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ADAMS EXPRESS CO  
Form N-CSR  
February 23, 2009

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-00248  
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THE ADAMS EXPRESS COMPANY

-----  
(Exact name of Registrant as specified in charter)

7 Saint Paul Street, Suite 1140, Baltimore, Maryland 21202  
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(Address of principal executive offices) (Zip code)

Lawrence L. Hooper, Jr.  
The Adams Express Company  
7 Saint Paul Street  
Suite 1140  
Baltimore, Maryland 21202

Registrant's telephone number, including area code: 410-752-5900

Date of fiscal year end: December 31, 2008

Date of reporting period: December 31, 2008

Item 1. Reports to Stockholders.

Generation after generation - We Grow with you tm

[Graphic]

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The Adams Express Company  
Annual Report 2008

2008 AT A GLANCE

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The Company

- .. a closed-end equity investment company
  - .. objectives: preservation of capital
    - reasonable income
    - opportunity for capital gain
  - .. internally-managed
  - .. low expense ratio
  - .. low turnover
- Stock Data (12/31/08)

NYSE Symbol..... ADX  
Market Price..... \$8.03  
52-Week Range \$7.20 - \$13.74  
Discount.....16.4%  
Shares Outstanding87,406,443

Summary Financial Information

|   | Year Ended December 31 |               |
|---|------------------------|---------------|
|   | 2008                   | 2007          |
| Net asset value per share               | \$ 9.61                | \$ 15.72      |
| Total net assets                        | 840,012,143            | 1,378,479,527 |
| Unrealized (depreciation)/appreciation  | (111,981,824)          | 410,454,970   |
| Net investment income                   | 21,085,039             | 25,884,799    |
| Net realized gain                       | 32,965,241             | 60,426,376    |
| Total return (based on market price)    | (38.9)%                | 9.4%          |
| Total return (based on net asset value) | (34.4)%                | 6.5%          |
| Expense ratio                           | 0.48%                  | 0.44%         |

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2008 Dividends and Distributions

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| Paid              | Amount<br>(per share) | Type                    |
|-------------------|-----------------------|-------------------------|
| March 1, 2008     | \$0.01                | Long-term capital gain  |
| March 1, 2008     | 0.01                  | Short-term capital gain |
| March 1, 2008     | 0.03                  | Investment income       |
| June 1, 2008      | 0.05                  | Investment income       |
| September 1, 2008 | 0.05                  | Investment income       |
| December 27, 2008 | 0.36                  | Long-term capital gain  |
| December 27, 2008 | 0.13                  | Investment income       |
| \$0.64            |                       |                         |

2009 Annual Meeting of Stockholders

Location: Sheraton Baltimore North Hotel, Towson, MD

Date: March 19, 2009

Time: 9:00 a.m.

PORTFOLIO REVIEW

(unaudited)

Ten Largest Portfolio Holdings (12/31/08)

|                                    | Market Value  | % of Net Assets |
|------------------------------------|---------------|-----------------|
| Petroleum & Resources Corporation* | \$ 42,445,283 | 5.0             |
| Microsoft Corp.                    | 22,939,200    | 2.7             |
| General Electric Co.               | 22,485,600    | 2.7             |
| Pfizer Inc.                        | 19,835,200    | 2.4             |
| PepsiCo, Inc.                      | 19,717,200    | 2.4             |
| Oracle Corp.                       | 19,503,000    | 2.3             |
| Procter & Gamble Co.               | 19,473,300    | 2.3             |
| Unilever plc ADR                   | 18,416,000    | 2.2             |
| Genentech, Inc.                    | 18,240,200    | 2.2             |
| Exxon Mobil Corp.                  | 17,163,450    | 2.0             |
| Total                              | \$220,218,433 | 26.2%           |

\* Non-controlled affiliate

Sector Weightings (12/31/08)

[CHART]

Consumer

20.7%

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|                        |       |
|------------------------|-------|
| Energy                 | 12.3% |
| Financial              | 10.1% |
| Health Care            | 15.8% |
| Industrials            | 13.4% |
| Information Technology | 11.7% |
| Materials              | 1.1%  |
| Telecom Services       | 1.4%  |
| Utilities              | 3.0%  |
| Short-Term Investments | 10.6% |

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### LETTER TO STOCKHOLDERS

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#### The Year in Review

In a stock market widely recognized as the worst since the Great Depression of the 1930s, the Fund was able to again beat its benchmarks, the Standard & Poor's 500 and the Lipper Large-Cap Core Mutual Fund Average. It is not particularly satisfying, however, to relate that, while outperforming, the return of the Fund was -34.4% compared to the S&P's -37.0% and the Large-Cap Core Average of -37.2%. As disappointing as these returns were, most markets overseas had even worse results.

Sectors of the portfolio with some of the best relative performance were not areas traditionally emphasized in our investment activities. Those sectors included consumer discretionary, technology, and telecommunication services. With our relatively low exposure in these sectors, the outperformance was only a modest help to the Fund's overall return. While the performance of the financial sector was the weakest in absolute terms, the Fund benefited from its underweight position and outperformance relative to the benchmark. Our substantial health care holdings, comprising one of our larger sector investments, outperformed the industry sector by a wide margin. Consumer staples, as is often the case during recessionary periods, also performed better than the overall market. Our overweighting of the energy and industrial sectors, on the other hand, did not serve us well in 2008. Our focus on dividend-paying stocks was an important factor in our better overall results as investors placed increased emphasis on cash generation and payouts. The build-up of cash and short-term investments in the second half of the year likewise contributed to the strong relative performance of the Fund.

The financial deterioration which began in 2007 accelerated in 2008, forcing the government to take the radical step of providing capital to banks and insurance companies in an effort to stabilize them and avert a complete collapse of the financial system in this country. In addition, large quantities of outstanding debt instruments were purchased or guaranteed by the Treasury Department to reduce the banks' exposure to losses. Several mergers of investment banks were also arranged. Similar measures were taken in numerous other countries as the crisis spread around the world.

With markedly reduced availability of credit from banks, the rest of the economy sank into recession late in 2007 and has yet to recover. Dramatic increases in energy prices in the first half of the year further hampered activity and sparked inflation fears. As with the credit crisis, the recession spread to other countries, reducing trade and further exacerbating the situation. The impact of the worldwide recession was quickly reflected in energy prices, which fell in the second half of the year even faster than they had risen earlier. The unemployment rate rose as companies in many industries reduced their activity and staffing. The deteriorating state of the domestic

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economy, as well as most others around the world, severely impacted stock prices, commodity prices, and the political landscape. Along with most others, the Fund was unable to avoid much of the devastation, causing the net unrealized gain in the portfolio to become an unrealized loss.

### Investment Results

At the end of 2008, our net assets were \$840,012,143 or \$9.61 per share on 87,406,443 shares outstanding. This compares with \$1,378,479,527 or \$15.72 per share on 87,668,847 shares outstanding a year earlier.

Net investment income for 2008 was \$21,085,039 compared to \$25,884,799 for 2007. These earnings are equal to \$0.25 and \$0.30 per share, respectively, on the average number of shares outstanding throughout each year. Our 0.48% expense ratio (expenses to average net assets) in 2008 was once again very low compared to the fund industry in general.

Net realized gains amounted to \$32,965,241 during the year, while the unrealized appreciation on investments decreased from \$410,454,970 at December 31, 2007 to \$(111,981,824) at year end.

### Dividends and Distributions

The total dividends and distributions paid in 2008 were \$0.64 per share compared to \$1.03 in 2007. The table on page 19 shows the history of our dividends and distributions over the past fifteen years, including the annual rate of distribution as a percentage of the average daily market price of the Company's Common Stock. In 2008, the annual rate of distribution was 5.61% compared to 7.15% in 2007. As announced on November 13, 2008, a year-end distribution consisting of investment income of \$0.13 per share and capital gains of \$0.36 per share was made on December 27, 2008, both realized and taxable in 2008. On January 8, 2009, an additional distribution of \$0.05 per

[PHOTO]

Douglas G. Ober,  
Chairman and Chief  
Executive Officer

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share was declared to shareholders of record on February 13, 2009, payable March 1, 2009, representing the balance of undistributed net investment income and capital gains earned during 2008 and an initial distribution from 2009 net investment income, all taxable to shareholders in 2009.

### Outlook for 2009

The dramatic actions taken in 2008 by the government to rebuild the financial system and bail out other industries have yet to bear fruit. A second tranche of capital for the banking sector is currently being allocated and the new administration is putting together a massive stimulus program. We believe these unprecedented efforts to increase liquidity in the markets and jump-start the economy will eventually bear fruit. The quick success of these measures is not assured, however, and the likelihood of the recession extending until late in 2009 or into 2010 appears high. Until such time as there are indications of either a turnaround or a further decline, we do not expect to see the stock market move outside of its current trading range.

A successful stimulus plan should begin to show results by the third quarter of this year, initially in the arrest of the decline in economic activity. The stock market should begin to recover ahead of the overall economy as valuations begin to capture the rising expectations of investors. Such an economic and market recovery may be impeded by the magnitude of the recessions outside the

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United States. As indicated previously, other countries have been taking measures similar to those by the U.S. to stem the declines in their economies. If those are not successful, the reverberations are likely to be felt domestically and any recovery delayed by several quarters. Likewise, given the importance of the U.S. consumer's spending to the GDP, further declines in home and stock prices in this country could also result in a more protracted and deeper recession.

The Fund's large cash/short-term investment position will gradually be put to use in the industries and companies which we believe have the greatest opportunities to benefit from the anticipated recovery in both the domestic and overseas economies. We will use the market's current period of volatility to build these positions, as valuations disconnect from the long-term fundamentals. The Fund will then be in a position to take the best advantage of the market's recovery as it unfolds. We constantly strive, as managers and shareholders, to position the Fund for success, turning challenging times such as these into opportunities for the future.

### Share Repurchase Program

On December 11, 2008, the Board of Directors authorized the repurchase by management of up to 5% of the outstanding shares of the Company over the ensuing year. The repurchase program is subject to the same restriction as in the past, namely that shares can be repurchased when the discount of the market price of the shares from the net asset value is 10% or greater.

From the beginning of 2009 through January 23, 2009, a total of 206,800 shares have been repurchased at a total cost of \$1,580,545 and a weighted average discount from net asset value of 15.5%.

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This Annual Report, along with the proxy statement for the Annual Meeting of Stockholders to be held in Baltimore on March 19, 2009, are expected to be mailed on or about February 17, 2009.

