

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2005

Commission File Number: 000-32191

T. ROWE PRICE GROUP, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State of incorporation)

52-2264646

(I.R.S. Employer Identification No.)

100 East Pratt Street, Baltimore, Maryland 21202

(Address including Zip Code of principal executive offices)

(410) 345-2000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes [] No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes [] No

The number of shares outstanding of the issuer's common stock (\$.20 par value), as of the latest practicable date, April 20, 2005, is 130,211,774.

Exhibit index is at Item 6 on page 14.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (in thousands, except share data)

	12/31/2004	03/31/2005
ASSETS		
Cash and cash equivalents	\$ 499,750	\$ 582,491
Accounts receivable	158,342	165,278
Investments in sponsored mutual funds	215,159	215,534
Debt securities held by savings bank subsidiary	114,075	115,284
Property and equipment	203,807	207,677
Goodwill	665,692	665,692
Other assets	72,000	51,750
Total assets	<u>\$ 1,928,825</u>	<u>\$ 2,003,706</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	\$ 54,172	\$ 47,406
Accrued compensation and related costs	37,799	52,858
Income taxes payable	9,327	16,501
Dividends payable	29,800	29,952
Customer deposits at savings bank subsidiary	100,427	102,664
Total liabilities	<u>231,525</u>	<u>249,381</u>
Commitments and contingent liabilities		
Stockholders' equity		
Preferred stock, undesignated, \$.20 par value — authorized and unissued 20,000,000 shares	—	—
Common stock, \$.20 par value — authorized 500,000,000 shares; issued 129,607,697 shares in 2004 and 130,055,524 shares in 2005	25,922	26,011
Additional capital in excess of par value	250,764	246,753
Retained earnings	1,378,948	1,443,293
Accumulated other comprehensive income	41,666	38,268
Total stockholders' equity	<u>1,697,300</u>	<u>1,754,325</u>
	<u>\$ 1,928,825</u>	<u>\$ 2,003,706</u>

See the accompanying notes to the condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per-share amounts)

	Three months ended	
	03/31/2004	03/31/2005
Revenues		
Investment advisory fees	\$ 245,009	\$ 289,003
Administrative fees and other income	60,465	67,955
Investment income of savings bank subsidiary	1,002	1,003
Total revenues	306,476	357,961
Interest expense on savings bank deposits	825	890
Net revenues	305,651	357,071
Operating expenses		
Compensation and related costs	109,780	127,142
Advertising and promotion	21,059	23,471
Depreciation and amortization of property and equipment	10,128	9,772
Occupancy and facility costs	15,658	18,319
Other operating expenses	26,165	31,086
	182,790	209,790
Net operating income	122,861	147,281
Other investment income	1,153	2,055
Credit facility expenses	332	95
Net non-operating income	821	1,960
Income before income taxes	123,682	149,241
Provision for income taxes	46,343	54,944
Net income	\$ 77,339	\$ 94,297
Earnings per share		
Basic	\$ 0.61	\$ 0.72
Diluted	\$ 0.58	\$ 0.69
Dividends declared per share	\$ 0.19	\$ 0.23
Weighted average shares outstanding	126,096	130,266
Weighted average shares outstanding assuming dilution	133,777	136,742

See the accompanying notes to the condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three months ended	
	03/31/2004	03/31/2005
Cash flows from operating activities		
Net income	\$ 77,339	\$ 94,297
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of property and equipment	10,128	9,772
Other changes in assets and liabilities	3,256	45,412
Net cash provided by operating activities	<u>90,723</u>	<u>149,481</u>
Cash flows from investing activities		
Debt securities held by savings bank subsidiary	695	(2,327)
Additions to property and equipment	(8,714)	(13,738)
Other investment activity	1,251	(4,608)
Net cash used in investing activities	<u>(6,768)</u>	<u>(20,673)</u>
Cash flows from financing activities		
Repurchases of common stock	—	(36,704)
Stock options exercised	10,353	18,200
Dividends paid to stockholders	(23,724)	(29,800)
Change in savings bank subsidiary deposits	(198)	2,237
Net cash used in financing activities	<u>(13,569)</u>	<u>(46,067)</u>
Cash and cash equivalents		
Net increase during period	70,386	82,741
At beginning of year	236,533	499,750
At end of period	<u>\$ 306,919</u>	<u>\$ 582,491</u>

See the accompanying notes to the condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(dollars in thousands)

	<u>Common stock</u>	<u>Additional capital in excess of par value</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive income</u>	<u>Total stockholders' equity</u>
Balance at December 31, 2004,					
129,607,697 common shares	\$ 25,922	\$ 250,764	\$ 1,378,948	\$ 41,666	\$ 1,697,300
Comprehensive income					
Net income			94,297		
Change in unrealized security holding gains, net of taxes				(3,398)	
Total comprehensive income					90,899
1,047,827 common shares issued under stock-based compensation plans	209	32,573			32,782
600,000 common shares repurchased	(120)	(36,584)			(36,704)
Dividends declared			(29,952)		(29,952)
Balance at March 31, 2005,					
130,055,524 common shares	<u>\$ 26,011</u>	<u>\$ 246,753</u>	<u>\$ 1,443,293</u>	<u>\$ 38,268</u>	<u>\$ 1,754,325</u>

See the accompanying notes to the condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — THE COMPANY AND BASIS OF PREPARATION.

T. Rowe Price Group derives its consolidated revenues and net income primarily from investment advisory services that its subsidiaries provide to individual and institutional investors in the sponsored T. Rowe Price mutual funds and other investment portfolios. We also provide our investment advisory clients with related administrative services, including mutual fund transfer agent, accounting and shareholder services; participant recordkeeping and transfer agent services for defined contribution retirement plans; discount brokerage; and trust services. The investors that we serve are primarily domiciled in the United States of America.

Investment advisory revenues depend largely on the total value and composition of assets under our management. Accordingly, fluctuations in financial markets and in the composition of assets under management impact our revenues and results of operations.

These unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and reflect all adjustments which are, in the opinion of management, necessary to a fair statement of our results for the interim periods presented. All such adjustments are of a normal recurring nature.

The unaudited interim financial information contained in these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements contained in our 2004 Annual Report.

NOTE 2 — STOCK OPTION-BASED COMPENSATION.

Our stock-based compensation plans are accounted for using the intrinsic value based method. The exercise price of each option granted is equivalent to the market price of our common stock at the date of grant. Accordingly, no compensation expense related to stock option grants has been recognized in the condensed consolidated statements of income.

The following table illustrates the pro forma effect on net income (in thousands) and earnings per share if we had applied the fair value based method to recognize expense associated with our outstanding and not yet vested stock options. Forfeitures of options are recognized as they occur.

	Three months ended	
	03/31/2004	03/31/2005
Net income, as reported	\$ 77,339	\$ 94,297
Additional stock option-based compensation expense estimated using the fair value based method	(13,328)	(13,740)
Related income tax benefits	4,291	4,544
Pro forma net income	<u>\$ 68,302</u>	<u>\$ 85,101</u>
Earnings per share		
Basic — as reported	<u>\$ 0.61</u>	<u>\$ 0.72</u>
Basic — pro forma	<u>\$ 0.54</u>	<u>\$ 0.65</u>
Diluted — as reported	<u>\$ 0.58</u>	<u>\$ 0.69</u>
Diluted — pro forma	<u>\$ 0.51</u>	<u>\$ 0.62</u>

The following table summarizes the changes in our stock option grants during the first quarter of 2005.

	Options	Weighted-average exercise price
Outstanding at December 31, 2004	24,130,402	\$ 36.65
Granted, primarily reloads	166,590	61.18
Exercised	(1,412,901)	28.52
Forfeited and cancelled	(217,713)	43.98
Outstanding at March 31, 2005	<u>22,666,378</u>	<u>\$ 37.26</u>

At March 31, 2005, we had 9,774,950 options outstanding that will vest over the period through February 2010. Compensation expense attributable to future periods when these options vest, and the related tax benefits, will be:

(in thousands)	Compensation expense	Income tax benefits	Net effect
2nd Quarter 2005	\$ 12,669,000	\$ (3,842,000)	\$ 8,827,000
3rd Quarter 2005	12,343,000	(3,374,000)	8,609,000
4th Quarter 2005	10,931,000	(3,296,000)	7,635,000
2006	27,991,000	(8,057,000)	19,934,000
2007 through 2010	27,663,000	(7,222,000)	20,441,000
Total	<u>\$91,597,000</u>	<u>\$ (26,151,000)</u>	<u>\$ 65,446,000</u>

These amounts will change to reflect future option grants, estimated and actual forfeitures, and tax benefits that arise upon the future disqualification of incentive stock option grants.

It is important to note that the use of the fair value method to record compensation expense for stock-based plans does not diminish total stockholders' equity.

NOTE 3 — INFORMATION ABOUT REVENUES AND SERVICES.

Revenues (in thousands) from advisory services provided under agreements with sponsored mutual funds and other investment clients for the interim periods ended March 31 include:

	Three months	
	2004	2005
Sponsored mutual funds in the U.S.		
Stock	\$ 142,481	173,499
Bond and money market	33,027	34,693
	<u>175,508</u>	<u>208,192</u>
Other portfolios	69,501	80,811
Total investment advisory fees	<u>\$ 245,009</u>	<u>\$ 289,003</u>

The following table summarizes the various investment portfolios and assets under management (in billions) on which advisory fees are earned.

	Average during three months		12/31/2004	03/31/2005
	2004	2005		
Sponsored mutual funds in the U.S.				
Stock	\$ 93.2	\$ 115.2	\$ 114.3	\$ 116.7
Bond and money market	29.6	31.5	31.2	31.6
	<u>122.8</u>	<u>146.7</u>	<u>145.5</u>	<u>148.3</u>
Other portfolios	74.7	88.0	89.7	87.6
	<u>\$ 197.5</u>	<u>\$ 234.7</u>	<u>\$ 235.2</u>	<u>\$ 235.9</u>

Fees for advisory-related administrative services provided to our sponsored mutual funds were \$44,632,000 and \$51,048,000 in the first quarters of 2004 and 2005, respectively. Accounts receivable from the mutual funds aggregate \$88,659,000 at December 31, 2004 and \$90,550,000 at March 31, 2005. We provide all services to the sponsored U.S. mutual funds under contracts that are subject to periodic review and approval by each of the funds' boards. Investment advisory contracts are also subject to approval by the funds' shareholders.

REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
T. Rowe Price Group, Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of T. Rowe Price Group, Inc. and subsidiaries as of March 31, 2005, the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 2005 and 2004, and the related condensed consolidated statement of stockholders' equity for the three-month period ended March 31, 2005. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards established by the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of T. Rowe Price Group, Inc. and subsidiaries as of December 31, 2004, and the related consolidated statements of income, cash flows, and stockholders' equity for the year then ended (not presented herein); and in our report dated February 4, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2004, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

Baltimore, Maryland
April 25, 2005

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

GENERAL.

Our revenues and net income are derived primarily from investment advisory services provided to U.S. individual and institutional investors in our sponsored mutual funds and other managed investment portfolios. Our investment advisory clients outside the United States have grown since we broadly expanded the availability of our services to them in 2001 and now account for more than 5% of our assets under management at March 31, 2005.

We manage a broad range of U.S. and international stock, bond, and money market mutual funds and other investment portfolios which meet the varied needs and objectives of individual and institutional investors. Investment advisory revenues depend largely on the total value and composition of assets under our management. Accordingly, fluctuations in financial markets and in the composition of assets under management impact our revenues and results of operations.

