Neenah Paper Inc
Form 11-K
June 29, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One):

x	**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the fiscal year ended December 31, 2006

OR

o	**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from to

Commission file number 001-32240

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

NEENAH PAPER 401(k) RETIREMENT PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

NEENAH PAPER, INC.
3460 Preston Ridge Road
Suite 600
Alpharetta, Georgia 30005

NEENAH PAPER 401(k) RETIREMENT PLAN

Financial Statements as of and for the years ended December 31, 2006 and 2005

NEENAH PAPER 401(k) RETIREMENT PLAN

Table of Contents

Note: All other schedules required by 29 CFR 2520.103-10 of the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Plan Administrator and Participants of
Neenah Paper 401(k) Retirement Plan:

We have audited the accompanying statements of net assets available for benefits of Neenah Paper 401(k) Retirement Plan (the Plan) as of December 31, 2006 and 2005, and the related statement of changes in net assets available for benefits for the year ended December 31, 2006. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2006 and 2005, and the changes in net assets available for benefits for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2006, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan s management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2006 financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

As further discussed in Note 2, the Plan adopted FSP AAG Inv-1 and SOP 94-4-1 for the years ended December 31, 2006 and 2005.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
June 28, 2007

NEENAH PAPER 401(k) RETIREMENT PLAN

Statement of Net Assets Available for Benefits

	As of December 31, 2006	2005
ASSETS:		
Participant directed investments at fair value:		
Interest in master trust	$ 75,712,537	$ 65,718,625
Loans to participants	725,055	663,046
Total investments	76,437,592	66,381,671
Receivables:		
Employer contributions		41,758
Participant contributions		120,247
Other receivables	11,470	2,371
Total receivables	11,470	164,376
Total assets	76,449,062	66,546,047
LIABILITIES Payables for securities purchased	2,046	2,443
NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE	76,447,016	66,543,604
Adjustments from fair value to contract value for fully benefit-responsive investment contracts (Note 2)	114,602	124,164
NET ASSETS AVAILABLE FOR BENEFITS	$ 76,561,618	$ 66,667,768

See notes to financial statements

2

NEENAH PAPER 401(k) RETIREMENT PLAN

Statement of Changes in Net Assets Available for Benefits
For the Year Ended December 31, 2006

CONTRIBUTIONS:	
Participant	$ 4,518,122
Employer	1,304,496
Total contributions	5,822,618
INVESTMENT INCOME:	
Net gain from interest in Master Trust	8,840,913
Interest income from participant loans	43,333
Net investment income	8,884,246
Total Additions	14,706,864
BENEFITS PAID TO PARTICIPANTS	(4,807,527)
ADMINISTRATIVE EXPENSES	(5,487)
INCREASE IN NET ASSETS	9,893,850
NET ASSETS AVAILABLE FOR BENEFITS	
Beginning of year	66,667,768
End of year	$ 76,561,618

3

NEENAH PAPER 401(k) RETIREMENT PLAN
Notes to Financial Statements

NOTE 1 DESCRIPTION OF THE PLAN

The following description of the Neenah Paper 401(k) Retirement Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

General The Plan is a defined contribution plan established December 1, 2004, by Neenah Paper, Inc. (the Company). The Plan Administrative Committee of the Board of Directors of the Company controls and manages the operation and administration of the Plan. Vanguard Fiduciary Trust Company (the Trustee) serves as the trustee of the Plan and of the Neenah Paper Defined Contribution Master Trust (Master Trust), through which the Plan is funded. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Eligibility An employee of the Company or a participating employer, as defined by the Plan, is eligible to participate in the Plan upon his/her date of hire.

Contributions Each year, non-highly compensated and highly compensated participants may contribute up to 75% and 17%, respectively, of their annual pretax compensation, as defined in the Plan, subject to certain Internal Revenue Code (IRC) limitations. Participants are also allowed to contribute after-tax contributions not to exceed 75% of annual compensation for non-highly compensated employees and 17% of annual compensation for highly compensated employees. For the years ended December 31, 2006 and 2005, the Company made matching contributions of 75% of the participant s pretax contributions or after-tax contributions up to the first 2% of such participant s compensation per pay period, and 50% of the participant s pretax contributions or after-tax contributions up to the next 3% of the participant s compensation per pay period, respectively. Company-matching contributions are discretionary.

Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

Participant Accounts Individual accounts are maintained for each Plan participant. Each participant s account is credited with the participant s contribution, the Company s matching contribution, and allocations of Plan earnings and charged with withdrawals and an allocation of Plan losses and administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account.

Investments Participants direct the investment of their contributions and Company matching contributions into various investment options offered by the Plan.

The Neenah Paper Stock Fund and the self-directed brokerage accounts are two of the investment options available to participants. No participant may invest more than 25% and 50% of his/her account balance in the Neenah Paper Stock Fund and Self-Directed Brokerage Accounts, respectively, at any time.

The Kimberly-Clark Stock Fund (Kimberly-Clark Stock Fund) was an investment fund limited to those grandfathered participants in the Kimberly-Clark Incentive Investment Plan (the Kimberly-Clark IIP) who became eligible to participate in the Plan on December 1, 2004. Participants investments in the Kimberly-Clark Stock Fund were transferred into the Plan and this option became frozen. The Kimberly-Clark Stock Fund was liquidated effective November 30, 2006, and participants redirected their investments to other investment options offered by the Plan. For those participants that did not voluntarily redirect their investments, the investments were redirected to an age appropriate target retirement fund.

Vesting Participants are vested immediately in their contributions plus actual earnings thereon. Vesting in the Company s matching contribution portion of their accounts is based on years of continuous service. A participant is 100% vested after three years of credited service, upon termination of employment with the Company if the participant has attained age 55, or upon death.

Participant Loans Participants may borrow from their fund accounts up to a maximum of $50,000 or 50% of their account balance, whichever is less. The loans are secured by the balance in the participant s account and bear interest at rates commensurate with local prevailing rates at the time funds are borrowed as determined by the Plan administrative committee. Principal and interest are paid ratably through payroll deductions.

Payment of Benefits Upon termination of service or attainment of age 59 1/2, a participant may generally elect to receive a lump-sum amount equal to the value of the participant s vested interest in his/her account. A participant may make the following regular withdrawals, as defined by the Plan:

(a) After-tax contributions, provided such amounts have been in the Plan (or the Kimberly-Clark IIP) for at least 24 months

(b) Company-matching contributions, provided such amounts are vested and have been in the Plan (or the Kimberly-Clark IIP) for at least 24 months

(c) Any contributions included within his/her rollover account.

Forfeited Accounts At December 31, 2006 and 2005, forfeited nonvested accounts totaled $4,040 and $7,259, respectively. These accounts will be used to either reduce future employer contributions or pay administrative expenses. For the year ended December 31, 2006, employer contributions were reduced by $14,128 from forfeited nonvested accounts.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties The Master Trust utilizes various investment instruments, including mutual funds, a common and collective trust fund, and common stocks. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Valuation of Investments and Income Recognition (Master Trust Fund) The Plan s investment in the Master Trust is presented at fair value, which has been determined based on the fair value of the underlying investments of the Master Trust. The Master Trust holds mutual funds and common stock securities in which the Plan participates. Shares of mutual funds and common stock are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end. Units of the common and collective trust fund are determined by the Trustee, based upon the quoted market values of the underlying investments held by the fund. Participant loans are valued at the outstanding loan balances, which approximate fair market value.

Included in the Master Trust is an investment in the Vanguard Retirement Savings Trust which is a collective investment trust fund that invests solely in the Vanguard Retirement Savings Master Trust (the Vanguard Master Trust). The underlying investments of the Vanguard Master Trust are primarily in a pool of investment contracts that are issued by insurance companies and commercial banks and in contracts that are backed by high-quality bonds, bond trusts and bond mutual funds. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. Contract value represents contributions made to the fund, plus earnings, less participant withdrawals.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Management fees and operating expenses charged to the Plan for investments in the mutual funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment returns for such investments.

Adoption of new Accounting Guidance The financial statements reflect the retroactive adoption of Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, Reporting of Fully Benefit-Responsive Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans (the FSP). As required by the FSP, the statements of net assets available for benefits presents investment contracts at fair value as well as an additional line item showing an adjustment of fully benefit contracts from fair value to contract value. The statement of changes in net assets available for benefit is presented on a contract value basis and was not affected by the adoption of the FSP. The adoption of the FSP did not impact the amount of net assets available for benefits at December 31, 2005.

