities. Based upon a review of filings with the Securities and Exchange Commission and written representations that no other reports are required, the Company has no reason to believe that any such director or officer did not file all requisite reports with the Securities and Exchange Commission on a timely basis during 2005.

**Information as to Other Executive Officers**

Set forth below are the names, ages and positions with the Company of all executive officers of the Company other than those who also serve as directors. Executive officers serve as such until the election of their successors.

Mr. Lawrence L. Hooper, Jr., 53, has served as the Chief Compliance Officer since April 8, 2004, as Vice President since March 30, 1999, and as General Counsel and Secretary since April 1, 1997. Prior thereto, he was a partner in Tydings & Rosenberg L.L.P., a Baltimore, Maryland law firm.

Ms. Maureen A. Jones, 58, has served as Chief Financial Officer since March 26, 2002, as Vice President since January 1, 1998, and as Treasurer since January 1, 1993.

Mr. Joseph M. Truta, 61, has served as President since April 1, 1986.

<u>Name</u>	<b>Security Ownership of Management of the Company (a)</b>	<b>Shares of Common Stock Beneficially Owned (b)(c)(d)(e)(f)</b>
Lawrence L. Hooper, Jr. . . . .		34,619
Maureen A. Jones . . . . .		48,455
Joseph M. Truta . . . . .		274,386

- (a) As of December 31, 2005. Share ownership of directors and executive officers as a group is shown in the table beginning on page 3 and footnotes thereto.
- (b) To the Company’s knowledge, each officer had sole investment and voting power with respect to the shares shown opposite his or her name above other than shares referred to in footnote (d) below.
- (c) Of the amounts shown, the following shares beneficially owned by the respective officer were held by the Trustee under the Employee Thrift Plan of the Company and the Employee Thrift Plan of Petroleum: Mr. Hooper (12,648 shares), Ms. Jones (17,093 shares), and Mr. Truta (216,982 shares).
- (d) The amounts shown include shares subject to options under the Company’s Stock Option Plan (see “Stock Option Plan” below), held by Mr. Hooper (20,706 shares), Ms. Jones (30,168 shares), and Mr. Truta (52,513 shares). These officers disclaim beneficial ownership of those shares.
- (e) The amounts shown include nonvested shares of restricted stock under the Company’s 2005 Equity Incentive Compensation Plan (see “2005 Plan” below) held by Mr. Hooper (1,194 shares), Ms. Jones (1,194 shares), and Mr. Truta (1,992 shares).
- (f) Calculated on the basis of 86,099,607 shares of Common Stock outstanding on December 31, 2005, each of the officers listed above owned less than 1.0% of the Common Stock outstanding.

**Board Meetings and Committees of the Board**

Overall attendance at the twelve meetings of the Board held in 2005 was approximately 95%. Each Director attended at least 88% of the total of all (i) meetings of the Board and (ii) meetings of Committees of the Board on which he or she served in 2005.

**Audit Committee**

Messrs. Emerson, Smith, Wilson\* and Ms. McGahran, each of whom is an independent director as such is defined by the Rules of the New York Stock Exchange, and none of whom is an “interested person” as such is defined by the Investment Company Act of 1940, constitute the membership of the

\*Mr. Wilson is not standing for reelection to the Board.

Board's standing Audit Committee, which met four times in 2005. The Board has determined that Ms. McGahran is an audit committee financial expert, as that term is defined in federal regulations.

The Board has adopted a written charter under which the Audit Committee operates, which was most recently amended in January 2004. A copy of the Audit Committee Charter is available on the Company's website: [www.adamsexpress.com](http://www.adamsexpress.com). Set forth below is the report of the Audit Committee:

### **Audit Committee Report**

The purposes of the Committee are set forth in the Committee's written charter. As provided in the charter, the role of the Committee is to assist the Board of Directors in its oversight on matters relating to accounting, financial reporting, internal control, auditing, and regulatory compliance activities, and other matters the Board deems appropriate. The Committee also selects the Company's independent auditors in accordance with the provisions set out in the Charter. Management, however, is responsible for the preparation, presentation and integrity of the Company's financial statements, and for the procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for planning and carrying out proper audits and reviews.