Financial market results during the first quarter of 2005 were poor and reversed the positive trends that were present in late 2004. Early gains in 2005 were more than wiped out by the end of the quarter with the three major stock indexes all closing down from the beginning of the year. Investor concerns about the strength of the economy, inflation, rising interest rates, and record high oil prices all weighed heavily on the markets. The broad S&P 500 index and the Dow Industrials each fell 2.6% during the quarter. The NASDAQ index, which is heavily weighted with technology companies, finished even lower, down 8.1%. As for fixed income securities, the Federal Reserve increased the federal funds rate twice during the quarter, pushing the target short-term rate to 2.75%. Yields for 10-year U.S. Treasuries rose 6.5% during the quarter to end March 2005 at nearly 4.5%. Bond prices fell.

In this financial environment, total assets under our management ended the first quarter of 2005 at a record \$235.9 billion, up \$670 million during the quarter. Strong relative investment performance and brand awareness contributed significantly to investors entrusting \$5.2 billion of net cash inflows to our management during the first quarter of 2005. This strong growth was significantly impacted by the lower financial market valuations that decreased assets under management by more than \$4.5 billion during the quarter.

Assets under management at March 31, 2005 include \$176.6 billion in equity securities and \$59.3 billion in bond and money market holdings. The related investment portfolios consist of \$148.3 billion in the T. Rowe Price mutual funds distributed in the United States and \$87.6 billion in other investment portfolios that we manage, including separately managed accounts, sub-advised funds, and other sponsored investment funds offered to investors outside the United States and through variable annuity life insurance plans.

RESULTS OF OPERATIONS — Three months ended March 31, 2005 versus 2004.

Net revenues increased more than \$51 million to \$357 million. Net operating income increased nearly 20% to more than \$147 million from nearly \$123 million. Net income increased \$17 million to \$94.3 million, up 22% from \$77.3 million. Diluted earnings per share increased 19% from \$.58 to \$.69.

Investment advisory revenues were up 18%, or \$44 million, due to increased assets under management. Average mutual fund assets were \$146.7 billion, almost \$24 billion higher than the \$122.8 billion average of the prior year's first quarter. Average assets in other managed portfolios were \$88 billion, up more than \$13 billion versus the average of \$74.7 billion in the 2004 period. Total average assets under management increased \$37.2 billion from the 2004 quarter to \$234.7 billion for the first quarter of 2005.

Investment advisory revenues earned from the T. Rowe Price mutual funds distributed in the United States increased \$32.7 million. Mutual fund assets ended March 2005 at \$148.3 billion, up \$2.8 billion from the beginning of the year. Net investor inflows added another \$5.5 billion to mutual fund assets during the quarter, more than offsetting the effect of market value declines, net of income and dividends reinvested, that reduced mutual fund assets \$2.7 billion from the end of 2004. Net cash flows were concentrated in U.S. stock funds, but were also positive in the international stock, bond, and money market funds. The Growth Stock, Capital Appreciation, Equity Income, and Mid-Cap Value funds each added more than \$500 million of net investor inflows and, together, accounted for nearly \$3.1 billion of the funds' net inflows.

Investment advisory revenues earned on the other investment portfolios that we manage increased \$11.3 million to \$80.8 million. Ending assets in these portfolios were \$87.6 billion, down \$2.1 billion from the beginning of 2005. Market value declines, net of income, lowered these assets under management \$1.8 billion and investors made net withdrawals of \$.3 billion from their portfolios.

Administrative fees and other income increased \$7.5 million to nearly \$68 million. The change in these revenues includes \$6.2 million from our transfer agent and defined contribution plan recordkeeping services to mutual funds and their investors. Additionally, revenues increased \$1.3 million from 12b-1 distribution fees received on greater assets under management in the Advisor and R classes of our sponsored mutual fund shares. These changes in administrative fees are generally offset by similar changes in related operating expenses that we incur to provide these services and distribute the Advisor and R classes of mutual fund shares through third party financial intermediaries.

Operating expenses in the 2005 quarter were \$27 million more than in the 2004 quarter. Our largest expense, compensation and related costs, increased \$17.4 million from the first quarter of 2004. The number of our associates, their total compensation, and the costs of their employee benefits have all increased. Our bonus compensation is being accrued based on improved operating results anticipated for 2005 and the strong relative investment performance that our investment managers are achieving. Base salaries for our associates were increased modestly on January 1, 2005, and we have added about 400 associates since the beginning of 2004, primarily to handle increased volume-related activities and growth. At March 31, 2005, we employed 4,185 associates.

Advertising and promotion expenditures were up \$2.4 million versus the 2004 period. We expect our advertising and promotion expenditures in the second quarter of 2005 will decline about 15% to 20% from the first quarter this year while our expenditures for the full year 2005 will be 10% to 15% higher than 2004. We vary the level of our spending based on market conditions and investor demand as well as our efforts to expand our investor base in the United States and abroad.

Occupancy and facility costs together with depreciation expense increased \$2.3 million. Costs of rented facilities, including additional leased space, and related maintenance and operating costs associated with deploying our larger staff size are higher than in the 2004 period.

Other operating expenses increased \$4.9 million, including \$1.3 million of distribution expenses recognized on greater assets under management sourced from financial intermediaries who distribute our Advisor and R classes of mutual fund shares. These costs are funded from an equal increase in our administrative revenues recognized from 12b-1 fees as discussed above. Additional costs of more than \$1 million were incurred as a result of our decision in late 2004 to pay for all third party investment research and related services directly. Other operating expenses in 2005 have also risen to meet increased business demands.

Overall, net operating income for the first quarter of 2005 increased 20% or \$24.4 million.

Our net non-operating income, which includes the recognition of investment gains and losses as well as interest income and credit facility expenses, increased more than \$1.1 million to almost \$2 million. Greater cash and investment balances along with higher interest rates added \$.9 million to our investment income. Credit facility costs were down \$.2 million as we reduced the size and ongoing cost of our credit facility in June 2004.

The 2005 provision for income taxes as a percentage of pretax income was 36.8% for the first quarter of 2005. Tax-exempt interest income and adjustments to our prior year tax liabilities reduced the effective rate less than 1% from the previously disclosed 37.1% rate that we had expected for 2005.

CAPITAL RESOURCES AND LIQUIDITY.