By order of the Board of Directors,

|                     |                     |
|---------------------|---------------------|
| /s/ Douglas G. Ober | /s/ Joseph M. Truta |
| Douglas G. Ober,    | Joseph M. Truta,    |
| Chairman and Chief  | President           |
| Executive Officer   |                     |

January 27, 2009

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### STATEMENT OF ASSETS AND LIABILITIES

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December 31, 2008

#### Assets

Investments\* at value:

Common stocks

(cost \$829,280,884)

\$709,503,064

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|  |                  |
|--|------------------|
| Non-controlled affiliate, Petroleum & Resources Corporation  |                  |
| (cost \$34,735,404)  | 42,445,283       |
| Short-term investments (cost \$89,342,508)   | 89,342,508       |
| Securities lending collateral (cost \$116,405,576)   | 116,405,576 \$ 9 |
| <hr style="border-top: 1px dashed black;"/>  |                  |
| Cash   |                  |
| Dividends and interest receivable  |                  |
| Prepaid expenses and other assets  |                  |
| <hr style="border-top: 1px dashed black;"/>  |                  |
| Total Assets   | 9                |
| <hr style="border-top: 1px dashed black;"/>  |                  |
| Liabilities  |                  |
| Open written option contracts at value (proceeds \$117,367)  |                  |
| Obligations to return securities lending collateral  | 1                |
| Accrued pension liabilities  |                  |
| Accrued expenses and other liabilities   |                  |
| <hr style="border-top: 1px dashed black;"/>  |                  |
| Total Liabilities  | 1                |
| <hr style="border-top: 1px dashed black;"/>  |                  |
| Net Assets   | \$ 8             |
| <hr style="border-top: 1px dashed black;"/>  |                  |
| Net Assets   |                  |
| Common Stock at par value \$0.001 per share, authorized 150,000,000 shares;<br>issued and outstanding 87,406,443 shares (includes 107,926 restricted shares,<br>13,500 nonvested or deferred restricted stock units, and 8,268 deferred stock<br>units) (note 6) | \$ 9             |
| Additional capital surplus   | 9                |
| Accumulated other comprehensive income (note 5)  |                  |
| Undistributed net investment income  |                  |
| Undistributed net realized gain on investments   |                  |
| Unrealized appreciation/(depreciation) on investments  | (1               |
| <hr style="border-top: 1px dashed black;"/>  |                  |
| Net Assets Applicable to Common Stock  | \$ 8             |
| <hr style="border-top: 1px dashed black;"/>  |                  |
| Net Asset Value Per Share of Common Stock  |                  |
| <hr style="border-top: 1px dashed black;"/>  |                  |

\*See schedule of investments on pages 13 through 15.

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

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### STATEMENT OF OPERATIONS

Year Ended December 31, 2008

|   |               |
|---|---------------|
| Investment Income                           |               |
| Income:                                     |               |
| Dividends:                                  |               |
| From unaffiliated issuers                   | \$ 23,929,649 |
| From non-controlled affiliate               | 918,445       |
| Interest and other income                   | 1,813,952     |
| <hr style="border-top: 1px dashed black;"/> |               |
| Total income                                | 26,662,046    |
| <hr style="border-top: 1px dashed black;"/> |               |

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|   |                 |
|---|-----------------|
| Expenses:   |                 |
| Investment research   | 2,182,538       |
| Administration and operations   | 1,230,205       |
| Directors' fees   | 391,010         |
| Transfer agent, registrar, and custodian  | 330,759         |
| Reports and stockholder communications  | 311,350         |
| Travel, training, and other office expenses   | 295,182         |
| Investment data services  | 215,637         |
| Occupancy   | 154,870         |
| Auditing and accounting services  | 132,404         |
| Insurance   | 99,492          |
| Legal services  | 51,845          |
| Other   | 181,715         |
| -----   |                 |
| Total expenses  | 5,577,007       |
| -----   |                 |
| Net Investment Income   | 21,085,039      |
| -----   |                 |
| Change in Accumulated Other Comprehensive Income (note 5)                                   | (4,055,632)     |
| -----   |                 |
| Realized Gain and Change in Unrealized Appreciation on Investments                          |                 |
| Net realized gain on security transactions  | 25,753,050      |
| Net realized gain distributed by regulated investment company<br>(non-controlled affiliate) | 5,620,009       |
| Net realized gain on written option contracts   | 1,592,182       |
| Change in unrealized appreciation on investments  | (522,436,794)   |
| -----   |                 |
| Net Loss on Investments   | (489,471,553)   |
| -----   |                 |
| Change in Net Assets Resulting from Operations  | \$(472,442,146) |
| -----   |                 |

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

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STATEMENT OF CHANGES IN NET ASSETS

|   |                    |               |
|---|--------------------|---------------|
|   | For the Year Ended |               |
|   | Dec. 31, 2008      | Dec. 31, 2007 |
| -----   |                    |               |
| From Operations:  |                    |               |
| Net investment income                                     | \$ 21,085,039      | \$ 25,884,794 |
| Net realized gain on investments                          | 32,965,241         | 60,426,374    |
| Change in unrealized appreciation on investments          | (522,436,794)      | (8,301,284)   |
| Change in accumulated other comprehensive income (note 5) | (4,055,632)        | (156,054)     |
| -----   |                    |               |
| Change in net assets resulting from operations            | (472,442,146)      | 77,853,834    |
| -----   |                    |               |
| Distributions to Stockholders From:                       |                    |               |
| Net investment income                                     | (22,378,500)       | (27,409,014)  |
| Net realized gain from investment transactions            | (32,528,278)       | (60,607,294)  |
| -----   |                    |               |



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|   |                |                |
|---|----------------|----------------|
| Decrease in net assets from distributions   | (54,906,778)   | (88,016,31     |
| <hr style="border-top: 1px dashed black;"/>   |                |                |
| From Capital Share Transactions:  |                |                |
| Value of shares issued in payment of distributions  | 17,225,925     | 33,223,57      |
| Cost of shares purchased (note 4)   | (28,955,931)   | (22,516,52     |
| Deferred compensation (notes 4, 6)  | 611,546        | 516,64         |
| <hr style="border-top: 1px dashed black;"/>   |                |                |
| Change in net assets from capital share transactions  | (11,118,460)   | 11,223,69      |
| <hr style="border-top: 1px dashed black;"/>   |                |                |
| Total Change in Net Assets  | (538,467,384)  | 1,061,21       |
| <br>  |                |                |
| Net Assets:   |                |                |
| Beginning of year   | 1,378,479,527  | 1,377,418,31   |
| <hr style="border-top: 1px dashed black;"/>   |                |                |
| End of year (including undistributed net investment<br>income of \$1,754,228 and \$3,033,710, respectively) | \$ 840,012,143 | \$1,378,479,52 |
| <hr style="border-top: 1px dashed black;"/>   |                |                |

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

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### NOTES TO FINANCIAL STATEMENTS

#### 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 is an internally-managed fund whose investment objectives are preservation of capital, the attainment of reasonable income from investments, and an opportunity for capital appreciation.

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates made by Company management. Management believes that estimates and security valuations are appropriate; however, actual results may differ from those estimates, and the security valuations reflected in the financial statements may differ from the value the Company ultimately realizes upon sale of the securities.

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 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 and money market funds) are valued at amortized cost, which approximates fair value. Purchased and written options are valued at the last quoted bid and asked price, respectively. Money market funds are valued at net asset value on the day of valuation.

The Company adopted Financial Accounting Standard Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"), effective January 1, 2008. There was no impact on the fair value of assets individually or in aggregate upon adoption. In accordance with FAS 157, fair value is defined as the price that the Company would receive upon selling an investment in an orderly transaction to an independent buyer. FAS 157 established a

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three-tier hierarchy to establish classification of fair value measurements, summarized as follows:

- . Level 1 -- fair value is determined based on market data obtained from independent sources; for example, quoted prices in active markets for identical investments,
- . Level 2 -- fair value is determined using other assumptions obtained from independent sources; for example, quoted prices for similar investments,
- . Level 3 -- fair value is determined using the Company's own assumptions, developed based on the best information available in the circumstances.

The Company's investments at December 31, 2008 were classified as follows:

|         | Investment in<br>securities | Written options |
|---------|-----------------------------|-----------------|
|         | -----                       | -----           |
| Level 1 | \$915,003,923               | \$31,250        |
| Level 2 | 42,692,508*                 | --              |
| Level 3 | --                          | --              |
|         | -----                       | -----           |
| Total   | \$957,696,431               | \$31,250        |
|         | -----                       | -----           |

\*Consists of short-term investments other than money market funds.

### 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 December 31, 2008 was \$1,069,277,121, and net unrealized depreciation aggregated \$(111,580,690), which the related gross unrealized appreciation and depreciation were \$141,991,563 and \$253,572,253, respectively. As of December 31, 2008, the tax basis of distributable earnings was \$1,009,961 of undistributed ordinary income and \$1,767,023 of undistributed long-term capital gain.

Distributions paid by the Company during the year ended December 31, 2008 were classified as ordinary income of \$23,253,237 and long-term capital gain of \$31,653,541. In comparison, distributions paid by the Company during the year ended December 31, 2007 were classified as ordinary income of \$34,249,231 and long-term capital gain of \$53,767,079. The distributions are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Accordingly, periodic reclassifications are made within the Company's capital accounts to reflect income and gains available for distribution under income tax regulations. Any income tax-related interest or penalties would be classified as income tax expense.

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### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 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 year ended December 31, 2008 were \$193,895,367 and \$229,341,563, respectively. Options may be written (sold) or purchased by the Company. For written options, covered calls or collateralized puts require deposits of securities or cash to be segregated with the custodian to guarantee delivery or payment if the options are exercised. When an option is written, an amount equal to the premium received by the Company is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from unexercised options are treated as realized gains from investments on the expiration date. Premiums received from exercised put options reduce the cost basis of the securities purchased, and premiums received from exercised call options are added to the proceeds from the sale of the underlying security in determining whether there is a realized gain or loss. The Company as writer of an option bears the risks of possible illiquidity of the option markets and the unfavorable change in the price of the security underlying the written option. The risk associated with purchasing an option is limited to the premium originally paid for the option. A schedule of outstanding option contracts as of December 31, 2008 can be found on page 16.

Transactions in written covered call and collateralized put options during the year ended December 31, 2008 were as follows:

|   | Covered Calls |            | Collateralized Puts |            |
|---|---------------|------------|---------------------|------------|
|   | Contracts     | Premiums   | Contracts           | Premiums   |
| Options outstanding,<br>December 31, 2007                 | 1,757         | \$ 197,788 | 1,726               | \$ 194,530 |
| Options written   | 6,050         | 733,652    | 8,482               | 1,054,904  |
| Options terminated in<br>closing purchase<br>transactions | (1,150)       | (147,824)  | --                  | --         |
| Options expired   | (5,714)       | (668,577)  | (6,800)             | (838,821)  |
| Options exercised   | (743)         | (92,389)   | (2,676)             | (315,896)  |
|   |               |            |                     |            |
| Options outstanding,<br>December 31, 2008                 | 200           | \$ 22,650  | 732                 | \$ 94,717  |
|   |               |            |                     |            |

#### 4. Capital Stock

The Company has 10,000,000 authorized and unissued preferred shares, \$0.001 par value.

On December 27, 2007, the Company issued 2,381,872 shares of its Common Stock at a price of \$13.945 per share (the average market price on December 10, 2007) to stockholders of record November 21, 2007 who elected to take stock in payment of the distribution from 2007 capital gain and investment income. In addition, 597 shares were issued at a weighted average price of \$14.00 per share as dividend equivalents to holders of deferred stock units and restricted stock units under the 2005 Equity Incentive Compensation Plan.