Administrative Expenses Generally, administrative expenses of the Plan are paid by the Company, except for various costs associated with processing participant loans or expenses associated with investments within the self-directed brokerage account which were paid by the Plan, as provided in the Plan document.

Payment of Benefits Benefit payments to participants are recorded upon distribution. At December 31, 2006 and 2005, there were no amounts allocated to accounts of persons who had elected to withdraw from the Plan but had not yet been paid.

NOTE 3 INVESTMENT IN MASTER TRUST

Except for participant loans, the Plan s investment assets are funded through the Master Trust. The Master Trust was established by the Company and is administered by the Trustee. Use of the Master Trust permits the commingling of the Plan s assets with the assets of the Neenah Paper Retirement Contribution Plan for administrative purposes. Although assets of both plans are commingled in the Master Trust, the Trustee maintains supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans. The net investment income of the investment assets is allocated by the Trustee to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans. As of December 31, 2006 and 2005, the Plan s percentage of interest in the Master Trust is approximately 92% and 93%, respectively.

The investments of the Master Trust at December 31, 2006 and 2005, are summarized as follows:

	2006	**2005**
Mutual Funds	$ 64,574,500	$ 36,143,165
Neenah Paper common stock	3,005,834	1,659,898
Kimberly-Clark common stock		20,884,701
Common and collective trust Fund	13,695,626	10,869,696
Self-directed brokerage option	1,409,693	1,381,991
Total investments	$ 82,685,653	$ 70,939,451

For the year ended December 31, 2006, the net investment income of the Master Trust s investments is as follows:

Dividend and interest income	$ 2,391,535
Net appreciation (depreciation) in fair value of investments:	
Mutual funds	Mr. F. T. Webster’s employment agreement is terminated, then he will receive the greater of: (i) the remaining salary due to him

under his employment agreement or (ii) a sum equal to $385,000 less applicable withholdings and deductions. Mr. Webster is also eligible for three years of uninterrupted participation in the Company or its successors, medical and dental plans provided Mr. Webster pays for such plans at the then prevailing employee rate. Mr. F. T. Webster's original employment agreement was scheduled to terminate May 13, 2007. The agreement was amended on various dates and currently the termination date is extended to May 13, 2012 with all other terms remaining as described herein. Mr. Webster's annual base salary is to remain at the current $385,000 level. Based upon a hypothetical termination date of December 31, 2008, the severance benefits for Mr. F. T. Webster would have been as follows:

Termination due to change of control	Termination due to death or disability	Termination for cause or voluntary resignation	Termination without cause
$1,296,342	$7,404	$7,404	$1,296,346

Effective July 25, 2008, the Company entered into a Change of Control and Severance Agreement with its Chief Financial Officer, Richard B. Abshire. This agreement will terminate on July 25, 2012 if a Change of Control has not occurred on or before that date. A Change of Control shall be deemed to have occurred if KSA Industries, Inc., K. S. Adams, Jr., and their children and grandchildren own less than 20% of the Company's Common Stock. This agreement provides that, if Mr. Abshire's employment is terminated within 12 months following a Change in Control, by any event other than (i) by the Company for Cause (as defined), (ii) by reason of death or disability, or (iii) by Mr. Abshire's initiative absent Good Reason (as defined), then the Company will pay Mr. Abshire a lump sum severance payment, in cash, equal to two times Mr. Abshire's highest base salary (i.e., annualized regular earning excluding any bonus) as in effect during the three-year period ending the last day of the month immediately prior to the month in which the termination occurs. Under Mr. Abshire's Change of Control and Severance Agreement, Cause means (i) with certain exception, Mr. Abshire's willful and continued failure to substantially perform his duties with the Company after a written notice from the Board, or (ii) Mr. Abshire's willful engaging in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise. Mr. Abshire will be deemed to have Good Reason if (i) there is a material reduction or adverse alternation in his authority, duties or responsibilities, (ii) a material diminution in his base salary, or he is asked to relocate more than 50 miles from the Company's current headquarters. Based on a hypothetical termination date of December 31, 2008, the severance benefits for Mr. Abshire under the provisions of this Agreement would have been $462,000.

COMPENSATION, DISCUSSION AND ANALYSIS

The Company's executive compensation policies are designed to provide aggregate compensation opportunities for its executive officers that are competitive in the business marketplace and that are based upon Company and individual performance.