In fulfilling its responsibilities, the Committee has reviewed and discussed the audited financial statements contained in the 2005 Annual Report of the Company with the Company's management and the independent auditors. In addition, the Committee has discussed with the independent auditors the matters required to be discussed pursuant to Statement of Auditing Standards No. 61, as modified or supplemented. The Committee has also received from the independent auditors the written statement regarding independence as required by Independence Standards Board Standard No. 1, considered whether the provision of nonaudit services by the independent auditors is compatible with maintaining the auditors' independence, and discussed with the auditors the auditors' independence.

In reliance on the reviews and discussions with management and the independent auditors referred to above, and subject to the limitations on the responsibilities and role of the Committee set forth in the charter and discussed above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Company's 2005 Annual Report for filing with the Securities and Exchange Commission.

Respectfully submitted on February 9, 2006, by the members of the Audit Committee of the Board of Directors:

Kathleen T. McGahran, Chair  
Daniel E. Emerson  
Craig R. Smith  
Robert J. M. Wilson



### **Compensation Committee**

Messrs. Arzac, Emerson, Gale, and Roberts, and Ms. Bonanno constitute the membership of the Board's standing Compensation Committee, which met six times during 2005. The Compensation Committee reviews and recommends changes in the salaries of directors, executive officers, officers, and employees, and advises upon the cash, stock option, and equity incentive compensation plans in which the executive officers, officers, and employees of the Company are eligible to participate.

### **Executive Committee**

Messrs. Arzac, Emerson, Lenagh, Ober\*, Roberts, Wilson\*\* and Ms. Bonanno constitute the membership of the Board's standing Executive Committee, which met twice during 2005. The Committee has the authority of the Board of Directors between meetings of the Board except as limited by law, the Company's By-laws, or Board resolution. The Executive Committee, minus Mr. Ober, also performs the duties of a nominating committee, as discussed below.

### **Nominating Committee**

The Company does not have a separate standing nominating committee. Instead, certain members of the Executive Committee perform the functions of a nominating committee for the Board (hereinafter called the "Nominating Committee"). The Nominating Committee is comprised of the directors who serve on the Company's Executive Committee, minus Mr. Ober, who is an "interested person", as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940. Thus, Messrs. Arzac, Emerson, Lenagh, Roberts, Wilson\*\* and Ms. Bonanno, each of whom is not an "interested person" of the Company, constitute the Nominating Committee. The Executive Committee, minus Mr. Ober, acting as the Nominating Committee, met once during 2005. The Board has adopted a written charter under which the Nominating Committee operates, a copy of which is available to stockholders at the Company's website: [www.adamsexpress.com](http://www.adamsexpress.com).

The Nominating Committee will consider unsolicited recommendations for director candidates from stockholders of the Company. Stockholders may recommend candidates for consideration by the Nominating Committee by writing to the Secretary of the Company at the office of the Company, Seven St. Paul Street, Suite 1140, Baltimore, MD 21202, giving the candidate's name, biographical data and qualifications and stating whether the candidate would be an "interested person" of the Company. A written statement from the candidate, consenting to be named as a candidate, and if nominated and elected, to serve as a director, should accompany any such recommendation.

The process that the Nominating Committee uses for identifying and evaluating nominees for director is as follows: When there is a vacancy on the Board, either through the retirement of a director or the Board's determination that the size of the Board should be increased, nominations to fill that vacancy are made by current, independent directors on the Board. The name of any individual recommended by an independent director is provided to Mr. Ober, who contacts the prospective director nominee and meets with him or her. The members of the Nominating Committee then meet with the prospective director nominee. If a majority of the Nominating Committee members are satisfied that the prospective director nominee is qualified and will make a positive addition to the Board, as many of the other independent directors meet with him or her as is possible. The Nominating Committee then nominates the candidate at a meeting of the Board and a vote is taken by the full Board on whether to elect the nominee to the Board and to include the nominee in the

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\* Mr. Ober is an "interested person."

\*\* Mr. Wilson is not standing for reelection to the Board.

Company's proxy for election at the next annual meeting of stockholders. The Company anticipates that a similar process will be used for any qualified director candidate properly recommended by a stockholder.

### **Retirement Benefits Committee**

Messrs. Gale, Lenagh, and Smith, and Ms. McGahran are the director members of the standing Retirement Benefits Committee of the Company, which administers the Employees' Retirement Plan, Supplemental Retirement Plan and the Employee Thrift Plan of the Company. This Committee met once during 2005.