On December 27, 2008, the Company issued 2,149,685 shares of its Common Stock at a price of \$8.01 per share (the average market price on December 8, 2008) to stockholders of record November 21, 2008 who elected to take stock in payment of the distribution from 2008 capital gain and investment income. In addition, 898 shares were issued at a weighted average price of \$10.31 per share as

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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 2008 and 2007 were as follows:

|   | Shares      |             | Amount          |               |
|---|-------------|-------------|-----------------|---------------|
|   | 2008        | 2007        | 2008            | 2007          |
| Shares issued in payment of distributions   | 2,150,583   | 2,382,469   | \$ 17,225,925   | \$ 33,223,573 |
| Shares purchased (at a weighted average discount from net asset value of 14.8% and 13.2%, respectively) | (2,457,547) | (1,585,773) | (28,955,931)    | (22,516,525)  |
| Net activity under the 2005 Equity Incentive Compensation Plan  | 44,560      | 33,928      | 611,546         | 516,648       |
| Net change  | (262,404)   | 830,624     | \$ (11,118,460) | \$ 11,223,696 |

### 5. Retirement Plans

The Company's non-contributory qualified defined benefit pension plan ("qualified plan") covers all employees with at least one year of service. In addition, the Company has a non-contributory 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 funded status of the plans is recognized as an asset (overfunded plan) or a liability (underfunded plan) in

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### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

the Statement of Assets and Liabilities. Changes in the prior service costs and accumulated actuarial gains and losses are recognized as accumulated other comprehensive income, a component of net assets, in the year in which the changes occur.

The Company uses a December 31 measurement date for its plans.

|      |      |
|------|------|
| 2008 | 2007 |
|------|------|

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|  |                |              |
|--|----------------|--------------|
| Change in benefit obligation                   |                |              |
| Benefit obligation at beginning of year        | \$10,630,813   | \$ 9,850,091 |
| Service cost                                   | 345,420        | 487,315      |
| Interest cost                                  | 459,209        | 568,495      |
| Actuarial (gain)/loss                          | 784,450        | (124,121)    |
| Plan changes                                   | 89,030         | --           |
| Benefits paid                                  | (156,908)      | (150,967)    |
| -----  |                |              |
| Benefit obligation at end of year              | \$12,152,014   | \$10,630,813 |
| -----  |                |              |
| Change in plan assets                          |                |              |
| Fair value of plan assets at beginning of year | \$11,003,091   | \$10,834,484 |
| Actual return on plan assets                   | (2,723,620)    | 319,574      |
| Employer contribution                          | --             | --           |
| Benefits paid                                  | (156,908)      | (150,967)    |
| -----  |                |              |
| Fair value of plan assets at end of year       | \$ 8,122,563   | \$11,003,091 |
| -----  |                |              |
| Funded status                                  | \$ (4,029,451) | \$ 372,278   |
| -----  |                |              |

Items recognized in accumulated other comprehensive income:

|  | 2008        | 2007        |
|--|-------------|-------------|
|  | -----       | -----       |
| Prior service cost                     | \$ 234,938  | \$ 241,768  |
| Net loss                               | 5,800,857   | 1,738,395   |
| -----                                  |             |             |
| Accumulated other comprehensive income | \$6,035,795 | \$1,980,163 |
| -----                                  |             |             |

In 2009, the Company estimates that \$105,232 of prior service cost and \$546,123 of net losses, for a total of \$651,355, will be amortized from accumulated other comprehensive income into net periodic pension cost.

The accumulated benefit obligation for all defined benefit pension plans was \$10,812,861 and \$9,086,788 at December 31, 2008 and 2007, respectively.

|   | 2008       | 2007       |
|---|------------|------------|
|   | -----      | -----      |
| Components of net periodic pension cost |            |            |
| Service cost                            | \$ 345,420 | \$ 487,315 |
| Interest cost                           | 459,209    | 568,495    |
| Expected return on plan assets          | (691,794)  | (855,553)  |
| Prior service cost component            | 95,860     | 94,508     |
| Net loss component                      | 137,401    | 162,625    |
| -----                                   |            |            |
| Net periodic pension cost               | \$ 346,096 | \$ 457,390 |
| -----                                   |            |            |

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|  | 2008        | 2007       |
|--|-------------|------------|
|  | -----       | -----      |
| Changes recognized in accumulated other comprehensive income |             |            |
| Net loss   | \$4,199,863 | \$ 413,191 |
| Prior service cost   | 89,030      | --         |
| Amortization of net loss                                     | (137,401)   | (162,625)  |
| Amortization of prior service cost                           | (95,860)    | (94,508)   |
|  | -----       | -----      |
| Change in accumulated other comprehensive income             | \$4,055,632 | \$ 156,058 |
|  | -----       | -----      |

Assumptions used to determine benefit obligations are:

|                               | 2008  | 2007  |
|-------------------------------|-------|-------|
|                               | ----- | ----- |
| Discount rate                 | 6.32% | 6.00% |
| Rate of compensation increase | 7.00% | 7.00% |

The assumptions used to determine net periodic pension cost are:

|  | 2008  | 2007  |
|--|-------|-------|
|  | ----- | ----- |
| Discount rate                            | 6.00% | 5.75% |
| Expected long-term return on plan assets | 7.25% | 8.00% |
| Rate of compensation increase            | 7.00% | 7.00% |

The assumption used to determine expected long-term return on plan assets was based on historical and future expected returns of multiple asset classes in order to develop a risk-free real rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk-free real rate of return, and the associated risk premium. A weighted average rate was developed based on those overall rates and the target asset allocation of the plan.

The asset allocations at December 31, 2008 and 2007, by asset category, were as follows:

|                                  | 2008 | 2007 |
|----------------------------------|------|------|
|                                  | ---- | ---- |
| Asset Category                   |      |      |
| Equity Mutual Funds & Securities | 44%  | 43%  |
| Fixed Income Mutual Funds        | 56%  | 57%  |

Equity securities included common stock of the Company in the amount of \$455,444 (5% of total plan assets) and \$778,577 (7% of total plan assets) at December 31, 2008 and 2007, respectively. The primary objective of the Company's pension plan is to provide capital appreciation, current income, and

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preservation of capital through a diversified portfolio of stocks and fixed income securities.

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. The Company made no contributions to the plans in 2008 and anticipates contributions of approximately \$500,000 in 2009.

The following benefit payments, which reflect expected future service and certain assumptions, are eligible to be paid in the years indicated:

| Pension Benefits |             |
|------------------|-------------|
| -----            |             |
| 2009             | \$5,140,000 |
| 2010             | 321,800     |
| 2011             | 312,600     |
| 2012             | 303,700     |
| 2013             | 294,900     |
| Years 2014-2018  | 3,976,000   |

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### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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The Company also sponsors a defined contribution plan that covers substantially all employees. The Company expensed contributions to this plan of \$169,438 and \$187,345 for the years ended December 31, 2008 and December 31, 2007, respectively. The Company does not provide postretirement medical benefits.

#### 6. Equity-Based Compensation

Although the Stock Option Plan of 1985 ("1985 Plan") has been discontinued and no further grants will be made under this plan, unexercised grants of stock options and stock appreciation rights granted in 2004 and prior years remain outstanding. The exercise price of the unexercised options and related stock appreciation rights is the fair market value on date of grant, reduced by the per share amount of capital gains paid by the Company during subsequent years. All options and related stock appreciation rights terminate 10 years from date of grant, if not exercised.

A summary of option activity under the 1985 Plan as of December 31, 2008, and changes during the period then ended, is presented below:

|                                  | Options  | Weighted-<br>Average<br>Exercise<br>Price | Weighted-<br>Average<br>Remaining<br>Life (Years) |
|----------------------------------|----------|---|---|
|                                  | -----    | -----                                     | -----   |
| Outstanding at December 31, 2007 | 146,804  | \$11.63                                   | 3.47  |
| Exercised                        | (10,386) | 8.70                                      | --  |
| Forfeited                        | (14,022) | 15.62                                     | --  |

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|                                  |         |         |      |
|----------------------------------|---------|---------|------|
| Outstanding at December 31, 2008 | 122,396 | \$11.05 | 2.80 |
| Exercisable at December 31, 2008 | 74,096  | \$10.51 | 2.61 |

The options outstanding as of December 31, 2008 are set forth below:

| Exercise price                   | Options Outstanding | Weighted Average Exercise Price | Weighted Average Remaining Life (Years) |
|----------------------------------|---------------------|---------------------------------|---|
| \$7.00-\$9.24                    | 25,062              | \$ 7.74                         | 2.91                                    |
| \$9.25-\$11.49                   | 60,208              | 9.87                            | 3.53                                    |
| \$11.50-\$13.74                  | --                  | --                              | --                                      |
| \$13.75-\$16.00                  | 37,126              | 15.18                           | 1.55                                    |
| Outstanding at December 31, 2008 | 122,396             | \$11.05                         | 2.80                                    |

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/(credit) recognized for the year ended December 31, 2008 was \$(328,271).

The 2005 Equity Incentive Compensation Plan ("2005 Plan"), adopted at the 2005 Annual Meeting, 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 shares earned contingent on achieving certain performance targets. If performance targets are not achieved, all or a portion of the performance-based restricted shares 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. Payment of awards may be deferred, if elected. It is the current intention that employee grants will be performance-based. The 2005 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 are granted at fair market value on grant date. The number of shares of Common Stock which remains available for future grants under the 2005 Plan at December 31, 2008 is 3,252,162 shares.

A summary of the status of the Company's awards granted under the 2005 Plan as of December 31, 2008, and changes during the year then ended, is presented below:

| Awards | Shares/Units | Weighted Average Grant-Date Fair Value |
|--------|--------------|--|
|--------|--------------|--|



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|                                |         |         |
|--------------------------------|---------|---------|
| Balance at December 31, 2007   | 91,221* | \$13.29 |
| Granted:                       |         |         |
| Restricted stock               | 35,878  | 13.10   |
| Restricted stock units         | 7,500   | 12.49   |
| Deferred stock units           | 2,961   | 11.40   |
| Vested & issued                | (7,866) | 13.20   |
| Forfeited                      | --      | --      |
| -----                          |         |         |
| Balance at December 31, 2008   |         |         |
| (includes 103,354 performance- |         |         |
| based awards and 26,340        |         |         |
| nonperformance-based awards)   | 129,694 | \$13.15 |
| -----                          |         |         |

\*Includes 3,750 units previously denoted as vested that were deferred.

Compensation costs resulting from awards granted under the 2005 Plan are based on the fair value of the award on grant date (determined by the average of the high and low price on grant date) and recognized on a straight-line basis over the requisite service period. For those awards with performance conditions, compensation costs are based on the most probable outcome and, if such goals are not met, compensation cost is not recognized and any previously recognized compensation cost is reversed. The total compensation costs for restricted stock granted to employees

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

for the year ended December 31, 2008 were \$497,408. The total compensation costs for restricted stock units granted to non-employee directors for the year ended December 31, 2008 were \$100,793. As of December 31, 2008, there were total unrecognized compensation costs of \$451,496, a component of additional capital surplus, related to nonvested equity-based compensation arrangements granted under the 2005 Plan. Those costs are expected to be recognized over a weighted average period of 1.60 years. The total fair value of shares vested and issued during the year ended December 31, 2008 was \$101,961.