Compensation Philosophy

The Company's compensation philosophy has the following objectives and executive compensation levels are determined in consideration thereof:

- Establish and maintain a level of compensation that is competitive within the Company's industry.
- Provide an incentive mechanism for favorable results.
- Provide a level of executive compensation that is consistent with the level of compensation for non-executive personnel.
- Maintain a compensation system that is consistent with the objectives of sound corporate governance.

Design of Reward

Together with the need to retain its executive officers, the Company's compensation program is designed to reward and create an incentive for the executive officers provided the Company's overall financial condition and liquidity is sound. Executive compensation as a reward is generally considered as a group rather than an individual achievement. This approach fosters a team approach to management.

It is the policy of the Company to pay all forms of compensation in cash. This is believed to be the simplest, most readily understood approach and does not expose the Company to potential future diminution of corporate value. This policy also removes any issues regarding accounting and the tax deductibility of executive compensation.

Elements of Compensation

The Company's executive compensation program is comprised of the following elements:

- Base salary
- Discretionary bonus
- Benefits

The Company utilizes these three elements of executive compensation because these elements are believed to be the minimum required in order to retain its executive officer group. Compensation decisions are made solely by the Company's Compensation Committee without the use of compensation consultants. Base salaries are initially determined based on negotiations occurring at the time of the executive joining the Company. In subsequent years, such levels may be adjusted based on current competitive conditions. Discretionary bonuses are used as an incentive for favorable results. The discretionary bonus may also serve as a supplement to base salary levels, while allowing the Board to avoid such expense during a year when earnings do not meet expectations. A pre-defined formula bonus system is not utilized. This is because the discretionary approach is believed to better align management with the long-term interest of the Company rather than toward a set short-term formula target.

The determination of a discretionary bonus generally originates with a recommendation from executive officers based on the Company's compensation philosophy. An important consideration for the recommended amount is the level of salaries and bonuses paid to the Company's non-executive officer employees. The Company has a diverse group of non-executive employees with levels of compensation consistent with industry practices and varying responsibilities. Recommended bonus amounts are consistent with the bonus amounts and concepts applied to non-executive employees. The Compensation Committee retains final approval authority over such recommended amounts. Discretionary bonuses may be awarded intermittently during the year as warranted by current results. Such amounts are expensed as incurred. Discretionary bonuses are anticipated to increase or decrease with the prevailing trend for consolidated net earnings.

The Company also provides employee benefits, primarily consisting of a 401(k) Plan (discussed below) and an employer sponsored medical plan. The benefits provided the executive officer group are no different than those offered to non-executive employees. The Company does not provide stock options or other common stock incentives. The Company does not offer a defined benefit pension plan.

Perquisites

The Company provides the following:

- Automobile Allowance
- Club Dues Reimbursement
- Life and Disability Insurance Premiums

Automobile allowance and club dues reimbursements are paid to the executive officers consistent with the payment of such amounts to non-executive employees. The requirement to pay such amounts is negotiated with the executive at the time of their initial employment. Life and disability insurance premiums are paid on behalf of the executives consistent with the payment of such insurance premiums for non-executive employees.

Perquisite amounts are not considered annual salary for bonus purposes.

401(k) Plan

Consistent with the Company's desire to provide financial security in retirement, the Company offers a 401(k) plan to its employees, including its executive officers. As described in footnote (1) to the Summary Compensation Table, the Company makes a matching contribution to the plan. In 2008, the Company matched 100% of employee contributions up to 3% of compensation and matched 50% of employee contributions from 3% to 5% of compensation, subject to the current annual limit of $9,200. This policy conforms with the IRS allowed safe harbor rules for matching contributions.

Employment and Severance Agreements

The Company has an employment agreement with Mr. F. T. Webster. His agreement expires on May 13, 2012. The agreement contains no automatic extensions. Mr. Webster's employment agreement contains conditions of employment and entitles him to participate in the Company's leave, insurance and other employee benefit plans of the Company that may be in effect from time to time for management-level employees of the Company. Mr. Webster's employment agreement also provides for severance payments in certain cases of termination. For additional information concerning Mr. F. T. Webster's employment agreement, see "Potential Payments upon Termination or Change in Control — Employment Agreements" above.