### **Board of Directors Compensation**

During 2005, each director who is not an interested person received an annual retainer fee of \$10,000 and a fee of \$750 for each Board meeting attended. All members of each Committee, except executive officers and/or interested persons, receive an additional annual retainer fee of \$1,500 for each committee membership and a fee of \$500 for each meeting attended; the Chairperson of each committee, except for the Executive Committee, receives an additional fee of \$500 for each committee meeting attended. The total amount of fees paid to the independent directors in 2005 was \$234,250.

### **Transactions with Petroleum & Resources Corporation**

The Company shares certain expenses for research, accounting services and other office services (including proportionate salaries and other employee benefits), rent and related expenses, and miscellaneous expenses such as office supplies, postage, subscriptions and travel, with Petroleum, of which all of the above-named nominees are also directors. These expenses were paid by the Company and, on the date the payment was made, Petroleum simultaneously paid to the Company its allocated share of such expenses, based on either the proportion of the size of the investment portfolios of the two companies, or, where possible, on an actual usage basis. In 2005, Petroleum's share of such expenses was \$591,768.

### **Audit Fees**

The aggregate fees billed for professional services rendered by its independent auditors, PricewaterhouseCoopers LLP, for the audits of the Company's annual and semi-annual financial statements for 2005 and 2004 were \$76,609, and \$54,712, respectively.

### **Audit-Related Fees**

There were no audit-related fees in 2005 and 2004.

### **Tax Fees**

The aggregate fees billed to the Company for professional services rendered by PricewaterhouseCoopers LLP for the review of the Company's excise tax calculations and preparations of federal, state and excise tax returns for 2005 and 2004 were \$9,396, and \$9,950, respectively.

### **All Other Fees**

The aggregate fees billed for services to the Company by PricewaterhouseCoopers LLP, other than the services referenced above, for 2005 and for 2004 were \$800 and \$0, respectively. The \$800 billed for services in 2005 were in connection with the preparation and review of the registration statement filed with the Securities and Exchange Commission relating to the 2005 Equity Incentive Compensation Plan.

The Board's Audit Committee has considered the provision by PricewaterhouseCoopers LLP of the services covered in this **All Other Fees** section and found that they are compatible with maintaining PricewaterhouseCoopers LLP's independence.

### Audit Committee Pre-Approval Policy

All services to be performed for the Company by PricewaterhouseCoopers LLP must be pre-approved by the Audit Committee. All services performed for 2005 were pre-approved by the Committee.

### Remuneration of Directors and Others

The following table sets forth for each of the persons named below the aggregate current remuneration received from the Company during the fiscal year ended December 31, 2005, for services in all capacities:

Name of Person	Position	Aggregate Remuneration					Pension or Retirement Benefits Accrued During the Last Fiscal Year (6)	Restricted Stock Awards (5)
		(1)	(2)	(3)	(4)	(5)		
Douglas G. Ober	Chairman of the Board and Chief Executive Officer (A)		\$519,100				\$16,884	\$25,000
Joseph M. Truta	President		\$297,260				\$16,884	\$25,000
Lawrence L. Hooper, Jr.	Vice President, General Counsel & Secretary		\$194,350				\$16,482	\$14,985
Enrique R. Arzac	Director (A)(C)		\$ 26,500				N/A	N/A
Phyllis O. Bonanno	Director (A)(C)		\$ 25,250				N/A	N/A
Daniel E. Emerson	Director (B)(C)		\$ 29,500				N/A	N/A
Frederic A. Escherich*	Director		N/A				N/A	N/A
Roger W. Gale	Director (C)(D)		\$ 1,583				N/A	N/A
Thomas H. Lenagh	Director (A)(D)		\$ 24,000				N/A	N/A
W. D. MacCallan**	Director		\$ 17,750				N/A	N/A
Kathleen T. McGahran	Director (B)(D)		\$ 24,750				N/A	N/A
W. Perry Neff***	Director		\$ 5,083				N/A	N/A
Landon Peters**	Director		\$ 7,000				N/A	N/A
John J. Roberts	Director (A)(C)		\$ 22,750				N/A	N/A
Susan C. Schwab****	Director		\$ 23,000				N/A	N/A
Craig R. Smith	Director (B)(D)		\$ 1,583				N/A	N/A
Robert J. M. Wilson*****	Director (A)(B)		\$ 25,500				N/A	N/A

- (A) Member of Executive Committee  
 (B) Member of Audit Committee  
 (C) Member of Compensation Committee  
 (D) Member of Retirement Benefits Committee

- (1) Of the amounts shown, direct salaries paid by the Company to Messrs. Ober, Truta, and Hooper were \$288,100, \$186,260, and \$137,350, respectively.  
 (2) Of the Company's direct salaries, \$12,060 for Mr. Ober, \$12,060 for Mr. Truta, and \$8,241 for Mr. Hooper, were deferred compensation under the Company's Employee Thrift Plan. The non-employee Directors do not participate in the Employee Thrift Plan.