7. Officer and Director Compensation

The aggregate remuneration paid during the year ended December 31, 2008 to officers and directors amounted to \$2,566,568, of which \$314,031 was paid to directors who were not officers. These amounts represent the taxable income to the Company's officers and directors and therefore differ from the amounts reported in the accompanying Statement of Operations that are recorded and expensed in accordance with generally accepted accounting principles.

8. Portfolio Securities Loaned

The Company makes loans of securities to approved brokers to earn additional income. It receives as collateral cash deposits, U.S. Government securities, or bank letters of credit valued at 102% of the value of the securities on loan. The market value of the loaned securities is calculated based upon the most recent closing prices and any additional required collateral is delivered to the Company on the next business day. Cash deposits are placed in a registered money market fund. The Company accounts for securities lending transactions as secured financing and receives compensation in the form of fees or retains a portion of interest on the investment of any cash received as collateral. The Company also continues to receive interest or dividends on the securities

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loaned. Gain or loss in the fair value of the securities loaned that may occur during the term of the loan will be for the account of the Company. At December 31, 2008, the Company had securities on loan of \$115,709,562 and held cash collateral of \$116,405,576; additional collateral was delivered the next business day in accordance with the procedure described above. The Company is indemnified by the Custodian, serving as lending agent, for loss of loaned securities and has the right under the lending agreement to recover the securities from the borrower on demand.

### 9. New Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board issued the Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities ("FAS 161"), which is effective for fiscal years and interim periods beginning after November 15, 2008. FAS 161 requires enhanced disclosures about derivative and hedging activities, including how such activities are accounted for and their effect on financial position, performance and cash flows. Application of the standard is not expected to materially impact the Company's financial statements and related disclosures.

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### FINANCIAL HIGHLIGHTS

|  | Year Ended December 31 |         |         |         |         |
|--|------------------------|---------|---------|---------|---------|
|  | 2008                   | 2007    | 2006    | 2005    | 2004    |
| <hr style="border-top: 1px dashed black;"/>                              |                        |         |         |         |         |
| Per Share Operating Performance  |                        |         |         |         |         |
| Net asset value, beginning of year                                       | \$15.72                | \$15.86 | \$14.71 | \$15.04 | \$14.71 |
| <hr style="border-top: 1px dashed black;"/>                              |                        |         |         |         |         |
| Net investment income  | 0.25                   | 0.30*   | 0.23    | 0.22    | 0.22    |
| Net realized gains and increase (decrease)<br>in unrealized appreciation | (5.68)                 | 0.61    | 1.86    | 0.32    | 0.32    |
| Change in accumulated<br>other comprehensive income                      | (0.05)                 | 0.00    | (0.02)  | --      | --      |
| <hr style="border-top: 1px dashed black;"/>                              |                        |         |         |         |         |
| Total from investment operations   | (5.48)                 | 0.91    | 2.07    | 0.54    | 0.54    |
| <hr style="border-top: 1px dashed black;"/>                              |                        |         |         |         |         |
| Less distributions   |                        |         |         |         |         |
| Dividends from net investment income                                     | (0.26)                 | (0.32)  | (0.23)  | (0.22)  | (0.22)  |
| Distributions from net realized gains                                    | (0.38)                 | (0.71)  | (0.67)  | (0.64)  | (0.64)  |
| <hr style="border-top: 1px dashed black;"/>                              |                        |         |         |         |         |
| Total distributions  | (0.64)                 | (1.03)  | (0.90)  | (0.86)  | (0.86)  |
| <hr style="border-top: 1px dashed black;"/>                              |                        |         |         |         |         |
| Capital share repurchases  | 0.05                   | 0.04    | 0.04    | 0.05    | 0.05    |
| Reinvestment of distributions  | (0.04)                 | (0.06)  | (0.06)  | (0.06)  | (0.06)  |
| <hr style="border-top: 1px dashed black;"/>                              |                        |         |         |         |         |
| Total capital share transactions   | 0.01                   | (0.02)  | (0.02)  | (0.01)  | (0.01)  |
| <hr style="border-top: 1px dashed black;"/>                              |                        |         |         |         |         |
| Net asset value, end of year   | \$9.61                 | \$15.72 | \$15.86 | \$14.71 | \$14.71 |
| <hr style="border-top: 1px dashed black;"/>                              |                        |         |         |         |         |
| Per share market price, end of year                                      | \$8.03                 | \$14.12 | \$13.87 | \$12.55 | \$12.55 |
| <hr style="border-top: 1px dashed black;"/>                              |                        |         |         |         |         |
| Total Investment Return  |                        |         |         |         |         |
| Based on market price  | (38.9)%                | 9.4%    | 17.9%   | 2.2%    | 2.2%    |

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|  |           |             |             |             |             |
|--|-----------|-------------|-------------|-------------|-------------|
| Based on net asset value                               | (34.4)%   | 6.5%        | 15.0%       | 4.5%        |             |
| <b>Ratios/Supplemental Data</b>                        |           |             |             |             |             |
| Net assets, end of year (in 000's)                     | \$840,012 | \$1,378,480 | \$1,377,418 | \$1,266,729 | \$1,290,000 |
| Ratio of expenses to average net assets                | 0.48%     | 0.44%       | 0.50%       | 0.45%       |             |
| Ratio of net investment income to average net assets   | 1.82%     | 1.82%       | 1.50%       | 1.44%       |             |
| Portfolio turnover                                     | 18.09%    | 10.46%      | 10.87%      | 12.96%      | 11.50%      |
| Number of shares outstanding at end of year (in 000's) | 87,406    | 87,669      | 86,838      | 86,100      | 86,100      |

\* In 2007, the Company received \$5,100,000, or \$0.06 per share, in a special cash dividend from Dean Foods Co., of which \$2,295,000, or \$0.03 per share, was considered a taxable dividend.

\*\* In 2004, the Company received \$2,400,000, or \$0.03 per share, in an extraordinary dividend from Microsoft Corp.

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### SCHEDULE OF INVESTMENTS

December 31, 2008

|                                       | Shares    | Value (A)     |
|---------------------------------------|-----------|---------------|
| <b>Stocks -- 89.5%</b>                |           |               |
| <b>Consumer -- 20.7%</b>              |           |               |
| <b>Consumer Discretionary -- 5.0%</b> |           |               |
| Lowe's Companies, Inc. (B).....       | 600,000   | \$ 12,912,000 |
| McDonald's Corp.....                  | 135,000   | 8,395,650     |
| Newell Rubbermaid Inc.....            | 400,000   | 3,912,000     |
| Ryland Group Inc. (B).....            | 343,500   | 6,069,645     |
| Target Corp. (B) (C).....             | 320,000   | 11,049,600    |
|                                       |           | 42,338,895    |
| <b>Consumer Staples -- 15.7%</b>      |           |               |
| Avon Products, Inc.....               | 405,000   | 9,732,150     |
| Bunge Ltd. (B).....                   | 160,000   | 8,283,200     |
| Coca-Cola Co.....                     | 240,000   | 10,864,800    |
| CVS/Caremark Corp.....                | 285,000   | 8,190,900     |
| Dean Foods Co. (B) (D).....           | 340,000   | 6,109,800     |
| Del Monte Foods Co.....               | 1,300,000 | 9,282,000     |
| Hansen Natural Corp. (D).....         | 375,000   | 12,573,750    |
| PepsiCo, Inc.....                     | 360,000   | 19,717,200    |
| Procter & Gamble Co. (B).....         | 315,000   | 19,473,300    |
| Safeway, Inc.....                     | 390,000   | 9,270,300     |
| Unilever plc ADR.....                 | 800,000   | 18,416,000    |
|                                       |           | 131,913,400   |
| <b>Energy -- 12.3%</b>                |           |               |
| Chevron Corp.....                     | 150,000   | 11,095,500    |
| ConocoPhillips (B).....               | 150,000   | 7,770,000     |
| CONSOL Energy Inc.....                | 200,000   | 5,716,000     |
| Exxon Mobil Corp.....                 | 215,000   | 17,163,450    |

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|  |           |             |
|--|-----------|-------------|
| Halliburton Co.....                      | 300,000   | 5,454,000   |
| Petroleum & Resources Corporation (E) .. | 2,186,774 | 42,445,283  |
| Schlumberger Ltd.....                    | 140,000   | 5,926,200   |
| Transocean Inc. (D).....                 | 160,000   | 7,560,000   |
|  |           | -----       |
|  |           | 103,130,433 |
|  |           | -----       |
| Financial -- 10.1%                       |           |             |
| Banking -- 9.2%                          |           |             |
| Bank of America Corp.....                | 800,000   | 11,264,000  |
| Bank of New York Mellon Corp.....        | 403,775   | 11,438,946  |
| PNC Financial Services Group Inc. (B) .. | 200,000   | 9,800,000   |
| Prosperity Bancshares, Inc. (B).....     | 160,000   | 4,734,400   |
| State Street Corp. (B).....              | 260,000   | 10,225,800  |
| Visa Inc.....                            | 180,000   | 9,441,000   |
| Wells Fargo & Co. (B).....               | 425,000   | 12,529,000  |
| Wilmington Trust Corp. (B).....          | 363,000   | 8,073,120   |
|  |           | -----       |
|  |           | 77,506,266  |
|  |           | -----       |
| Insurance -- 0.9%                        |           |             |
| Prudential Financial Inc.....            | 235,000   | 7,111,100   |
|  |           | -----       |

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SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2008

|  | Shares    | Value (A)     |
|--|-----------|---------------|
| Health Care -- 15.8%                         |           |               |
| Abbott Laboratories.....                     | 320,000   | \$ 17,078,400 |
| Bristol-Myers Squibb Co. (B).....            | 345,000   | 8,021,250     |
| Genentech, Inc. (D).....                     | 220,000   | 18,240,200    |
| Hospira Inc. (D).....                        | 300,000   | 8,046,000     |
| Johnson & Johnson.....                       | 255,000   | 15,256,650    |
| Medtronic, Inc. (B).....                     | 310,000   | 9,740,200     |
| Pfizer Inc.....                              | 1,120,000 | 19,835,200    |
| Senomyx, Inc. (D).....                       | 984,400   | 2,746,476     |
| Teva Pharmaceutical Industries Ltd. ADR....  | 370,000   | 15,750,900    |
| Wyeth Co.....                                | 325,000   | 12,190,750    |
| Zimmer Holdings, Inc. (D).....               | 150,000   | 6,063,000     |
|  |           | -----         |
|  |           | 132,969,026   |
|  |           | -----         |
| Industrials -- 13.4%                         |           |               |
| Cintas Corp.....                             | 300,000   | 6,969,000     |
| Curtiss-Wright Corp. (B).....                | 360,000   | 12,020,400    |
| Emerson Electric Co.....                     | 300,000   | 10,983,000    |
| General Electric Co.....                     | 1,388,000 | 22,485,600    |
| Harsco Corp.....                             | 250,000   | 6,920,000     |
| Illinois Tool Works Inc. (B).....            | 250,000   | 8,762,500     |
| Masco Corp. (B).....                         | 450,000   | 5,008,500     |
| Oshkosh Corp. (B).....                       | 330,000   | 2,933,700     |
| Spirit AeroSystems Holdings, Inc. (B) (D) .. | 720,000   | 7,322,400     |