The Company has a Change of Control and Severance Agreement with Mr. Abshire. His agreement expires on July 25, 2012. For additional information concerning Mr. Abshire's agreement, see "Potential Payments upon Termination or Change in Control – Employment Agreements" above.

Chairman and Chief Executive Officer Compensation

Mr. Adams' base salary, discretionary bonus and benefits for each of the past three years are presented in the table above. The methodology for establishing such levels of compensation is consistent with the methodology utilized for other executive officers. As the major shareholder of the Company, Mr. Adams is acutely aware of the need to balance the goal of reinvesting available cash flow to build the Company's equity base with the need to attract and retain key employees.

Internal Revenue Code 162(m) Considerations

Section 162(m) of the Internal Revenue Code, as amended, limits a company's ability to deduct compensation paid in excess of $1 million to the Chief Executive Officer and the next four highest paid officers in any year, unless the compensation meets certain performance requirements. The Company has no officers receiving compensation in excess of $1 million.

REPORT OF COMPENSATION COMMITTEE

The following report of the Compensation Committee of the Board of Directors shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to the SEC’s proxy rules, except for the required disclosure in this Proxy Statement, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), except to the extent that the Company specifically incorporates by reference into any filing made by the Company under the Securities Act of 1933 or the Exchange Act.

The Compensation Committee of the Board of Directors consists of Messrs. Reinauer, E. Jack Webster, Jr. and Bell. The duties and responsibilities of the Compensation Committee are set forth in a written charter adopted by the Board of Directors and such charter is available on the Company's website at www.adamsresources.com. Each of the members of the Compensation Committee is independent, as defined in Section 121A of the listing standards of the American Stock Exchange.

We have reviewed and discussed with management the Company's above Compensation Discussion and Analysis ("CD&A") and based on our review and discussions with management, we recommended to the Board of Directors that the CD&A be included in this proxy statement and the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

E. C. Reinauer, Jr. Chairman
E. Jack Webster, Jr.
Larry E. Bell

DIRECTOR COMPENSATION

Directors who are employees of the Company do not receive fees or any other compensation for their services as directors. Directors who are not employees received cash compensation as presented in the table below. Director fees are paid on a quarterly basis. Directors are also reimbursed for direct out-of-pocket expenses in connection with travel associated with meeting attendance. There were no stock awards, option awards, non-equity incentive plans, pension plans or other non-qualified deferred compensation or other forms of compensation during 2007.

NAME	CASH FEES	TOTAL
E. C. Reinauer, Jr.	$ 25,000	$ 25,000
E. Jack Webster, Jr.	$ 25,000	$ 25,000
Larry E. Bell	$ 40,000	$ 40,000

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2008 none of the members of the Compensation Committee was an officer or employee of the Company or any of its subsidiaries, or was formerly an officer of the Company or any of its subsidiaries or had any relationship requiring disclosure by the Company during the year ended December 31, 2008. No executive officer of the Company served as a member of the Compensation Committee (or other board committee performing equivalent functions) of another entity that had an executive officer serving as a member of the Company's Board of Directors or the Compensation Committee.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Deloitte & Touche LLP performed the audit of the Company's consolidated financial statements for the year ended 2008. The scope and all fees associated with audit and other services performed by Deloitte & Touche are pre-approved by the Audit Committee on an annual basis. The aggregate fees billed for 2008 and 2007 are set forth below:

	2008	2007

Audit Fees:				
Audit of Consolidated Financial Statements	$	634,253	$	514,747
Subsidiary Company audits		-		30,000
Audit Related Fees -				
SFAS No. 157 Implementation		4,300		-
Internal control advisory		-		37,742
Total Audit fees and Audit Related Services		638,553		582,489
Tax Fees		-		-
All Other Fees		-		-
Total	$	638,553	$	582,489

The Audit Committee, established in accordance with Section 3(a)(58)(A) of the Exchange Act has the responsibility to assist the Board of Directors in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and its subsidiaries and the sufficiency of the audits of all Company activities. This committee is the Board's agent in ensuring the integrity of financial reports of the Company and its subsidiaries, and the adequacy of disclosures to stockholders. The Audit Committee is the focal point for communication between other directors, the independent auditors and management as their duties relate to financial accounting, reporting and controls. The Audit Committee is also responsible for reviewing the financial transactions of the Company involving any related parties.