Available net liquid assets, including our mutual fund investments in which there are no unrealized losses, were \$650 million at March 31, 2005. A \$300 million undrawn, committed credit facility expiring in June 2007 is also available to the company.

Operating activities provided cash flows of more than \$149 million in the first quarter of 2005, up nearly \$59 million versus the 2004 period. Timing differences in the cash settlements of our assets and liabilities, including first quarter income tax liabilities that were not payable until April 15, accounted for \$42 million of the increase while increased net income added \$17 million. Net cash used in investing activities totaled nearly \$21 million, up \$14 million from the first quarter of 2004. Net cash used in financing activities totaled \$46 million in the first quarter of 2005, up nearly \$33 million from the 2004 period. We expended nearly \$37 million to repurchase 600,000 shares of our common stock in March 2005. We did not repurchase any shares in the first quarter of 2004.

NEW ACCOUNTING PRONOUNCEMENT ON STOCK OPTION-BASED COMPENSATION.

As of April 21, 2005, the Securities and Exchange Commission delayed the required implementation date of Statement of Financial Accounting Standards No. 123R, Share-Based Payment, which will require us to recognize stock option-based compensation expense in our income statement. Accordingly, we intend to implement Statement 123R on January 1, 2006, the date required for registrants with a calendar year end.

The calculation of compensation expense that will be recognized in our 2006 income statements is similar to that which we will continue using this year to make the pro forma disclosures in the notes to our financial statements, except that we will also include a reduction for estimated future forfeitures that will be adjusted over time to reflect actual forfeitures. See Note 2 beginning on page 6 of this Form 10-Q report.

FORWARD-LOOKING INFORMATION.

From time to time, information or statements provided by or on behalf of T. Rowe Price, including those within this quarterly report, may contain certain forward-looking information, including information or anticipated information relating to changes in our revenues and net income, changes in the amount and composition of our assets under management, our expense levels, and our expectations regarding financial markets and other conditions. Readers are cautioned that any forward-looking information provided by or on behalf of T. Rowe Price is not a guarantee of future performance. Actual results may differ materially from those in forward-looking information because of various factors including, but not limited to, those discussed below. Further, forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of unanticipated events.

Our future revenues and results of operations will fluctuate primarily due to changes in the total value and composition of assets under our management. Such changes result from many factors including, among other things: cash inflows and outflows in the T. Rowe Price mutual funds and other managed investment portfolios; fluctuations in the financial markets around the world that result in appreciation or depreciation of the assets under our management; our introduction of new mutual funds and investment portfolios; and changes in retirement savings trends favoring participant-directed investments and defined contribution plans. The ability to attract and retain investors' assets under our management is dependent on investor sentiment and confidence; the relative investment performance of the Price mutual funds and other managed investment portfolios as compared to competing offerings and market indexes; the ability to maintain our investment management and administrative fees at appropriate levels; competitive conditions in the mutual fund, asset management, and broader financial services sectors; and our level of success in implementing our strategy to expand our business. Our revenues are substantially dependent on fees earned under contracts with the Price funds and could be adversely affected if the independent directors of one or more of the Price funds terminated or significantly altered the terms of the investment management or related administrative services agreements.

Our future results are also dependent upon the level of our expenses, which are subject to fluctuation for the following or other reasons: changes in the level of our advertising expenses in response to market conditions, including our efforts to expand our investment advisory business to investors outside the United States and to further penetrate our distribution channels within the United States; variations in the level of total compensation expense due to, among other things, bonuses, changes in our employee count and mix, and competitive factors; any goodwill impairment that may arise; fluctuation in foreign currency exchange rates applicable to the costs of our international operations; expenses and capital costs, such as technology assets, depreciation, amortization, and research and development, incurred to maintain and enhance our administrative and operating services infrastructure; unanticipated costs that may be incurred to protect investor accounts and the goodwill of our clients; and disruptions

of services, including those provided by third parties, such as facilities, communications, power, and the mutual fund transfer agent and accounting systems.

Our business is also subject to substantial governmental regulation, and changes in legal, regulatory, accounting, tax, and compliance requirements may have a substantial effect on our operations and results, including but not limited to effects on costs that we incur and effects on investor interest in mutual funds and investing in general, or in particular classes of mutual funds or other investments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There has been no material change in the information provided in Item 7A of the 2004 Form 10-K Annual Report.

Item 4. Controls and Procedures.

Our management, including our principal executive and principal financial officers, has evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2005. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, including this Form 10-Q quarterly report, is appropriately recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. Based on that evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures as of March 31, 2005 are effective at the reasonable assurance level.

Our management, including our principal executive and principal financial officers, has evaluated any change in our internal control over financial reporting that occurred during the first quarter of 2005, and has concluded that there was no change during the first quarter of 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

On September 16, 2003, a purported class action (T.K. Parthasarathy, et al., including Woodbury, v. T. Rowe Price International Funds, Inc., et al.) was filed in the Circuit Court, Third Judicial Circuit, Madison County, Illinois, against T. Rowe Price International and the T. Rowe Price International Funds with respect to the T. Rowe Price International Stock Fund. The basic allegations in the case are that the T. Rowe Price defendants did not make appropriate value adjustments to the foreign securities of the T. Rowe Price International Stock Fund prior to calculating the Fund's daily share prices, thereby allegedly enabling market timing traders to trade the Fund's shares at the expense of the long-term mutual fund shareholders. The plaintiffs seek monetary damages.

From time to time, various claims against us arise in the ordinary course of business, including employment-related claims.

In the opinion of management, after consultation with counsel, it is unlikely that there will be any adverse determination in one or more pending claims that would have a material adverse effect on our financial position or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) The following table summarizes activity under our repurchase programs during the quarter ended March 31, 2005. Our repurchases in March 2005 completed the repurchase program authorized under a 1999 Board of Directors' resolution. Our remaining authorized repurchase program totals 4,846,010 shares under a 2003 Board resolution.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Number of Shares that May Yet Be Purchased Under the Programs
January 2005	—	—	—	5,446,010
February 2005	—	—	—	5,446,010
March 2005	600,000	\$ 61.17	600,000	4,846,010
Total	<u>600,000</u>	<u>\$ 61.17</u>	<u>600,000</u>	

Item 6. Exhibits.

