

INVESTOR EXPRESS

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Gifting

Stocks as Stocking Stuffers

The holidays are right around the corner. If you're putting your list together, think about giving Adams Express and Petroleum & Resources shares as gifts. Everyone will appreciate a contribution to their nest eggs. Plus you don't have to drive to the mall. To buy shares, you can contact your broker or invest directly through the Companies' transfer agent, American Stock Transfer & Trust Company (AST). To obtain an "Investors Choice" brochure, contact **AST at (877) 260-8188** or visit their website, www.amstock.com, and click on "How to Invest" under Shareholder Services.



INDUSTRY OUTLOOK

Financial Services: Navigating through Choppy Waters

There's no denying that subprime mortgages, credit, and interest rates have dominated the business headlines for the past two months. And the impact is reverberating throughout the markets. We asked Cotton Swindell CFA, vice president of research for Adams Express and analyst of the financial services industry, to share his understanding of what's going on and what this means for our investors.

IE – What happened in the mortgage market and why is its impact so pervasive?

CS – Subprime mortgage issues resulting from lax underwriting standards and declining property values impacted the mortgage markets earlier in the year. More recently, the declining value of subprime mortgages and other lower quality assets have impacted the value of structured securities (asset-backed and mortgage-backed securities and commercial paper), which used the lower quality assets as collateral. The concern is whether the collateral is sufficient to support interest and principal payments of the structured securities. As a result, the market is going through a significant period where degrees of risk are being revalued. This has set off a chain reaction. The rating services and investors, such as us, took notice. The value of the financial institutions holding these asset-backed securities were re-calibrated downwards, so stock prices at many banks and financial service institutions have dropped over the past three months.



IE – So, how does this affect the companies you follow?

CS – In the short term, many of the financial institutions we follow have to allocate more money for reserves and mark down the value of securities held on the balance sheet, which will reduce their earnings. In the intermediate term, the downward pressures on market valuations on financial institutions will stabilize as the institutions clean the poorer performing assets from their books. When all is said and done, diversified banks and financial institutions with sound balance sheets, such as Bank of America, Wells Fargo and AIG, will be able to manage through this credit environment.

IE – And the long term?

CS – The level of uncertainty will clear up over time. Importantly, valuations are more compelling today despite the near term earnings uncertainty noted above. We are more optimistic now that financial institutions are presenting themselves as buying opportunities than we were twelve months ago.

PROTECT

Family Finances – Turn Back the Clock

“Live within your means” is a tried and true adage in financial planning. This principle, once widely practiced by families across the country, has been under attack by “live for today” advocates. “It’s hard to resist the allure of driving a new car, living in a bigger house, or taking a fancier vacation right now, because we are inundated by messages to ‘borrow now and pay later’,” says Rick Van Der Noord, CFP (Certified Financial Planner) for the firm of Van Der Noord Financial Advisors, Inc. in Greenville, SC. Most financial planners agree that the fundamental principles of achieving family financial security have not changed. The correct way to acquire the things that are really important is to save for them, not borrow.

According to Mr. Van Der Noord, families should pay their fixed costs first. These include their housing costs, mortgage or rent, and utilities. After that, families should “pay themselves” by setting aside money for the priorities they establish in regular family financial discussions before they do anything else.

Mark Stinson, CPA for Baltimore-Washington Financial Advisors, concurs, “Take the money that you’ve agreed to as a family out of your income and put those dollars into a savings program that you’ve specifically set up for established goals. That special savings account could be for anything you feel is important, such as a down payment for a home, a college education for your children, or a dream vacation.” Mr. Stinson cautions that families should

be careful to only buy as much house as they can afford in order to fund these other savings programs. “It used to be you could count on the mortgage lender to stop you from going beyond your means when you bought a house, but nowadays some mortgage lenders are all too happy to lend you as much as possible, even if it is a burden on your finances.”

In addition to paying themselves first, most financial planners strongly advise their clients to avoid “Toxic Debt”. Credit cards are a convenient way to finance a purchase, but they carry a big downside. A golden rule is not to carry debt on a depreciating asset. Families should pay “cash” for short-term needs, such as food, travel, even furniture and consumer electronics. Is there any such thing as “Good Debt”? The answer is yes, if you borrow to buy an appreciating asset. Using a mortgage to purchase a home or a student loan for college fall in the “Good Debt” category. However, the prudence of going into debt for an education depends a lot on your career path.

The secret to family finances is no different than it was 30, 50, even 100 years ago and embracing a “live within your means” philosophy gives you the control to protect your assets and accelerate your financial success. “If you want to be financially secure, you have to save – and savings only come from living within your means. There is no other way,” says Van Der Noord.

GROW

Anniversary Archive – *Four Generations Of Shareholders*

Like many of our shareholders, Johanna Troller Barr came into her shares through her family. And what made Adams Express attractive then still inspires Mrs. Barr to hold onto and pass on her shares today.

“My father was an immigrant from Germany. He was an engineer who came to this country because of the opportunities it presented. He had a conservative philosophy towards life, taught us to live within our means, save money, and that smart decisions eventually pay off in the long run. As an engineer, he was calculating and had a very disciplined mind. He was always eager to hear about investment opportunities in his adopted country – not that we had money to burn – but he was good at putting money aside and investing it. It seems that he ran into some

gentlemen who were talking about Adams Express. Well, as he did with everything, he researched the company, especially how the firm managed its money, the types of companies it invested in, and how it treated its shareholders. He liked Adams Express because he felt that the company managers took the same approach that he did when investing. And that’s how we got started.

One Christmas, when I was in college, he gave me some shares as a gift. I could tell that this was not the same old Christmas present that I got in years past. It was special. He told me to hold on to this stock, because it would grow and be of real value to me.

Well, I got older, married, had children and even grandchildren. Over those

years, I’ve bought my own shares and reinvested the dividends. At the right times, I’ve passed some of these shares onto my children and grandchildren – we are now four generations of shareholders. We hold on to Adams Express – it’s a link to our past. While a lot has changed in all these years, Adams Express still does it the way my father wanted it done. It’s almost living proof that my father had the right approach.”



If you have a story you would like to share, please send an email to contact@adamsexpress.com; or write to us at ADAMS EXPRESS c/o Anniversary Archive, 7 St. Paul Street, Suite 1140, Baltimore, MD 21202

Forward-Looking Statements

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