Audit Committee Pre-Approval Policies

The Audit Committee has established a policy intended to clearly define the scope of services performed by the Company's independent registered public accountants for non-audit services. This policy relates to audit services, audit-related services, tax and all other services which may be provided by the Company's independent registered public accountants and is intended to assure that such services do not impair the auditor's independence. The policy requires the pre-approval by the Audit Committee of all services to be provided by the Company's independent registered public accountants. Under the policy, the Audit Committee will annually review and pre-approve the services that may be provided by the independent registered public accountants. The Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated is required to report to the Audit Committee at its next meeting any services which such member or members has approved. The policy also provides that the Audit Committee will pre-approve the fee levels for all services to be provided by the independent registered public accountants.

All of the services provided by the Company's principal accounting firm described in the table above were approved in accordance with this policy and the Audit Committee has determined that the independent registered public accountants' independence has not been compromised as a result of providing these services and receiving the fees for such services as noted above.

REPORT OF THE AUDIT COMMITTEE

April 9, 2009

To the Board of Directors:

The Audit Committee of the Board of Directors currently consists of Messrs. Reinauer, E. Jack Webster, Jr. and Bell. The duties and responsibilities of the Audit Committee are set forth in a written charter adopted by the Board of Directors, a copy of which is and available on the Company's website at www.adamsresources.com. Each of the members of the Audit Committee is independent, as defined in Section 121A of the listing standards of the NYSE Amex.

We have reviewed and discussed with management the Company's audited consolidated financial statements as of and for the year ended December 31, 2008.

The audit committee received from and discussed with Deloitte & Touche LLP the written disclosure and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as adopted by the Public Company Accounting Oversight Board in Rule 3600T. These items relate to that firm's independence from the company. The audit committee received from and discussed with Deloitte & Touche LLP the written disclosure and the letter required by PCAOB Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence. The audit committee monitored auditor independence, reviewed audit and non-audit services performed by Deloitte & Touche LLP and discussed with the auditors their independence.

Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

E. C. Reinauer, Jr., Chairman
E. Jack Webster, Jr.
Larry E. Bell

TRANSACTIONS WITH RELATED PERSONS

Mr. K. S. Adams, Jr., Chairman and Chief Executive Officer, and certain of his family limited partnerships and affiliates have participated as working interest owners with the Company's subsidiary, Adams Resources Exploration Corporation. Mr. Adams and such affiliates participate on terms no better than those afforded the non-affiliated working interest owners. In recent years, such related party transactions generally result after the Company has first identified oil and gas prospects of interest. Typically the available dollar commitment to participate in such transactions is greater than the amount management is comfortable putting at risk. In such event, the Company first determines the percentage of the transaction it wants to obtain, which allows a related party to participate in the investment to the extent there is excess available. In those instances where there was no excess availability there has been no related party participation. Similarly, related parties are not required to participate, nor is the Company obligated to offer any such participation to a related or other party. When such related party transactions occur, they are individually reviewed and approved by the Audit Committee comprised of the independent directors on the Company's Board of Directors. During 2008, such related party investment commitments totaled approximately $6.7 million in those oil and gas projects where a related party was also participating in such investment. As of December 31, 2008, the Company owed a combined net total of $89,000 to these related parties. In connection with the operation of certain oil and gas properties, the Company also charges such related parties for administrative overhead primarily as prescribed by the Council of Petroleum Accountants Society Bulletin 5. Such overhead recoveries totaled $134,600 in 2008. A synopsis of each proposed transaction that involves a related party is presented to the Audit Committee for their review. Documentation of the Audit Committee's conclusions is noted in the committee minutes.

The Company also enters into certain transactions in the normal course of business with other affiliated entities. These transactions with affiliated companies are on the same terms as those prevailing at the time for comparable transactions with unrelated entities. For the year ended December 31, 2008 the affiliated entities charged the Company $51,000 of expense reimbursement and the Company charged the affiliates $97,000 for expense reimbursements.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the number of shares of Common Stock of the Company held of record on April 9, 2009, (i) the executive officers, (ii) by beneficial owners of more than five percent of the Common Stock, (iii) and by all officers and directors as a group. Unless otherwise stated below, the address of each beneficial owner listed on the table is c/o Adams Resources & Energy, Inc. 4400 Post Oak Parkway, Suite 2700, Houston, Texas 77027. Unless otherwise indicated, each person named below has sole voting and investment power over all shares of Common Stock indicated as beneficially owned.