\* Mr. Escherich was elected to the Board in February 2006.

\*\* Messrs. MacCallan and Peters died during 2005. Upon Mr. MacCallan's death, 750 restricted stock units granted to him on April 27, 2005 vested. The fair value of the units on vest date was \$9,889.

\*\*\* Mr. Neff resigned from the Board in April 2005.

\*\*\*\* Ms. Schwab resigned from the Board effective December 1, 2005.

\*\*\*\*\* Mr. Wilson is not standing for reelection to the Board.

- (3) Of the amounts shown, \$231,000, \$111,000, and \$57,000 were incentive compensation accrued for Messrs. Ober, Truta, and Hooper, respectively, in 2005 and deferred until 2006.
- (4) In addition, \$65,347 for Mr. Ober, \$82,574 for Mr. Truta, and \$20,361 for Mr. Hooper was the net gain realized by them upon the exercise of stock appreciation rights during 2005 granted under the Company's Stock Option Plan (see "Stock Option Plan" below). This sum is in addition to the aggregate remuneration amounts shown in this summary table.
- (5) In 2005, Messrs. Ober and Truta each were granted 1,992 shares of restricted stock and Mr. Hooper was granted 1,194 shares of restricted stock. The shares vest in three equal installments beginning on April 27, 2006. Dividends are paid on the restricted stock during the vesting period. Each director serving on the Board at December 31, 2005 owned 750 restricted stock units valued at \$9,413.
- (6) Under the Employee Thrift Plan, the Company makes contributions to match the contributions made by eligible employees (see "Employee Thrift Plan" below). The amounts shown represent the Company's payments made on behalf of Messrs. Ober, Truta, and Hooper during 2005. In addition, during 2005, the Company recognized aggregate pension expense of \$382,310 related to all eligible employees and former employees in the Employee Retirement Plans (see "Employee Retirement Plan" below).

**Equity Compensation Plan Information**

The following table provides information as of December 31, 2005, about shares of Common Stock that may be issued upon the exercise of options, warrants and rights granted to employees under the Company's Stock Option Plan and restricted stock and restricted stock units granted to employees and directors under the 2005 Equity Incentive Compensation Plan, which are the Company's only equity compensation plans. The shares indicated in the table represent shares outstanding under both Plans.

	Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights or on Vesting of Restricted Stock or Units (a)	Weighted-Average Exercise Price of Outstanding Options and Rights under the Company's Stock Option Plan (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities Reflected in Column (a)) (1) (c)
Equity compensation plans approved by stockholders . . . . .	276,207(2)	\$11.71	4,571,625

- (1) As described below, the Board of Directors adopted the 2005 Equity Incentive Compensation Plan to replace the Company's Stock Option Plan.
- (2) Of this amount, 152,357 shares relate to options currently exercisable under the Company's Stock Option Plan.

**Stock Option Plan\***

On December 12, 1985, the Company's Board of Directors adopted a Stock Option Plan (the "Stock Option Plan"), which was approved by the stockholders at the March 26, 1986 Annual Meeting of Stockholders and was amended at the March 29, 1994 and March 25, 2003 Annual Meetings of Stockholders. The Stock Option Plan provides for the grant to "key employees" (as defined in the Stock Option Plan) of options to purchase shares of Common Stock of the Company, together with related stock appreciation rights. As of December 31, 2005, (i) the number of shares subject to outstanding options under the Stock Option Plan was 254,766 and (ii) the number of shares available for future grants under the Stock Option Plan was 1,180,685\*. All options granted or to be granted

\* With the adoption of the 2005 Equity Incentive Compensation Plan, discussed below, no new grants were made under the Stock Option Plan in 2005 nor will be made thereafter.

under the Stock Option Plan are treated as non-qualified stock options under the Internal Revenue Code. The Stock Option Plan is administered by the Compensation Committee of the Board of Directors, which consists of five members of the Board, none of whom is eligible to receive grants under the Stock Option Plan. The grant of options is at the discretion of the Compensation Committee.