The following exhibits required by Item 601 of Regulation S-K are furnished herewith.

- 3(i) Amended and Restated Charter of T. Rowe Price Group, Inc. as of March 9, 2001. (Incorporated by reference from Form 10-K for 2000; Accession No. 0001113169-01-000003.)
- 3(ii) Amended and Restated By-Laws of T. Rowe Price Group, Inc. as of December 12, 2002. (Incorporated by reference from Form 10-K for 2002; Accession No. 0000950133-03-000699.)
- 10.1 Agreement as of January 1, 2005 between T. Rowe Price Retirement Plan Services, Inc. and certain of the T. Rowe Price Funds.
- 10.2 Transfer Agency and Service Agreement as of January 1, 2005 between T. Rowe Price Services, Inc. and the T. Rowe Price Funds.
- 15 Letter from KPMG LLP, independent registered public accounting firm, re unaudited interim financial information.
- 31(i).1 Rule 13a-14(a) Certification of Principal Executive Officer.
- 31(i).2 Rule 13a-14(a) Certification of Principal Financial Officer.
- 32 Section 1350 Certifications.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on April 26, 2005.

T. Rowe Price Group, Inc.

/s/ Kenneth V. Moreland
Vice President and Chief Financial Officer

AGREEMENT

between

T. ROWE PRICE RETIREMENT PLAN SERVICES, INC.

and

T. ROWE PRICE FUNDS

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APPENDIX A	

AGREEMENT, made as of the first day of January, 2005, by and between T. ROWE PRICE RETIREMENT PLAN SERVICES, INC., a Maryland corporation having its principal office and place of business at 100 East Pratt Street, Baltimore, Maryland 21202 (“**RPS**”), and EACH FUND WHICH IS LISTED ON APPENDIX A (as such Appendix may be amended from time to time) and which evidences its agreement to be bound hereby by executing a copy of this Agreement (each Fund hereinafter referred to as “**the Fund**”) whose definition may be found in Article T;

WHEREAS, the Funds are named investment options under various tax-sheltered plans, including, but not limited to, state and local government deferred compensation plans, 403(b) plans, and profit sharing, thrift, 401(k) and money purchase pension plans for self-employed individuals, professional partnerships and corporations (collectively referred to as “**Retirement Plans**”); and the Fund has determined that such investments of Retirement Plans in the Funds are in the best long-term interest of the Funds;

WHEREAS, RPS has the capability of providing special services, on behalf of the Fund, for the existing accounts of individuals (“**Participants**”) participating in these Retirement Plans (“**Retirement Accounts**”);

WHEREAS, RPS represents that it is registered with the Securities and Exchange Commission as a Transfer Agent under Section 17A of the Securities Exchange Act of 1934 (**the “34 Act**”);

WHEREAS, RPS may subcontract or jointly contract with other parties on behalf of the Funds to perform certain of the functions described herein, RPS may also enter into, on behalf of the Funds, certain banking relationships to perform various banking services, including, but not limited to, check deposits, disbursements, automatic clearing house transactions (“**ACH**”) and wire transfers. Subject to guidelines mutually agreed upon by the Funds and RPS, excess balances, if any, resulting from these banking relationships will be invested and the income therefrom will be used to offset fees which would otherwise be charged to the Funds under this Agreement; and

WHEREAS, the Fund desires to contract with RPS to provide the functions and services described herein in connection with the Retirement Plans and Retirement Accounts.

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

A. Terms of Appointment

Subject to the terms and conditions set forth in this Agreement, the Fund hereby employs and appoints RPS to perform the services and functions described herein in connection with certain Retirement Plan and Retirement Accounts as agreed upon by the parties.

B. Duties of RPS

RPS agrees that it will perform the following services:

1. Contributions — Retirement Plans and Retirement Accounts

After RPS has received monies from Retirement Plans and has determined the proper allocation of such monies to the Retirement Accounts or Participants based upon instructions received from Participants, Retirement Plans or their designees, or Retirement Plan Administrator(s) ("**Administrator(s)**"), RPS will, as a responsibility under the Agreement:

- a. In the case of a new Participant, establish and maintain a Retirement Account for such Participant;
- b. Compute the number of shares of each Fund to which the Participant is entitled in accordance with the price per share of such Fund as calculated and provided by the Fund for orders received at that time and date, and purchase the appropriate shares in each such Retirement Account;
- c. Calculate the aggregate of all purchases in the Retirement Accounts and transmit the net purchase order to T. Rowe Price Services, Inc. ("**Services**") through the National Securities Clearing Corporation ("**NSCC**") or such other agreed upon method or

directly to the Fund, as the case may be, for purchase into an omnibus account established in each Fund registered in RPS' or its affiliates' name as agent for Retirement Plans or in the individual Retirement Plan's name ("**Omnibus Account**");

- d. Transmit to Services by wire, directly or through the NSCC, at a time designated by the NSCC or mutually agreed upon by both parties, the aggregate money allocated to coincide with the purchase order; and
- e. Ensure that all contributions are processed in accordance with Rule 22c-1 of the Investment Company Act of 1940 ("**40 Act**").

2. Retirement Plans — Redemptions to Cover Distributions

After RPS has received instructions from the Administrator or Participants regarding distributions to be made to Participants or their designated beneficiaries from Funds designated as investment options under the Retirement Plan, RPS will, as a responsibility under the Agreement:

- a. Compute the number of shares to be redeemed from each such Retirement Account for such distributions in accordance with the price per share of such Fund as calculated and provided by the Fund for orders received in good order at that time and date.
- b. After such computation, calculate the aggregate amount of all redemptions in the Retirement Accounts.
- c. Transmit any net redemption order to Services, through the NSCC or such other method mutually agreed upon, or directly to the Fund, as the case may be, for the Omnibus Account of each Fund. Services will wire proceeds to RPS, directly or through the NSCC, to coincide with the redemption order for each Omnibus Account. RPS will distribute to Participants or their designated beneficiaries the amount to be disbursed.