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|   |           |             |
|---|-----------|-------------|
| Tata Motors Ltd. ADR.....               | 1,000,000 | 4,450,000   |
| 3M Co.....                              | 160,000   | 9,206,400   |
| United Technologies Corp.....           | 300,000   | 16,080,000  |
|   |           | -----       |
|   |           | 113,141,500 |
|   |           | -----       |
| Information Technology -- 11.7%         |           |             |
| Communication Equipment -- 0.6%         |           |             |
| Corning Inc.....                        | 500,000   | 4,765,000   |
|   |           | -----       |
| Computer Related -- 8.8%                |           |             |
| Automatic Data Processing Inc. (B)..... | 300,000   | 11,802,000  |
| Cisco Systems, Inc. (D).....            | 850,000   | 13,855,000  |
| Dell Inc. (D).....                      | 585,000   | 5,990,400   |
| Microsoft Corp.....                     | 1,180,000 | 22,939,200  |
| Oracle Corp. (D).....                   | 1,100,000 | 19,503,000  |
|   |           | -----       |
|   |           | 74,089,600  |
|   |           | -----       |
| Electronics -- 2.3%                     |           |             |
| Broadcom Corp. (B) (D).....             | 400,000   | 6,788,000   |
| Intel Corp. (B).....                    | 840,000   | 12,314,400  |
|   |           | -----       |
|   |           | 19,102,400  |
|   |           | -----       |
| Materials -- 1.1%                       |           |             |
| du Pont (E.I.) de Nemours and Co.....   | 360,000   | 9,108,000   |
|   |           | -----       |

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SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2008

|  |  | Prin. Amt.<br>or Shares | Valu   |
|--|--|-------------------------|--------|
| -----  |  |                         |        |
| Telecom Services -- 1.4%                         |  |                         |        |
| AT&T Corp.....                                   |  | 400,000                 | \$ 11, |
|  |  |                         | -----  |
| Utilities -- 3.0%                                |  |                         |        |
| MDU Resources Group, Inc.....                    |  | 562,500                 | 12,    |
| Northeast Utilities.....                         |  | 350,000                 | 8,     |
| Spectra Energy Corp.....                         |  | 305,780                 | 4,     |
|  |  |                         | -----  |
|  |  |                         | 25,    |
|  |  |                         | -----  |
| Total Stocks                                     |  |                         |        |
| (Cost \$864,016,288).....                        |  |                         | 751,   |
|  |  |                         | -----  |
| Short-Term Investments -- 10.6%                  |  |                         |        |
| U.S. Government Obligations -- 1.5%              |  |                         |        |
| U.S. Treasury Bills, 0.22%, due 2/12/09 (F)..... |  | \$12,500,000            | 12,    |
|  |  |                         | -----  |
| Commercial Paper -- 3.6%                         |  |                         |        |
| Chevron Funding Co., 1.05%, due 1/14/09.....     |  | \$ 3,300,000            | 3,     |

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|  |              |         |
|--|--------------|---------|
| ConocoPhillips, 1.25%, due 1/6/09-1/13/09.....                             | \$15,000,000 | 14,     |
| Hewlett Packard Co., 0.25%, due 1/5/09.....                                | \$ 5,600,000 | 5,      |
| Toyota Motor Credit Corp., 1.19-1.44%, due 1/26/09-1/30/09.....            | \$ 6,100,000 | 6,      |
|  |              | -----   |
|  |              | 29,     |
|  |              | -----   |
| Money Market Funds -- 5.5%   |              |         |
| Fidelity Institutional Money Market - Government Portfolio, 1.02% (G)..... | 20,000,000   | 20,     |
| Fidelity Institutional Money Market - Treasury Only Portfolio, 0.54% (G).. | 5,600,000    | 5,      |
| Fidelity Institutional Money Market - Treasury Portfolio, 0.34% (G).....   | 1,000,000    | 1,      |
| Vanguard Federal Money Market, 1.74% (G).....                              | 20,000,000   | 20,     |
| Vanguard Admiral Treasury Money Market, 0.93% (G).....                     | 50,000       |         |
|  |              | -----   |
|  |              | 46,     |
|  |              | -----   |
| Time Deposit -- 0.0%   |              |         |
| Wells Fargo Bank, 0.06%, due 1/2/09.....                                   |              |         |
|  |              | -----   |
| Total Short-Term Investments   |              |         |
| (Cost \$89,342,508).....   |              | 89,     |
|  |              | -----   |
| Total Securities Lending Collateral -- 13.9%                               |              |         |
| (Cost \$116,405,576)   |              |         |
| Money Market Funds -- 13.9%  |              |         |
| Invesco Aim Short-Term Investment Trust - Liquid Assets Portfolio          |              |         |
| (Institutional Class), 1.67% (G).....                                      |              | 116,    |
|  |              | -----   |
| Total Investments -- 114.0%  |              |         |
| (Cost \$1,069,764,372).....  |              | 957,    |
| Cash, receivables, prepaid expenses and other assets, less                 |              |         |
| liabilities -- (14.0)%.....  |              | (117,   |
|  |              | -----   |
| Net Assets -- 100.0%.....  |              | \$ 840, |

Notes:

- (A) See note 1 to financial statements. Securities are listed on the New York Stock Exchange or the NASDAQ.
- (B) A portion of shares held are on loan. See note 8 to financial statements.
- (C) All or a portion of this security is pledged to cover open written call option contracts. Aggregate market value of such pledged securities is \$690,600.
- (D) Presently non-dividend paying.
- (E) Non-controlled affiliate, a closed-end sector fund, registered as an investment company under the Investment Company Act of 1940.
- (F) All or a portion of this security is pledged to collateralize open written put option contracts with an aggregate value to deliver upon exercise of \$1,812,000.
- (G) Rate presented is as of period-end and represents the annualized yield earned over the previous seven days.

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SCHEDULE OF OUTSTANDING OPTION CONTRACTS

December 31, 2008

| Contracts<br>(100 shares) | Contract<br>Strike Expiration |
|---------------------------|-------------------------------|
|---------------------------|-------------------------------|

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| each)               | Security               | Price | Date   | Value    |
|---------------------|------------------------|-------|--------|----------|
| -----               |                        |       |        |          |
| COVERED CALLS       |                        |       |        |          |
| 200                 | Target Corp.....       | \$ 65 | Jan 09 | \$ 1,000 |
| ---                 |                        |       |        | -----    |
| COLLATERALIZED PUTS |                        |       |        |          |
| 150                 | Bank of America Corp.. | 10    | Jan 09 | 1,050    |
| 132                 | Coca-Cola Co.....      | 35    | Feb 09 | 3,300    |
| 150                 | State Street Corp..... | 35    | Jan 09 | 18,000   |
| 100                 | State Street Corp..... | 22.50 | Feb 09 | 6,500    |
| 200                 | Target Corp.....       | 22.50 | Jan 09 | 1,400    |
| ---                 |                        |       |        | -----    |
| 732                 |                        |       |        | 30,250   |
| ---                 |                        |       |        | -----    |
|                     |                        |       |        | \$31,250 |
|                     |                        |       |        | =====    |

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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To the Board of Directors and Stockholders of The Adams Express Company:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Adams Express Company (the "Company") at December 31, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2008 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Baltimore, Maryland  
February 11, 2009

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CHANGES IN PORTFOLIO SECURITIES

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During the Three Months Ended December 31, 2008  
(unaudited)

|                                    | Shares                |            |         |
|------------------------------------|-----------------------|------------|---------|
|                                    | Additions             | Reductions |         |
|                                    | Held<br>Dec. 31, 2008 |            |         |
| Avon Products, Inc.....            | 30,000                |            | 405,000 |
| Bank of America Corp.....          | 70,000                |            | 800,000 |
| Bunge Ltd.....                     | 30,000                |            | 160,000 |
| Coca-Cola Co.....                  | 40,000                |            | 240,000 |
| CVS/Caremark Corp.....             | 10,000                |            | 285,000 |
| Harsco Corp.....                   | 125,000               |            | 250,000 |
| Hospira Inc.....                   | 300,000               |            | 300,000 |
| McDonald's Corp.....               | 60,000                |            | 135,000 |
| Oshkosh Corp.....                  | 25,000                |            | 330,000 |
| Spirit AeroSystems Holdings, Inc.. | 170,000               |            | 720,000 |
| Transocean Inc.....                | 70,000                |            | 160,000 |
| Visa Inc.....                      | 10,000                |            | 180,000 |
| Wells Fargo & Co.....              | 200,000               |            | 425,000 |
| Zimmer Holdings, Inc.....          | 10,000                |            | 150,000 |
| WGL Holdings, Inc.....             | 50,000                | 50,000     | --      |
| ConocoPhillips.....                |                       | 145,000    | 150,000 |
| Harley-Davidson, Inc.....          |                       | 130,000    | --      |
| Prosperity Bancshares, Inc.....    |                       | 90,000     | 160,000 |
| Schlumberger Ltd.....              |                       | 240,000    | 140,000 |

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This report, including the financial statements herein, is transmitted to the stockholders of The Adams Express Company for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Company or of any securities mentioned in the report. The rates of return will vary and the principal value of an investment will fluctuate. Shares, if sold, may be worth more or less than their original cost. Past performance is not indicative of future investment results.

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### THE ADAMS EXPRESS COMPANY

| Calendar<br>year<br>end | Market<br>value<br>of<br>original<br>shares | Cumulative<br>market value<br>of capital<br>gains<br>distributions<br>taken in<br>shares | Cumulative<br>market value<br>of income<br>dividends<br>taken in<br>shares | Total<br>market<br>value | Total net<br>asset<br>value |
|-------------------------|---|--|--|--------------------------|-----------------------------|
|                         |   |  |  |                          |                             |



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|      |          |        |        |          |          |
|------|----------|--------|--------|----------|----------|
| 1994 | \$ 8,703 | \$ 615 | \$ 256 | \$ 9,574 | \$11,020 |
| 1995 | 10,301   | 1,444  | 638    | 12,383   | 14,300   |
| 1996 | 11,000   | 2,370  | 1,035  | 14,405   | 17,286   |
| 1997 | 13,472   | 4,032  | 1,655  | 19,159   | 22,587   |
| 1998 | 14,829   | 5,814  | 2,194  | 22,837   | 27,906   |
| 1999 | 18,693   | 9,219  | 3,149  | 31,061   | 37,273   |
| 2000 | 17,544   | 10,825 | 3,218  | 31,587   | 35,679   |
| 2001 | 11,880   | 9,410  | 2,502  | 23,792   | 26,853   |
| 2002 | 8,831    | 7,923  | 2,124  | 18,878   | 21,647   |
| 2003 | 10,368   | 10,444 | 2,810  | 23,622   | 27,334   |
| 2004 | 10,961   | 12,284 | 3,476  | 26,721   | 30,631   |
| 2005 | 10,485   | 13,050 | 3,754  | 27,289   | 31,985   |
| 2006 | 11,588   | 15,865 | 4,707  | 32,160   | 36,774   |
| 2007 | 11,796   | 17,834 | 5,527  | 35,157   | 39,141   |
| 2008 | 6,709    | 11,082 | 3,675  | 21,466   | 25,689   |

Illustration of an assumed  
15 year investment of \$10,000  
(unaudited)

Investment income dividends and capital gains distributions are taken in additional shares. This chart covers the years 1994-2008. Fees for the reinvestment of interim dividends are assumed as 2% of the amount reinvested (maximum of \$2.50) and commissions of \$0.05 per share. There is no charge for reinvestment of year-end distributions. No adjustment has been made for any income taxes payable by stockholders on income dividends or on capital gains distributions, or the sale of any shares. These results should not be considered representative of the dividend income or capital gain or loss which may be realized in the future.