The Stock Option Plan provides that, among other things, (a) the option price per share shall not be less than the fair market value of the Common Stock at the date of grant, except that the option price per share will be reduced after grant of the option to reflect capital gains distributions to the Company's stockholders, provided that no such reduction shall be made which will reduce the option price below 25% of the original option price; (b) an option will not become exercisable until the optionee shall have remained in the employ of the Company for at least one year after the date of grant and may be exercised for 10 years unless an earlier expiration date is stated in the option; and (c) no option or stock appreciation right shall be granted after December 8, 2006.

The Stock Option Plan permits the grant of stock appreciation rights in conjunction with the grant of an option, either at the time of the option grant or thereafter during its term and in respect of all or part of such option. Stock appreciation rights permit an optionee to request to receive (a) shares of Common Stock of the Company with a fair market value at the time of exercise equal to the amount by which the fair market value of all shares subject to the option in respect of which such stock appreciation right was granted exceeds the exercise price of such option, (b) in lieu of such shares, the fair market value thereof in cash, or (c) a combination of shares and cash. Stock appreciation rights are exercisable beginning no earlier than two years after the date of grant and extend over the period during which the related option is exercisable. To the extent a stock appreciation right is exercised in whole or in part, the option in respect of which such stock appreciation right was granted shall terminate and cease to be exercisable.

Shares of Common Stock acquired as the result of the exercise of an option or stock appreciation right may not be sold until the later of two years after the date of grant of the option or one year after the acquisition of such shares.

### **2005 Equity Incentive Compensation Plan**

The Board of Directors adopted a new equity incentive compensation plan for the Company, called the 2005 Equity Incentive Compensation Plan (the "2005 Plan"), to replace the Stock Option Plan. The 2005 Plan was approved by the stockholders at the 2005 Annual Meeting. The 2005 Plan is summarized below.

#### **Administration**

The 2005 Plan is administered by the Compensation Committee of the Board of Directors. The Committee has general responsibility to ensure that the 2005 Plan is operated in a manner that serves the best interests of the Company's stockholders. Prior to making any recommendations to the Board to grant awards, but at least annually, the Committee will review the potential impact that the grant, exercise or vesting of awards could have on the Company's earnings and net asset value per share.

#### **Eligible Participants**

The Committee recommends to the Board, and the Board has full and final authority to approve, the Company's directors, officers, and employees and any eligible subsidiary's officers and employees selected to receive awards under the 2005 Plan. The people who receive grants under the 2005 Plan are referred to individually as a "Participant" and collectively as "Participants". In addition, under the 2005 Plan, all non-employee directors of the Company are eligible to participate and receive awards as described below under "— Non-Employee Director Awards".

### Available Shares

The Company has reserved and made available 3,413,131 shares for use as awards (4 percent of the Company's Common Stock outstanding on the effective date of the 2005 Plan). The Committee may adjust the number and kind of shares available for use in awards when certain corporate transactions occur which affect the price of the Company's Common Stock.

Under the 2005 Plan, no single Participant may be granted awards relating to more than 35% of the shares of the Company's Common Stock reserved for issuance under the 2005 Plan. In addition, the 2005 Plan limits the total number of shares that may be awarded to any single Participant in any 36-month period in connection with all types of awards to 300,000 shares of Company stock. Grants to non-employee directors are limited to those described below. See "— Non-Employee Director Awards".

### Awards

The 2005 Plan permits the Committee, subject to approval by the Board, to grant the following types of awards:

- restricted stock;
- restricted stock units;
- deferred stock units;
- non-qualified stock options; and
- stock appreciation rights (including freestanding and tandem stock appreciation rights).

In addition, the 2005 Plan permits dividend equivalents to be awarded in connection with any award under the 2005 Plan. The 2005 Plan permits the Committee to prescribe in an award agreement any other terms and conditions of that award. As described below, the Committee may designate any award under the 2005 Plan as a performance award subject to performance conditions. The 2005 Plan is also intended to qualify certain compensation awarded under the 2005 Plan for tax deductibility under Internal Revenue Code Section 162(m) ("Code Section 162(m)").

The awards are described more fully below. Grants to non-employee directors are limited to those described below. See "— Non-Employee Director Awards".

*Stock Options.* Stock options may be granted to Participants, provided that the per share exercise price of each option is not less than the fair market value of a share of the Company's Common Stock on the date of the grant.