- d. After RPS has received instructions from the Administrator regarding disbursements to be made regarding the payment of fees due the Administrator, or other persons including RPS, RPS will, as a responsibility under this Agreement:
 - i. Compute the number of shares to be redeemed from each Retirement Account to pay for such disbursements and the total number of all shares to be redeemed in accordance with the price per share for orders received in good order at that time and date, of such Fund as calculated and provided by the Fund; and
 - ii. Inform Services, directly or through the NSCC, or the Funds directly, as the case may be, of the necessary Shares to be redeemed from the Omnibus Account of the Funds to cover such disbursements.
- e. Ensure that all redemption orders are processed in accordance with Rule 22c-1 of the '40 Act.
- f. Calculate and assess redemption fees for those Fund's that assess redemption fees and pay such fee to the Fund in accordance with the Fund's then-current prospectus and the guidelines established between the Fund and RPS.

3. Other Provisions

- a. If any instruction tendered by an Administrator to purchase or redeem shares in a Retirement Account is not satisfactory to RPS, RPS shall promptly notify the Administrator of such fact together with the reason therefore;
- b. The authority of RPS to perform its responsibilities under Paragraph B(2) with respect to each Fund shall be suspended upon RPS' receipt of notification from such Fund of the suspension of the determination of the Fund's net asset value per share and shall remain suspended until RPS receives proper notification from the Fund; and

- c. The Fund will promptly inform RPS of the declaration of any dividend or distribution on account of the capital stock of any Fund so that RPS may properly credit income and capital gain payments to each Retirement Account.

4. Exchanges

Effect exchanges of shares of the Funds in the Retirement Accounts upon receipt of appropriate instructions from the Administrator and/or Participant in accordance with the price per share of the Funds as calculated and provided by the Fund for orders received in good order at that time and date. Calculate and transmit a net purchase and redemption order to Services directly or through the NSCC, or the Fund, as the case may be, for the Omnibus Account of each Fund. RPS will transmit by wire to Services, directly or through the NSCC, the aggregate monies allocated to each Fund to coincide with any net purchase order or instruct Services to wire to it, directly or through the NSCC, monies from each Fund's Omnibus Account to coincide with any net redemption order. RPS shall ensure that all exchange orders are processed in accordance with Rule 22c-1 of the '40 Act.

5. Books and Records

RPS shall maintain records showing for each Retirement Plan or Retirement Account, the following:

- a. Names, addresses and tax identification numbers, when provided;
- b. Number of shares held of each Fund;
- c. Historical information regarding the account of each Participant and/or Retirement Plan, including dividends and capital gain distributions invested in shares;
- d. Any instructions from a Participant or Administrator, including all forms executed by a Participant with respect to elections with respect to payment options in connection with the redemption of shares or distribution elections, if applicable; and

e. Any information required in order for RPS to perform the calculations contemplated under this Agreement.

Any such records maintained pursuant to Rule 31a-1 under the Investment Company Act of 1940 and Rule 17Ad-6 and 7 of the Securities and Exchange Act of 1934 will be preserved for the periods and manner prescribed under the Rules, including any requirements for electronic storage of records. Disposition of such records after such prescribed periods shall be as mutually agreed upon from time to time by RPS and the Funds. The retention of such records, which may be inspected by the Fund at reasonable times, shall be at the expense of the Funds. All records maintained by RPS in connection with the performance of its duties under this Agreement will remain the property of the Funds and, in the event of termination of this Agreement, will be delivered to the Fund as of the date of termination of this agreement or at such other time as may be mutually agreed upon.

6. Tax Information

RPS shall also prepare and file with appropriate federal agencies, such information returns and reports as required by applicable Federal statutes relating to redemptions effected in Retirement Accounts which constitute reportable distributions. RPS will also prepare and submit to Participants, such reports containing information as is required by applicable Federal law.

7. Other Information to be Furnished to the Funds

RPS will furnish to the Fund, such information, including Participant lists and statistical information and other information for the Fund to comply with the Sarbanes-Oxley Act of 2002 as may be agreed upon from time to time between RPS and the Fund.

8. Telephone/On-Line Services

RPS will promptly respond to any telephone calls from Administrators and/or Participants relating to the Retirement Accounts and/or questions pertaining to the Funds. RPS will also be responsible for providing a telephone voice response unit and on-line services. Procedures for processing telephone, voice response unit and on-line transactions will be mutually agreed upon by both parties.

9. Correspondence

RPS will promptly and fully answer correspondence from Administrators and Participants relating to Retirement Accounts and transfer agent procedures, and such other correspondence as may from time to time be mutually agreed upon with the Funds. Copies of all correspondence will be retained by RPS in accordance with applicable law.

10. Prospectuses/Confirmation Statements

RPS will be responsible for mailing all confirmations and statements relating to transactions in the Funds, prospectuses, semi-annual and annual reports of the Funds and other enclosures and mailings, as may be requested by the Funds or required by applicable Federal law.

11. Proxies

As requested by the Funds, RPS shall assist in the mailing of proxy cards and other material required to be mailed by the Fund in connection with shareholder meetings of the Fund and shall assist in the receipt, examination and tabulation of returned proxies and the certification of the vote to the Fund.

12. Forms N-SAR and N-CSR

RPS shall maintain such records, if any, as shall enable the Fund to fulfill the requirements of Forms N-SAR and N-CSR.

13. **Withholding**

The Fund and RPS shall agree to procedures to be followed with respect to RPS' responsibilities in connection with compliance for federal withholding on distributions to Participants from Retirement Accounts and related disbursements of withholdings to the Internal Revenue Service.

14. **Excessive Trading**

RPS shall monitor Participant accounts to determine if trading activity is in conformance with the Fund's excessive trading policy as set forth in the Fund's then-current prospectus. If the Fund's policy is violated, RPS shall take action to restrict the account in accordance with procedures agreed upon between RPS and the Funds.