[CHART]

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HISTORICAL FINANCIAL STATISTICS

(unaudited)

| Dec. 31 | Value Of<br>Net Assets | Shares<br>Outstanding* | Net Asset<br>Value<br>Per Share* | Market<br>Value<br>Per Share* | Dividends<br>From<br>Investment<br>Income<br>Per Share* | Distributions<br>From Net<br>Realized<br>Gains<br>Per Share* | Total<br>Dividends<br>and<br>Distributions<br>Per Share* |
|---------|------------------------|------------------------|----------------------------------|-------------------------------|---|--|--|
| 1994    | \$ 798,297,600         | 66,584,985             | \$11.99                          | \$10.42                       | \$.33   | \$ .73   | \$1.06   |
| 1995    | 986,230,914            | 69,248,276             | 14.24                            | 12.33                         | .35   | .76  | 1.11   |
| 1996    | 1,138,760,396          | 72,054,792             | 15.80                            | 13.17                         | .35   | .80  | 1.15   |
| 1997    | 1,424,170,425          | 74,923,859             | 19.01                            | 16.13                         | .29   | 1.01   | 1.30   |
| 1998    | 1,688,080,336          | 77,814,977             | 21.69                            | 17.75                         | .30   | 1.10   | 1.40   |
| 1999    | 2,170,801,875          | 80,842,241             | 26.85                            | 22.38                         | .26   | 1.37   | 1.63   |
| 2000    | 1,951,562,978          | 82,292,262             | 23.72                            | 21.00                         | .22   | 1.63   | 1.85   |
| 2001    | 1,368,366,316          | 85,233,262             | 16.05                            | 14.22                         | .26   | 1.39   | 1.65   |
| 2002    | 1,024,810,092          | 84,536,250             | 12.12                            | 10.57                         | .19   | .57  | .76  |
| 2003    | 1,218,862,456          | 84,886,412             | 14.36                            | 12.41                         | .17   | .61  | .78  |
| 2004    | 1,295,548,900          | 86,135,292             | 15.04                            | 13.12                         | .24   | .66  | .90  |
| 2005    | 1,266,728,652          | 86,099,607             | 14.71                            | 12.55                         | .22   | .64  | .86  |

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|      |               |            |       |       |     |     |      |
|------|---------------|------------|-------|-------|-----|-----|------|
| 2006 | 1,377,418,310 | 86,838,223 | 15.86 | 13.87 | .23 | .67 | .90  |
| 2007 | 1,378,479,527 | 87,668,847 | 15.72 | 14.12 | .32 | .71 | 1.03 |
| 2008 | 840,012,143   | 87,406,443 | 9.61  | 8.03  | .26 | .38 | .64  |

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\* Adjusted to reflect the 3-for-2 stock split effected in October 2000.

\*\* The annual rate of distribution is the total dividends and capital gain distributions during the year divided by the average daily market price of the Company's Common Stock.

-----  
Common Stock  
Listed on the New York Stock Exchange

The Adams Express Company  
Seven St. Paul Street, Suite 1140, Baltimore, MD 21202  
(410) 752-5900 or (800) 638-2479  
Website: [www.adamsexpress.com](http://www.adamsexpress.com)  
E-mail: [contact@adamsexpress.com](mailto:contact@adamsexpress.com)  
Counsel: Chadbourne & Parke LLP

Independent Registered Public Accounting Firm: PricewaterhouseCoopers LLP  
Transfer Agent & Registrar: American Stock Transfer & Trust Co.  
Custodian of Securities: Brown Brothers Harriman & Co.

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### OTHER INFORMATION

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#### Statement on Quarterly Filing of Complete Portfolio Schedule

In addition to publishing its complete schedule of portfolio holdings in the First and Third Quarter Reports to shareholders, the Company also files its complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Company's Forms N-Q are available on the Commission's website at [www.sec.gov](http://www.sec.gov). The Company's Forms N-Q may be reviewed and copied at the Commission's Public Reference Room, and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Company also posts its Forms N-Q on its website at: [www.adamsexpress.com](http://www.adamsexpress.com), under the heading "Financial Reports" and then "All Other SEC Filings".

#### Annual Certification

The Company's CEO has submitted to the New York Stock Exchange the annual CEO certification as required by Section 303A.12(a) of the NYSE Listed Company Manual.

#### Proxy Voting Policies and Record

A description of the policies and procedures that the Company uses to determine how to vote proxies relating to portfolio securities owned by the Company and information as to how the Company voted proxies relating to portfolio securities during the 12 month period ended June 30, 2008 are available (i) without charge, upon request, by calling the Company's toll free number at (800) 638-2479; (ii) on the Company's website by clicking on "Corporate Information" heading on the website; and (iii) on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

#### Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. By their nature, all forward-looking statements involve risks and uncertainties, and

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actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the Company's actual results are the performance of the portfolio of stocks held by the Company, the conditions in the U.S. and international financial markets, the price at which shares of the Company will trade in the public markets, and other factors discussed in the Company's periodic filings with the Securities and Exchange Commission.

### Privacy Policy

In order to conduct its business, the Company, through its transfer agent, currently American Stock Transfer & Trust Company, collects and maintains certain nonpublic personal information about our stockholders of record with respect to their transactions in shares of our securities. This information includes the stockholder's address, tax identification or Social Security number, share balances, and dividend elections. We do not collect or maintain personal information about stockholders whose shares of our securities are held in "street name" by a financial institution such as a bank or broker.

We do not disclose any nonpublic personal information about you, our other stockholders or our former stockholders to third parties unless necessary to process a transaction, service an account or as otherwise permitted by law.

To protect your personal information internally, we restrict access to nonpublic personal information about our stockholders to those employees who need to know that information to provide services to our stockholders. We also maintain certain other safeguards to protect your nonpublic personal information.

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### STOCKHOLDER INFORMATION AND SERVICES

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WE ARE OFTEN ASKED --

How do I invest in Adams Express?

Adams Express Common Stock is listed on the New York Stock Exchange. The stock's ticker symbol is "ADX" and may be bought and sold through registered investment security dealers. Your broker will be able to assist you in this regard. In addition, stock may be purchased through our transfer agent, American Stock Transfer & Trust Company's INVESTORS CHOICE Plan (see page 23).

Where do I get information on the stock's price, trading and/or net asset value?

The daily net asset value (NAV) per share and closing market price may be obtained from our website at [www.adamsexpress.com](http://www.adamsexpress.com). The daily NAV is also available on the NASDAQ Mutual Fund Quotation System under the symbol XADEx. The week-ending NAV is published on Saturdays in various newspapers.

Adams Express daily trading is shown in the stock tables of many daily newspapers, often with the abbreviated form "AdaEx." Local newspapers determine, usually by volume of traded shares, which securities to list. If your paper does not carry our listing, please telephone the Company at (800) 638-2479 or visit our website.

How do I replace a lost certificate(s) or how do I correct a spelling error on my certificate?

Your Adams Express stock certificates are valuable documents and should be kept in a safe place. For tax purposes, keep a record of each certificate, including the cost or market value of the shares it covers at the time acquired. If a

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certificate is lost, destroyed or stolen, notify the transfer agent immediately so a "stop transfer" order can be placed on the records to prevent an unauthorized transfer of your certificate. The necessary forms and requirements to permit the issuance of a replacement certificate will then be sent to you. A certificate can be replaced only after the receipt of an affidavit regarding the loss accompanied by an open surety bond, for which a small premium is paid by the stockholder.

In the event a certificate is issued with the holder's name incorrectly spelled, a correction can only be made if the certificate is returned to the transfer agent with instructions for correcting the error. Transferring shares to another name also requires that the certificate be forwarded to the transfer agent with the appropriate assignment forms completed and the signature of the registered owner Medallion guaranteed by a bank or member firm of The New York Stock Exchange, Inc.

Is direct deposit of my dividend checks available?

Yes, our transfer agent offers direct deposit of your interim dividend and year-end distribution checks. You can request direct deposit with American Stock Transfer either on-line or by calling them at the phone number provided on page 23.

Who do I notify of a change of address?

The transfer agent.

We go to Florida (Arizona) every winter. How do we get our mail from Adams Express?

The transfer agent can program a seasonal address into its system; simply send the temporary address and the dates you plan to be there to the transfer agent.

I want to give shares to my children, grandchildren, etc. as a gift. How do I go about it?

Giving shares of Adams Express is simple and is handled through our transfer agent. The stock transfer rules are clear and precise for most forms of transfer. They will vary slightly depending on each transfer, so write to the transfer agent stating the exact intent of your gift plans and the transfer agent will send you the instructions and forms necessary to effect your transfer.

How do I transfer shares held at American Stock Transfer (AST)?

There are many circumstances that require the transfer of shares to new registrations, e.g., marriage, death, a child reaching the age of maturity, or giving shares as a gift. Each situation requires different forms of documentation to support the transfer. You may obtain transfer instructions and download the necessary forms from our transfer agent's website: [www.amstock.com](http://www.amstock.com). Click on Shareholder Services, then General Shareholder Information and Transfer Instructions.

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### STOCKHOLDER INFORMATION AND SERVICES (CONTINUED)

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#### DIVIDEND PAYMENT SCHEDULE

The Company presently pays dividends four times a year, as follows: (a) three

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interim distributions on or about March 1, June 1, and September 1, and (b) a "year-end" distribution, payable in late December, consisting of the estimated balance of the net investment income for the year and the net realized capital gain earned through October 31. Stockholders may elect to receive the year-end distribution in stock or cash. In connection with this distribution, all stockholders of record are sent a dividend announcement notice and an election card in mid-November.

Stockholders holding shares in "street" or brokerage accounts may make their election by notifying their brokerage house representative.

### INVESTORS CHOICE

INVESTORS CHOICE is a direct stock purchase and sale plan, as well as a dividend reinvestment plan, sponsored and administered by our transfer agent, American Stock Transfer & Trust Company (AST). The Plan provides registered stockholders and interested first time investors an affordable alternative for buying, selling, and reinvesting in Adams Express shares.