Unless otherwise determined by the Committee, options will become exercisable after the first anniversary of the date of grant, subject to the Participant's continued employment or service with the Company. Stock options issued under the 2005 Plan cannot be exercisable more than ten years from the date of grant. In addition, if and to the extent provided for in the applicable award agreement, the option price per share may be reduced after grant of the option to reflect capital gains distributions to the Company's stockholders made after the date of grant, provided that no such reduction will be made which will reduce the option price below zero.

*Stock Appreciation Rights.* Stock appreciation rights ("SARs") may also be granted to Participants. A SAR is the right to receive, upon exercise, an amount equal to (i) the fair market value of one share of the Company's Common Stock on the date of exercise minus (ii) the SAR's grant price.



Unless otherwise determined by the Committee, SARs will become exercisable after the second anniversary of the date of grant, subject to the Participant's continued employment or service with the Company. SARs issued under the 2005 Plan cannot be exercisable more than ten years from the date of the grant. In addition, if and to the extent provided for in the applicable award agreement, the grant price of a SAR may be reduced after grant of the SAR to reflect capital gains distributions to the Company's stockholders made after the date of grant, provided that no such reduction will be made which will reduce the grant price of the SAR below zero.

*Restricted Stock.* The 2005 Plan permits shares of the Company's Common Stock to be granted to Participants as restricted stock. Restricted stock is stock that is subject to restrictions on transferability, risk of forfeiture and/or other restrictions. A Participant who receives restricted stock will have all the rights of a stockholder, including the right to vote the restricted stock and the right to receive dividends, unless the Participant is limited by the terms of the 2005 Plan or any award agreement relating to the restricted stock. During the period of restriction, the Participant may not sell, transfer, pledge, hypothecate, margin, or otherwise encumber the restricted stock.

*Restricted Stock Units.* The 2005 Plan permits restricted stock units to be granted to Participants. Restricted stock units represent rights to receive stock and are subject to certain restrictions and a risk of forfeiture.

*Deferred Stock Units.* The 2005 Plan authorizes deferred stock units to be granted to Participants. A deferred stock unit is the right to receive stock, cash, or a combination of stock and cash at the end of a time period specified by the Committee. Deferred stock units may or may not be subject to restrictions (which may include a risk of forfeiture), which restrictions will lapse at the expiration of the specified deferral period or at earlier times, as determined by the Committee.

*Performance Awards.* The 2005 Plan will permit the Committee to make any award under the 2005 Plan subject to performance conditions. The Company may pay performance awards in cash or shares of the Company's Common Stock. The grant, exercise and/or settlement of performance awards will be contingent upon the achievement of pre-established performance goals, unless the Committee determines that a performance award is not intended to qualify as "performance-based compensation" for purposes of Code Section 162(m). (Code Section 162(m) provides that compensation in excess of one million dollars to certain officers of a public company is not deductible for income tax purposes unless it qualifies as "performance-based compensation".)

#### **Non-Employee Director Awards**

Immediately following each annual meeting of stockholders, each non-employee director who is elected a director at, or who was previously elected and continues as a director after that annual meeting receives an award of 750 restricted stock units of the Company. In addition, at the effective date of any non-employee director's initial election to the Board, the non-employee director will be granted 750 restricted stock units of the Company. Non-employee directors will also receive dividend equivalents in respect of such restricted stock units equal to the amount or value of any cash or other dividends or distributions payable on an equivalent number of shares of Common Stock. The restricted stock units and related dividend equivalents will vest (and become non-forfeitable) and be paid (in the form of shares of Common Stock) one year from the date of grant. In addition, non-employee directors may elect each year, not later than December 31 of the year preceding the year as to which the annual grant of restricted stock units is to be applicable, to defer to a fixed date or pursuant to a specified schedule payment of all or any portion of the annual grant of restricted stock

units. Any modification of the deferral election may be made only upon satisfaction of any conditions that the Committee may impose.

#### **Operation of the 2005 Plan**

Under the 2005 Plan, the Committee, subject to approval by the Board, may grant awards (except for non-employee director awards) either alone or in addition to, in tandem with, or in substitution or exchange for any other award or any award granted under another plan of the Company or its existing or future subsidiaries or any other right of a Participant to receive payment from the Company or any Company subsidiary.