C. **Fees and Expenses.**

Except as set forth in this Paragraph C and Schedule A, RPS is responsible for all expenses relating to the providing of services hereunder. Each Fund is directly responsible for the fees set forth under Schedule A as well as the following expenses and charges:

1. **Postage**

The cost of postage and freight for mailing materials, including confirmations, statements, tax forms and Fund prospectuses and Fund shareholder reports, to Participants with investments in the Fund, or their agents, including overnight delivery, UPS and other express mail services and special courier services required to transport mail between RPS locations and mail processing vendors.

2. **Proxies**

The cost to mail proxy cards and other material supplied to it by the Fund and costs related to the receipt, examination and tabulation of returned proxies and the certification of the vote to the Fund.

3. Communications

- a. Print. The printed forms used internally and externally for documentation and processing Participant, or their agent's, inquiries and requests; paper and envelope supplies for letters, notices, and other written communications sent to Administrators and Participants, or their agents, which includes charges from T. Rowe Price Investment Technology, Inc. of T. Rowe Price Associates, Inc. for internally printed forms and written communications to existing Participants with investments in the Funds or their Administrator.
- b. Print & Mail House. The cost of internal and third party printing and mail house services, including printing of statements, tax forms, prospectuses and reports to plans or participants with investments in the Funds.
- c. Voice and Data. The cost of equipment (including associated maintenance), supplies and services used for communicating with existing Participants or their Administrator, the Fund's transfer agent, other Fund offices, and other agents of either the Fund or RPS. These charges shall include:
 - telephone toll charges (both incoming and outgoing, local, long distance and mailgrams);
 - data and telephone lines and associated equipment such as modems, multiplexers, and facsimile equipment; and
 - production support, service enhancements, and custom reporting for the Participant recordkeeping system.

4. Record Retention

The cost of maintenance and supplies used to maintain, microfilm, copy, record, index, display, retrieve, and store, in optical disc, cd rom or microfiche or microfilm form, documents and records.

5. Disaster Recovery

The cost of services, equipment, facilities and other charges necessary to provide disaster recovery for any and all services listed in this Agreement, which includes charges from T. Rowe Price Technologies Inc. for the cost of providing recovery of critical shareholder servicing systems maintained internally, as agreed to by the parties.

As an accommodation to the Funds, and acting as their agent, RPS may make payments directly to vendors for Fund expenses and, thereafter, be reimbursed by the Funds on a timely basis. The fees and expenses under this Paragraph C shall be allocated to the Funds based on a reasonable allocation methodology agreed upon by the parties.

D. Representations and Warranties of RPS

RPS represents and warrants to the Fund that:

1. It is a corporation duly organized and existing and in good standing under the laws of Maryland.
2. It is duly qualified to carry on its business in Alaska, California, Colorado, District of Columbia, Florida, Illinois, Maryland, Massachusetts, New Jersey and Virginia.
3. It is empowered under applicable laws and by its charter and by-laws to enter into and perform this Agreement.
4. All requisite corporate proceedings have been taken to authorize it to enter into and perform this Agreement.
5. It has and will continue to have access to the necessary facilities, equipment and personnel to perform its duties and obligations under this Agreement.

6. It is registered with the Securities and Exchange Commission as a Transfer Agent pursuant to Section 17A of the '34 Act.

E. Representations and Warranties of the Fund

The Fund represents and warrants to RPS that:

1. It is a corporation or business trust duly organized and existing and in good standing under the laws of Maryland, or Massachusetts, as the case may be.
2. It is empowered under applicable laws and by its Articles of Incorporation or Declaration of Trust, as the case may be, and By-Laws to enter into and perform this Agreement.
3. All proceedings required by said Articles of Incorporation or Declaration of Trust, as the case may be, and By-Laws have been taken to authorize it to enter into and perform this Agreement.
4. It is an investment company registered under the Act.
5. A registration statement under the Securities Act of 1933 (the "**33 Act**") is currently effective and will remain effective, and appropriate state securities law filing have been made and will continue to be made, with respect to all shares of the Fund being offered for sale.

F. Standard of Care/Indemnification

Notwithstanding anything to the contrary in this Agreement:

1. RPS shall not be liable to the Fund for any act or failure to act by it or its agents or subcontractors on behalf of the Fund in carrying or attempting to carry out the terms and provisions of this Agreement provided RPS has acted in good faith and without negligence or willful misconduct and selected and monitored the performance of its agents and subcontractors with reasonable care.

2. The Fund shall indemnify and hold RPS harmless from and against all losses, costs, damages, claims, actions and expenses, including reasonable expenses for legal counsel, incurred by RPS resulting from: (i) any action or omission by RPS or its agents or subcontractors in the performance of their duties hereunder; (ii) RPS acting upon instructions reasonably believed by it to have been executed by a duly authorized officer of the Fund; or (iii) RPS acting upon information provided by the Fund in form and under policies agreed to by RPS and the Fund. RPS shall not be entitled to such indemnification in respect of actions or omissions constituting negligence or willful misconduct of RPS or where RPS has not exercised reasonable care in selecting or monitoring the performance of its agents or subcontractors.

3. Except as provided in Article K of this Agreement, RPS shall indemnify and hold harmless the Fund from all losses, costs, damages, claims, actions and expenses, including reasonable expenses for legal counsel, incurred by the Fund resulting from negligence or willful misconduct of RPS or which result from RPS' failure to exercise reasonable care in selecting or monitoring the performance of its agents or subcontractors. The Fund shall not be entitled to such indemnification in respect of actions or omissions constituting negligence or willful misconduct of such Fund or its agents or subcontractors; unless such negligence or misconduct is attributable to RPS.

4. In determining RPS' liability, an isolated error or omission will normally not be deemed to constitute negligence when it is determined that:

- RPS had in place "appropriate procedures;"
- the employees responsible for the error or omission had been reasonably trained and were being appropriately monitored; and

- no evidence or circumstances have been produced to indicate that the individual who committed the error or omission was functioning in bad faith, gross negligence or willful misconduct at the time of the incident.