The costs to participants in administrative service fees and brokerage commissions for each type of transaction are listed below.

|  |   |
|--|---|
| Initial Enrollment and<br>Optional Cash Investments                  |   |
| Service Fee  | \$2.50 per investment                                       |
| Brokerage Commission   | \$0.05 per share  |
| Reinvestment of Dividends*   |   |
| Service Fee  | 2% of amount invested<br>(maximum of \$2.50 per investment) |
| Brokerage Commission   | \$0.05 per share  |
| Sale of Shares   |   |
| Service Fee  | \$10.00   |
| Brokerage Commission   | \$0.05 per share  |
| Deposit of Certificates for safekeeping<br>(waived if sold)          | \$7.50  |
| Book to Book Transfers   | Included  |
| To transfer shares to another participant or to a new<br>participant |   |

Fees are subject to change at any time.

|   |             |
|---|-------------|
| Minimum and Maximum Cash Investments              |             |
| Initial minimum investment (non-holders)          | \$500.00    |
| Minimum optional investment<br>(existing holders) | \$50.00     |
| Electronic Funds Transfer<br>(monthly minimum)    | \$50.00     |
| Maximum per transaction                           | \$25,000.00 |
| Maximum per year                                  | NONE        |

A brochure which further details the benefits and features of INVESTORS CHOICE as well as an enrollment form may be obtained by contacting AST.

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For Non-registered Stockholders

For stockholders whose stock is held by a broker in "street" name, the AST INVESTORS CHOICE Direct Stock Purchase and Sale Plan remains available through many registered investment security dealers. If your shares are currently held in a "street" name or brokerage account, please contact your broker for details about how you can participate in AST's Plan or contact AST.

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The Company  
 The Adams Express Company  
 Lawrence L. Hooper, Jr.  
 Vice President, General Counsel and Secretary  
 Seven St. Paul Street, Suite 1140, Baltimore, MD 21202  
 (800) 638-2479  
 Website: [www.adamsexpress.com](http://www.adamsexpress.com)  
 E-mail: [contact@adamsexpress.com](mailto:contact@adamsexpress.com)

The Transfer Agent  
 American Stock Transfer & Trust Company  
 Address Stockholder Inquiries to:  
 Shareholder Relations Department  
 59 Maiden Lane  
 New York, NY 10038  
 (877) 260-8188  
 Website: [www.amstock.com](http://www.amstock.com)  
 E-mail: [info@amstock.com](mailto:info@amstock.com)

Investors Choice Mailing Address:  
 Attention: Dividend Reinvestment  
 P.O. Box 922  
 Wall Street Station  
 New York, NY 10269-0560  
 Website: [www.amstock.com](http://www.amstock.com)  
 E-mail: [info@amstock.com](mailto:info@amstock.com)

\*The year-end dividend and capital gain distribution will usually be made in newly issued shares of Common Stock. There are no fees or commissions in connection with this dividend and capital gain distribution when made in newly issued shares.

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### BOARD OF DIRECTORS

-----

| Personal Information | Position held with the fund | Term of office | Length of time served | Principal Occupations during the last 5 years | Number of portfolios in fund complex overseen by direc |
|----------------------|-----------------------------|----------------|-----------------------|---|--|
|----------------------|-----------------------------|----------------|-----------------------|---|--|

-----

#### Independent Directors

|   |          |             |               |  |     |
|---|----------|-------------|---------------|--|-----|
| Enrique R. Arzac, Ph.D.<br>7 St. Paul Street,<br>Suite 1140 | Director | One<br>Year | Since<br>1983 | Professor of Finance and<br>Economics, formerly, Vice Dean<br>of Academic Affairs of the | Two |
|---|----------|-------------|---------------|--|-----|

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Baltimore, MD 21202  
Age 67

Graduate School of Business,  
Columbia University.

|  |          |             |               |   |     |
|--|----------|-------------|---------------|---|-----|
| Phyllis O. Bonanno<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 65    | Director | One<br>Year | Since<br>2003 | President & CEO of International Trade Solutions, Inc. (consultants). Formerly, President of Columbia College, Columbia, South Carolina, and Vice President of Warnaco Inc. (apparel).  | Two |
| Kenneth J. Dale<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 52       | Director | One<br>Year | Since<br>2008 | Senior Vice President and Chief Financial Officer of The Associated Press.  | Two |
| Daniel E. Emerson<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 84     | Director | One<br>Year | Since<br>1982 | Retired Executive Vice President of NYNEX Corp. (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. | Two |
| Frederic A. Escherich<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 56 | Director | One<br>Year | Since<br>2006 | Private Investor. Formerly, Managing Director and head of Mergers and Acquisitions Research and the Financial Advisory Department with J.P. Morgan.   | Two |
| Roger W. Gale, Ph.D.<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 62  | Director | One<br>Year | Since<br>2005 | President & CEO of GF Energy, LLC (consultants to electric power companies). Formerly, member of management group, PA Consulting Group (energy consultants).  | Two |
| Thomas H. Lenagh<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 90      | Director | One<br>Year | Since<br>1968 | Financial Advisor. Formerly, Chairman of the Board and CEO of Greiner Engineering Inc. (formerly Systems Planning Corp.) (consultants). Formerly, Treasurer and Chief Investment Officer of the Ford Foundation (charitable foundation).                    | Two |

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| Personal Information | Position held with the fund | Term of office | Length of time served | Principal Occupations during the last 5 years | Number of portfolio in fund complex overseen by director |
|----------------------|-----------------------------|----------------|-----------------------|---|--|
|----------------------|-----------------------------|----------------|-----------------------|---|--|

Independent Directors (continued)

|  |          |          |            |   |     |
|--|----------|----------|------------|---|-----|
| Kathleen T. McGahran, Ph.D., J.D., C.P.A.<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 58 | Director | One Year | Since 2003 | President & CEO of Pelham Associates, Inc. (executive education), and Adjunct Associate Professor, Tuck School of Business, Dartmouth College. Formerly, Associate Dean and Director of Executive Education and Associate Professor, Columbia University. | Two |
|--|----------|----------|------------|---|-----|

|   |          |          |            |   |     |
|---|----------|----------|------------|---|-----|
| Craig R. Smith, M.D.<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 62 | Director | One Year | Since 2005 | President, Williston Consulting LLC (consultants to pharmaceutical and biotechnology industries), and Chief Operating Officer and Director of Algenol Biofuels Inc. (ethanol manufacturing). Formerly, Chairman, President & CEO of Guilford Pharmaceuticals (pharmaceuticals & biotechnology). | Two |
|---|----------|----------|------------|---|-----|

Interested Director

|  |                                     |          |  |  |     |
|--|-------------------------------------|----------|--|--|-----|
| Douglas G. Ober<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 62 | Director,<br>Chairman<br>and<br>CEO | One Year | Director Since 1989;<br>Chairman of the Board Since 1991 | Chairman & CEO of the Company and Petroleum & Resources Corporation. | Two |
|--|-------------------------------------|----------|--|--|-----|



Board Of Directors

|                             |                              |
|-----------------------------|------------------------------|
| Enrique R. Arzac /2,4/      | Roger W. Gale /1,3,5/        |
| Phyllis O. Bonanno /1,4,5/  | Thomas H. Lenagh /2,3/       |
| Kenneth J. Dale /3,4/       | Kathleen T. McGahran /1,4,5/ |
| Daniel E. Emerson /1,3,5/   | Douglas G. Ober /1/          |
| Frederic A. Escherich /2,3/ | Craig R. Smith /2,4/         |

-----  
/1./ Member of Executive Committee  
/2./ Member of Audit Committee  
/3./ Member of Compensation Committee  
/4./ Member of Retirement Benefits Committee  
/5./ Member of Nominating and Governance Committee

Officers

|                         |   |
|-------------------------|---|
| Douglas G. Ober         | Chairman and Chief<br>Executive Officer                     |
| Joseph M. Truta         | President   |
| David D. Weaver         | Executive Vice President                                    |
| Lawrence L. Hooper, Jr. | Vice President, General<br>Counsel and Secretary            |
| Maureen A. Jones        | Vice President, Chief<br>Financial Officer and<br>Treasurer |
| David R. Schiminger     | Vice President -- Research                                  |
| D. Cotton Swindell      | Vice President -- Research                                  |
| Brian S. Hook           | Assistant Treasurer   |
| Christine M. Sloan      | Assistant Treasurer   |
| Geraldine H. Pare       | Assistant Secretary   |

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Graphic

THE ADAMS EXPRESS COMPANY  
SEVEN ST. PAUL STREET  
SUITE 1140  
BALTIMORE, MD 21202  
(410) 752-5900 OR (800) 638-2479  
www.adamsexpress.com

Item 2. Code of Ethics.

On June 12, 2003, the Board of Directors adopted a code of ethics that applies to Registrant's principal executive officer and principal financial officer. The code of ethics is available on Registrant's website at: www.adamsexpress.com. Since the code of ethics was adopted there have been no amendments to it nor have any waivers from any of its provisions been granted.

Item 3. Audit Committee Financial Expert.

The board of directors has determined that at least one of the members of Registrant's audit committee meets the definition of audit committee financial expert as that term is defined by the Securities and Exchange Commission. The director on the Registrant's audit committee whom the board of directors has determined meets such definition is Enrique R. Arzac, who is independent pursuant to paragraph (a)(2) of this Item.

Item 4. Principal Accountant Fees and Services.

(a) Audit Fees. The aggregate fees for professional services rendered by its independent auditors, PricewaterhouseCoopers LLP, for the audits of the Company's annual and semi-annual financial statements for 2008 and 2007 were \$80,462 and \$76,630 respectively.

(b) Audit-Related Fees. There were no audit-related fees in 2008 and 2007.

(c) Tax Fees. The aggregate fees to Registrant for professional services rendered by PricewaterhouseCoopers LLP for the review of Registrant's excise tax calculations and preparations of federal, state and excise tax returns for 2008 and 2007 were \$12,674 and \$12,070, respectively.

(d) All Other Fees. The aggregate fees to Registrant by

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PricewaterhouseCoopers LLP other than for the services referenced above for 2008 and 2007 were \$4,770 and \$5,766, respectively, which related to the Company's cash incentive plan and the 2005 Equity Incentive Compensation Plan, and preparation of a report to the Company's Compensation Committee.

(e) (1) Audit Committee Pre-Approval Policy. As of 2008, all services to be performed for Registrant by PricewaterhouseCoopers LLP must be pre-approved by the audit committee. All services performed in 2008 were pre-approved by the committee.

(2) Not applicable.

(f) Not applicable.

(g) The aggregate fees for non-audit professional services rendered by PricewaterhouseCoopers LLP to Registrant for 2008 and 2007 were \$17,444 and \$17,836, respectively.

(h) The Registrant's audit committee has considered the provision by PricewaterhouseCoopers LLP of the non-audit services described above and found that they are compatible with maintaining PricewaterhouseCoopers LLP's independence.

### Item 5. Audit Committee of Listed Registrants.

(a) The Registrant has a standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the audit committee are: Enrique R. Arzac, Chair, Frederic A. Escherich, Thomas H. Lenagh, and Craig R. Smith.

(b) Not applicable.

### Item 6. Schedule of Investments.

(a) This schedule is included as part of the report to stockholders filed under Item 1 of this form.

(b) Not applicable.

### Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

#### PROXY VOTING GUIDELINES

The Adams Express Company (Adams) follows long-standing general guidelines for the voting of portfolio company proxies and takes very seriously its responsibility to vote all such proxies. The portfolio company proxies are evaluated by our research staff and voted by our portfolio management team, and we annually provide the Board of Directors with a report on how proxies were voted during the previous year. We do not use an outside service to assist us in voting our proxies.

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As an internally-managed investment company, Adams uses its own staff of research analysts and portfolio managers. In making the decision to invest in a company for the portfolio, among the factors the research team analyses is the integrity and competency of the company's management. We must be satisfied that the companies we invest in are run by managers with integrity. Therefore, having evaluated this aspect of our portfolio companies' managements, we give significant weight to the recommendations of the company's management in voting on proxy issues.

We vote proxies on a case-by-case basis according to what we deem to be the best long-term interests of our shareholders. The key over-riding principle in any proxy vote is that stockholders be treated fairly and equitably by the portfolio company's management. In general, on the election of directors and on routine issues that we do not believe present the possibility of an adverse impact upon our investment, after reviewing whether applicable corporate governance requirements as to board and committee composition have been met, we will vote in accordance with the recommendations of the company's management. When we believe that the management's recommendation is not in the best interests of our stockholders, we will vote against that recommendation.

Our general guidelines for when we will vote contrary to the recommendation of the portfolio company management's recommendation are:

### Stock Options

Our general guideline is to vote against stock option plans that we believe are unduly dilutive of our stock holdings in the company. We use a general guideline that we will vote against any stock option plan that results in dilution in shares outstanding exceeding 4%. Most stock option plans are established to motivate and retain key employees and to reward them for their achievement. An analysis of a stock option plan can not be made in a vacuum but must be made in the context of the company's overall compensation scheme. In voting on stock option plans, we give consideration to whether the stock option plan is broad-based in the number of employees who are eligible to receive grants under the plan. We generally vote against plans that permit re-pricing of grants or the issuance of options with exercise prices below the grant date value of the company's stock.

### Corporate Control/Governance Issues

Unless we conclude that the proposal is favorable to our interests as a long-term shareholder in the company, we have a long-standing policy of voting against proposals to create a staggered board of directors. In conformance with that policy, we will generally vote in favor of shareholder proposals to eliminate the staggered election of directors.

Unless we conclude that the proposal is favorable to our interests as a long-term shareholder in the company, our general policy is to vote against amendments to a company's charter that can be characterized as blatant anti-takeover provisions.

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With respect to so-called golden parachutes and other severance packages, it is our general policy to vote against proposals relating to future employment contracts that provide that compensation will be paid to any director, officer or employee that is contingent upon a merger or acquisition of the company.

We generally vote for proposals to require that the majority of a board of directors consist of independent directors and vote against proposals to establish a retirement plan for non-employee directors.

We have found that most stockholder proposals relating to social issues focus on very narrow issues that either fall within the authority of the company's management, under the oversight of its board of directors, to manage the day-to-day operations of the company or concern matters that are more appropriate for global solutions rather than company-specific ones. We consider these proposals on a case-by-case basis but usually are persuaded management's position is reasonable and vote in accordance with management's recommendation on these types of proposals.

### Item 8. Portfolio Managers of Closed-End Management Investment Companies.

(a) (1) As of the date of this filing, Douglas G. Ober, Chairman and Chief Executive Officer, Joseph M. Truta, President, and David W. Weaver, Executive Vice President, comprise the 3 person portfolio management team for the Registrant. Mr. Ober and Mr. Truta have served as portfolio managers for the Registrant since 1991 and Mr. Weaver since March 2008. Prior thereto, Mr. Weaver served as Vice President-Research from January 2007 to March 2008 and as a research analyst from 2004 to January 2007. Mr. Ober is the lead member of the portfolio management team. Messrs. Ober, Truta and Weaver receive investment recommendations from a team of research analysts and make decisions jointly about any equity transactions in the portfolio. Concurrence of the portfolio managers is required for an investment recommendation to be approved.

(2) As of the date of this filing, Mr. Ober and Mr. Truta also serve on the portfolio management team for Registrant's non-controlled affiliate, Petroleum & Resources Corporation (Petroleum), a registered investment company with total net assets of \$538,936,942 as of December 31, 2008. Mr. Ober is Chairman, Chief Executive Officer and President of Petroleum, and Mr. Truta is Executive Vice President. The Petroleum fund is a non-diversified fund focusing on the energy and natural resources sectors and the Registrant is a diversified fund with a different focus, and there are few material conflicts of interest that may arise in connection with the portfolio managers' management of both funds. The funds do not buy or sell securities or other portfolio holdings to or from the other, and procedures and policies are in place covering the sharing of expenses and the allocation of investment opportunities, including bunched orders and investments in initial public offerings, between the funds.

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(3) The portfolio managers are compensated through a three-component plan, consisting of salary, annual cash incentive compensation, and equity incentive compensation. The value of each component in any year is determined by the Compensation Committee, comprised solely of independent director members of the Board of Directors ("Committee"). The Committee has periodically employed a compensation consultant to review the plan and its components. Salaries are determined by using appropriate industry surveys and information about the local market as well as general inflation statistics. Cash incentive compensation is based on a combination of absolute and relative fund performance, with a two-thirds weighting, and individual success at meeting goals and objectives set by the Board of Directors at the beginning of each year, with a one-third weighting. Target incentives are set annually based on 80% of salary for the Chief Executive Officer and 60% of salary for the President and Executive Vice President. The fund performance used in determining cash incentive compensation is measured over both a one-year period, accounting for two-thirds of the calculation, and a three-year period, which accounts for one-third. The total return on net asset value of the Fund over each of the two periods is used to determine a base percentage of target, which, for 2008, was then adjusted by performance relative to the S&P 500 Index. Using these calculations, the cash incentive compensation can range from 0% to a maximum of 200% of the established target. Equity incentive compensation, based on a plan approved by stockholders in 2005, can take several forms. Following approval of the plan, grants of restricted stock were made to the portfolio managers in April 2005, with vesting in equal proportions over a three year period. The size of the grants was determined by the Committee with the assistance of an outside compensation consultant. Grants of restricted stock were also made on January 10, 2008 (previous grants had been made on January 11, 2007, and January 12, 2006), which vest three years after grant, but only upon the achievement of specified performance criteria. For the 2008 grants, the target number of restricted shares will vest if, on the January 1 prior to the vest date ("measurement date"), the Registrant's total three year net asset value ("NAV") return meets or exceeds the three year total NAV return of a hypothetical portfolio comprised of a 50/50 blend of the S&P 500 Index and the Lipper Large-Cap Core Mutual Fund Average ("Hypothetical Portfolio"). Depending on the level of Registrant's outperformance or underperformance of the Hypothetical Portfolio on the measurement date, an additional number of shares, a lesser percentage, or no shares will be earned and vest.

(4) Using a valuation date of December 31, 2008, Mr. Ober beneficially owns equity securities in Registrant valued over \$1,000,000. Mr. Truta beneficially owns equity securities in Registrant valued over \$1,000,000. Mr. Weaver beneficially owns equity securities in Registrant valued between \$100,001 and \$500,000.

(b) Not applicable.

Item 9: Purchases of Equity Securities by Closed-End

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Management Investment Company and Affiliated Purchasers.

| Period    | Total<br>Number<br>of<br>Shares<br>(or<br>Units)<br>Purchased | Average<br>Price<br>Paid per<br>Share (or<br>Unit) | Total<br>Number of<br>Shares (or<br>Units)<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | Maximum<br>Number (or<br>Approximate<br>Dollar Value)<br>of Shares (or<br>Units) that<br>May Yet Be<br>Purchased<br>Under the<br>Plans or<br>Programs |
|-----------|---|--|--|---|
| Jan. 2008 | 159,576   | \$12.64  | 159,576  | 4,026,760   |
| Feb. 2008 | 174,918   | \$12.75  | 174,918  | 3,851,842   |
| Mar. 2008 | 240,814   | \$12.44  | 240,814  | 3,611,028   |
| Apr. 2008 | 239,900   | \$12.89  | 239,900  | 3,371,128   |
| May 2008  | 108,100   | \$13.12  | 108,100  | 3,263,028   |
| June 2008 | 140,000   | \$12.47  | 140,000  | 3,123,028   |
| Jul. 2008 | 521,160   | \$11.73  | 521,160  | 2,601,868   |
| Aug. 2008 | 342,752   | \$12.08  | 342,752  | 2,259,116   |
| Sep. 2008 | 279,219   | \$11.44  | 279,219  | 1,979,897   |
| Oct. 2008 | 0   | \$0  | 0  | 1,979,897   |
| Nov. 2008 | 0   | \$0  | 0  | 1,979,897   |
| Dec. 2008 | 251,108   | \$8.00   | 251,108  | 4,024,224 (2)   |
| Total     | 2,457,547 (1)   | \$11.78  | 2,457,547 (2)  |   |

(1) There were no shares purchased other than through a publicly announced plan or program.

(2.a) The Plan was announced on December 13, 2007.

(2.b) The share amount approved for 2008 was 5% of outstanding shares, or approximately 4,268,436 shares.

(2.c) The Plan was set to expire December 2008, but was extended by the Board on December 11, 2008 for twelve months, authorizing purchases of up to 5% of the outstanding shares, or approximately 4,275,332 shares, through December 2009.

(2.d) None.

(2.e) None.

### Item 10. Submission of Matters to a Vote of Security Holders.

There were no material changes to the procedures by which shareholders may recommend nominees to the Registrant's board of directors made or implemented after the Registrant last provided disclosure in response to the requirements of Item 7(d) (2) (ii) (G) of Schedule 14A (17 CFR 240.14a-101), or this Item.

### Item 11. Controls and Procedures.

Conclusions of principal officers concerning controls and procedures.

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(a) The Registrant's principal executive officer and principal financial officer have concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) are effective based on their evaluation of the disclosure controls and procedures as of a date within 90 days of the filing date of this report.

(b) There have been no significant changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) that occurred during the Registrant's second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 12. Exhibits.

(a)(1) Not applicable. See Registrant's response to Item 2 above.

(2) Separate certifications by the Registrant's principal executive officer and principal financial officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and required by Rule 30a-2(a) under the Investment Company Act of 1940, are attached.

(3) Written solicitation to purchase securities: not applicable.

(b) A certification by the Registrant's principal executive officer and principal financial officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and required by Rule 30a-2(b) under the Investment Company Act of 1940, is attached.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE ADAMS EXPRESS COMPANY

BY: /s/ Douglas G. Ober  
-----  
Douglas G. Ober  
Chief Executive Officer  
(Principal Executive Officer)

Date: February 23, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates



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indicated.

BY: /s/ Douglas G. Ober  
-----  
Douglas G. Ober  
Chief Executive Officer  
(Principal Executive Officer)

Date: February 23, 2009

BY: /s/ Maureen A. Jones  
-----  
Maureen A. Jones  
Vice President, Chief Financial Officer and Treasurer  
(Principal Financial Officer)

Date: February 23, 2009