#### **Employee Thrift Plan**

Employees of the Company who have completed six months of service may elect to have 2% to 6% of their base salary deferred as a contribution to a thrift plan instead of being paid to them currently (see table set forth on pages 10 and 11 regarding 2005 contributions for the officers and directors identified therein). The Company (subject to certain limitations) contributes for each employee out of net investment income an amount equal to 200% of each employee's contribution or to the maximum permitted by law. Employees may also contribute an additional amount of base salary to the thrift plan, but these contributions are not matched by the Company. All employee contributions are credited to the employee's individual account. Employees may elect that their salary deferral and other contributions be invested in Common Stock of the Company, or of Petroleum, or several mutual funds, or a combination thereof. Fifty percent of the Company's matching contributions is invested in the Company's Common Stock, and the remaining fifty percent is invested in the same manner that the employee has elected for his or her contributions, provided that the employee is 100% vested in the Plan. Otherwise, 100% of the Company's matching contribution is invested in the Company's Common Stock. An employee's interest in amounts derived from the Company's contributions becomes non-forfeitable upon completion of 36 months of service or upon death or retirement. Payments of amounts not withdrawn or forfeited under the thrift plan may be made upon retirement or other termination of employment in a single distribution, in ten equal installments, or in an annuity.

#### **Employees' Retirement Plan**

The employees of the Company with one or more years of service participate in a retirement plan pursuant to which contributions are made solely by the Company on behalf of, and benefits are provided for, employees meeting certain age and service requirements. The plan provides for the payment of benefits in the event of an employee's retirement at age 62 or older. Upon such retirement, the amount of the retirement benefit is 2% of an employee's highest thirty-six months average out of the employee's final sixty months annual salary, including incentive compensation, multiplied by years of service. Retirement benefits cannot exceed 60% of the highest thirty-six months' average out of the employee's final sixty months annual salary including incentive compensation. Benefits are payable in several alternative methods, each of which must be the actuarial equivalent of a pension payable for the life of the employee only. Retirement benefits (subject to any applicable reduction) are also payable in the event of an employee's early or deferred retirement, disability or death. Contributions are made to a trust to fund these benefits.

On March 10, 1988, the Board of Directors of the Company unanimously approved a supplemental retirement benefits plan (the "Supplemental Plan") for employees of the Company. On June 11, 1998, the Supplemental Plan was amended and restated as of January 1, 1998. The purpose of the Supplemental Plan is to provide deferred compensation in excess of benefit limitations imposed by the Internal Revenue Code on tax-qualified defined benefit plans, including the retirement plan of the



Company described above. In accordance with such limitations, the annual benefit payable under the Company's retirement plan may not exceed the lesser of \$175,000 for 2006 and the employee's average total compensation paid during the three highest-paid consecutive calendar years of employment. The \$175,000 limit will be adjusted by the Secretary of the Treasury to reflect cost-of-living increases.

The Supplemental Plan authorizes the Company to pay annual retirement benefits in an amount equal to the difference between the maximum benefits payable under the retirement plan described above and the benefits that would otherwise be payable but for the Internal Revenue Code's limitations on annual retirement benefits. All amounts payable under the Supplemental Plan will be paid from the general funds of the Company as benefits become due. The Company has established a funding vehicle using life insurance policies owned by the Company for the Supplemental Plan. Payment of benefits under the Supplemental Plan will be made at the employee's election either as a lump sum or a life annuity. During 2005, the Company made payments of \$12,563 under the Supplemental Plan.

The following table shows the estimated annual retirement benefits payable on a straight life annuity basis to participating employees, including officers, in the compensation and years of service classifications indicated, under the Company's Employees' Retirement Plan and Supplemental Plan.

<b>Final Average Annual Earnings</b>	<b>Estimated Annual Benefits Based Upon Years of Credited Service</b>			
	<b>10</b>	<b>20</b>	<b>30</b>	<b>40</b>
\$100,000	\$ 20,000	\$ 40,000	\$ 60,000	\$ 60,000
200,000	40,000	80,000	120,000	120,000
300,000	60,000	120,000	180,000	180,000
400,000	80,000	160,000	240,000	240,000
500,000	100,000	200,000	300,000	300,000
600,000	120,000	240,000	360,000	360,000

The estimated credited years of service for the officers listed in the Compensation Table on page 10, above, are: Mr. Ober (25), Mr. Truta (36), and Mr. Hooper (8).

### **Brokerage Commissions**

During the past fiscal year, the Company paid brokerage commissions in the amount of \$491,971 on the purchase and sale of portfolio securities traded on the New York Stock Exchange, the American Stock Exchange, and the National Association of Securities Dealers Automated Quotation System, substantially all of which were paid to brokers providing research and other investment services to the Company. The Company paid brokerage commissions of \$60,373 on options written or purchased by the Company. The average per share commission rate paid by the Company was \$0.06. No commissions were paid to an affiliated broker.