Name and address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent Of Class
K. S. Adams, Jr.	2,080,887(1)	49.3%
E. C. Reinauer, Jr.	7,873	*
Frank T. Webster	7,000	*
E. Jack Webster, Jr.	15,189	*
Richard B. Abshire	13,900	*
Larry E. Bell	1,000	*
FMR Corp.	421,700(2)	9.9%
82 Devonshire St.		
Boston, MA 02109		
Dimensional Fund Advisors LP	258,055(3)	6.1%
6300 Bee Cave Road		
Austin TX		
Officers and Directors	2,125,849	50.4%
as a group (6 persons)		

* Less than 1%

(1) Includes 1,644,275 shares owned by KSA Industries, Inc., 324,680 shares owned by Mr. Adams directly, 7,973 shares owned by the Estate of Mrs. Adams and 103,959 shares held in trusts for Mr. Adams' grandchildren, with Mr. Adams serving as trustee.

(2) Based on information contained in a Schedule 13G filed February 12, 2009. Beneficial owners associated with FMR Corp. include Fidelity Management & Research Company, Fidelity Low-Priced Stock Fund and Edward C. Johnson 3d.

(3) Based on information contained in a Schedule 13G filed February 9, 2009.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company during its most recent fiscal year and Forms 5 and amendments thereto furnished to the Company with respect to its most recent fiscal year, and written representations from reporting persons that no Form 5 was required, the Company believes that all required Form 3, 4 and 5 reports for transactions occurring in 2008 were timely filed.

CODE OF ETHICS

The Company has adopted a code of ethics (the “Code of Ethics”) that applies to all officers, directors and employees, including the Company’s principal executive officer, principal financial and accounting officer, and persons performing similar functions (the “Principal Officers”). A copy of the Code of Ethics is posted on the Company’s website at www.adamsresources.com and the Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of its Code of Ethics with respect to its Principal Officers by posting such information on this Internet website.

ADDITIONAL INFORMATION

Appointment of Auditors

The present intention of the Audit Committee of the Board of Directors is to appoint Deloitte & Touche LLP, independent registered public accountants, to audit the financial statements of the Company for the year ending December 31, 2009. Deloitte & Touche LLP was first appointed as the Company's auditors in 2002. A representative of Deloitte & Touche LLP will be present at the Annual Meeting of Shareholders and will be given an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Shareholders Proposals

Under the rules of the SEC, in order to be considered for inclusion in next year's proxy statement, all shareholder proposals must be submitted in writing by December 1, 2009 to Adams Resources & Energy, Inc., c/o Investor Relations Manager, 4400 Post Oak Parkway, Suite 2700, Houston, Texas 77027. The notice should contain the text of any proposal, the name and address of the stockholder as it appears in the books of the Company, the number of common shares of the Company that are beneficially owned by the stockholder, and any material interest of the shareholder in such business. If a shareholder submits a proposal for consideration at the 2010 annual meeting after December 1, 2009, the Company's proxy for the 2010 annual meeting may confer discretionary authority to vote on such matter without any discussion of such matter in the proxy statement for the 2010 annual meeting.

Other Matters

The Company knows of no matters to be presented for consideration at the Annual Meeting other than those described above. If other matters are properly presented to the meeting for action, it is intended that the persons named in the accompanying proxy, and acting pursuant to authority granted thereunder, will vote in accordance with their best unanimous judgment on such matters.

Number of Proxy Statements and Annual Reports

Only one copy of this Proxy Statement and the annual report accompanying this Proxy Statement will be mailed to stockholders who have the same address unless the Company receives a request that the stockholders with the same address are to receive separate Proxy Statements and Annual Reports. These additional copies will be supplied at no additional cost to the requesting stockholder.

REGARDLESS OF THE NUMBER OF SHARES YOU OWN, IT IS IMPORTANT THAT THEY BE REPRESENTED AT THE MEETING, AND YOU ARE RESPECTFULLY REQUESTED TO SIGN, DATE AND RETURN THE PROXY CARD IN THE ENVELOPE PROVIDED AS SOON AS POSSIBLE.

By Order of the Board of Directors

/s/ David B. Hurst
David B. Hurst
Secretary
Houston, Texas
April 9, 2009