### **Portfolio Turnover**

The portfolio turnover rate (purchases or sales, whichever is lower, as a percentage of weighted average portfolio value) for the past three years has been as follows:

<b>2005</b>	<b>2004</b>	<b>2003</b>
12.96%	13.43%	12.74%

### Expense Ratio

The ratio of expenses to the average net assets of the Company for the past three years has been as follows:

<u>2005</u>	<u>2004</u>	<u>2003</u>
0.45%	0.43%	0.47%

### (2) RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Investment Company Act of 1940, as amended (the "Act"), requires, in effect, that the Company's independent auditors be selected by the Audit Committee, whose selection thereof is ratified by a majority of the members of the Board of Directors who are not "interested persons" (as defined by the Act) of the Company; that such selection may be submitted for ratification or rejection at the annual meeting of stockholders; and that the employment of such independent auditors be conditioned on the right of the Company, by vote of the holders of a majority of its outstanding voting securities, to terminate such employment at any time without penalty. In accordance with such provisions, PricewaterhouseCoopers LLP, 250 W. Pratt Street, Baltimore, Maryland, an independent registered public accounting firm, which firm was the Company's principal auditor during the year 2005, has been selected as the independent registered public accounting firm to audit the books and accounts of the Company for or during the year ending December 31, 2006, by the Audit Committee, which selection has been ratified by a majority of those members of the Board of Directors who were not "interested persons" of the Company, voting in person, and their selection is submitted to the stockholders for ratification by the affirmative vote of a majority of all the votes cast at the meeting. Representatives of PricewaterhouseCoopers LLP are expected to be present at the meeting to make a statement if they so desire and to respond to appropriate questions. The Company has been informed that PricewaterhouseCoopers LLP does not have any direct financial or any material indirect financial interest in the Company.

**The Board of Directors unanimously recommends ratification of the selection of PricewaterhouseCoopers LLP.**

### (3) OTHER MATTERS AND ANNUAL REPORT

As of the date of this proxy statement, management knows of no other business that will come before the meeting. Should other business be properly brought up, it is intended that proxies in the accompanying form will be voted thereon in accordance with the judgment of the person or persons voting such proxies.

**The Annual Report of the Company for the year ended December 31, 2005, including financial statements, has been mailed to all stockholders entitled to notice of and to vote at the annual meeting to be held on March 28, 2006. A copy of the Company's Annual Report will be furnished to stockholders, without charge, upon request. You may request a copy by contacting Lawrence L. Hooper, Jr., Vice President, General Counsel and Secretary, at Seven St. Paul Street, Suite 1140, Baltimore, MD 21202, by telephoning Mr. Hooper at (800) 638-2479, or by sending Mr. Hooper an e-mail message at [contact@adamsexpress.com](mailto:contact@adamsexpress.com).**

The Company has retained The Altman Group Inc. ("Altman") to assist in the solicitation of proxies. The Company will pay Altman a fee for its services not to exceed \$4,000 and will reimburse Altman for its expenses, which the Company estimates should not exceed \$1,500.

### **Stockholder Proposals or Nominations for 2007 Annual Meeting**

Stockholder proposals for inclusion in the proxy statement and form of proxy relating to the 2007 Annual Meeting must be received at the office of the Company, Seven St. Paul Street, Baltimore, MD 21202, no later than November 15, 2006.

In addition, for stockholder proposals or director nominations that a stockholder seeks to bring before the 2007 Annual Meeting but does not seek to have included in the Company's proxy statement and form of proxy for that meeting, the following requirements apply. Pursuant to the Company's By-laws, in order for stockholder proposals or nominations of persons for election to the Board of Directors to be properly brought before the 2007 Annual Meeting, any such stockholder proposal or nomination (including in the case of a nomination, the information required by the Company's advance notice By-laws provisions) must be received at the office of the Company no earlier than December 28, 2006 and no later than January 27, 2007. The Company's advance notice By-law requirements are separate from, and in addition to, the Securities and Exchange Commission's requirements (including the timing requirements described in the preceding paragraph) that a stockholder must meet in order to have a stockholder proposal included in the proxy statement. Should the Company determine to allow a stockholder proposal that is received by the Company after January 27, 2007 to be presented at the 2007 Annual Meeting nevertheless, the persons named as proxies in the accompanying form will have discretionary voting authority with respect to such stockholder proposal.