It is understood that RPS is not obligated to have in place separate procedures to prevent each and every conceivable type of error or omission. The term “appropriate procedures” shall mean procedures reasonably designed to prevent and detect errors and omissions. In determining the reasonableness of such procedures, weight will be given to such factors as are appropriate, including the prior occurrence of any similar errors or omissions when such procedures were in place and transfer agent industry standards in place at the time of the occurrence.

5. In the event either party is unable to perform its obligations under the terms of this Agreement because of acts of God, strikes or other causes reasonably beyond its control, such party shall not be liable to the other party for any loss, cost, damage, claims, actions or expense resulting from such failure to perform or otherwise from such causes.

6. In order that the indemnification provisions contained in this Article F shall apply, upon the assertion of a claim for which either party may be required to indemnify the other, the party seeking indemnification shall promptly notify the other party of such assertion, and shall keep the other party advised with respect to all developments concerning such claim. The party who may be required to indemnify shall have the option to participate with the party seeking indemnification in the defense of such claim, or to defend against said claim in its own name or in the name of the other party. The party seeking indemnification shall in no case confess any claim or make any compromise in any case in which the other party may be required to indemnify it except with the other party’s prior written consent.

7. Neither party to this Agreement shall be liable to the other party for consequential damages under any provision of this Agreement.

G. Dual Interests

It is understood that some person or persons may be directors, officers, or shareholders of both RPS and the Fund and that the existence of any such dual interest shall not affect the validity of this Agreement or of any transactions hereunder except as otherwise provided by a specific provision of applicable law.

H. Documentation

1. As requested by RPS, the Fund shall promptly furnish to RPS the following:

- a. copy of the resolution of the Directors/Trustees of the Fund authorizing the appointment of RPS and the execution and delivery of this Agreement;
- b. A copy of the Articles of Incorporation or Declaration of Trust, as the case may be, and By-Laws of the Fund and all amendments thereto;
- c. An opinion of counsel for the Fund with respect to the validity of the stock, the number of Shares authorized, the status of redeemed Shares, and the number of Shares with respect to which a Registration Statement has been filed and is in effect; and
- d. A copy of the Fund's current and new prospectuses and shareholder reports issued by the Fund.

The delivery of any such document to either party hereto for the purpose of any other agreement to which the Fund and RPS are or were parties shall be deemed to be delivery for the purposes of this Agreement.

2. As requested by RPS, the Fund will also furnish to RPS from time to time the following documents:

- a. Each resolution of the Board of Directors/Trustees of the Fund authorizing the original issue of its shares;
- b. Each Registration Statement filed with the Securities and Exchange Commission and amendments and orders thereto in effect with respect to the sale of shares with respect to the Fund;
- c. A certified copy of each amendment to the Articles of Incorporation or Declaration of Trust, and the By-Laws of the Fund;
- d. Certified copies of each vote of the Board of Directors/Trustees authorizing officers to give instructions to the Fund; and
- e. Such other documents or opinions which RPS, in its discretion, may reasonably deem necessary or appropriate in the proper performance of its duties under this Agreement.

3. RPS hereby agrees to establish and maintain facilities and procedures reasonably acceptable to the Fund for safekeeping of check forms and facsimile signature imprinting devices, if any, and for the preparation or use, and for keeping account of, such forms and devices.

I. Recordkeeping/Confidentiality

1. RPS shall keep records relating to the services to be performed hereunder, in the form and manner as it may deem advisable, provided that RPS shall keep all records in such form and in such manner as required by applicable law, including the '40 Act and the '34 Act.

2. RPS and the Fund agree that all books, records, information and data pertaining to the business of the other party which are exchanged or received pursuant to the negotiation or the carrying out of this Agreement shall remain confidential, and shall not be voluntarily disclosed

to any other person, except: (a) after prior notification to and approval in writing by the other party hereto, which approval shall not be unreasonably withheld and may not be withheld where RPS or the Fund may be exposed to civil or criminal contempt proceedings for failure to comply; (b) when requested to divulge such information by duly constituted governmental authorities; (c) after so requested by the other party hereto; or (d) by the Administrator.

J. Ownership of Software and Related Material

All computer programs, magnetic tapes, written procedures and similar items purchased and/or developed and used by RPS in performance of the Agreement shall be the property of RPS and will not become the property of the Fund.

K. As Of Transactions

For purposes of this Article K, the term **“Transaction”** shall mean any single or “related transaction” (as defined below) involving the purchase or redemption of shares (including exchanges) processed at a time other than the time of the computation of the Fund’s net asset value per share next computed after receipt of any such transaction order by RPS due to an act or omission of RPS. **“As Of Processing”** refers to the processing of these Transactions. All As Of Processing may only be performed in accordance with the requirements of Rule 22c-1 of the ‘40 Act. RPS is responsible for monitoring As Of Transactions procedures that set forth the circumstances under which As Of Transactions are permitted. If more than one Transaction (**“Related Transaction”**) in the Fund is caused by or occurs as a result of the same act or omission, such transactions shall be aggregated with other transactions in the Fund and be considered as one Transaction.

1. **Reporting**

RPS shall:

- a. Utilize a system to identify all Transactions, and shall compute the net effect of such Transactions upon the Fund on a daily, monthly and rolling 365 day basis. The monthly and rolling 365 day periods are hereinafter referred to as “**Cumulative.**”
- b. Supply to the Fund, from time to time as mutually agreed upon, a report summarizing the Transactions and the daily and Cumulative net effects of such Transactions both in terms of aggregate dilution and loss (“**Dilution**”) or gain and negative dilution (“**Gain**”) experienced by the Fund, and the impact such Gain or Dilution has had upon the Fund’s net asset value per share.
- c. With respect to any Transaction which causes Dilution to the Fund of \$100,000 or more, immediately provide the Fund: (i) a report identifying the Transaction and the Dilution resulting therefrom, (ii) the reason such Transaction was processed as described above, and (iii) the action that RPS has or intends to take to prevent the reoccurrence of such as of processing (“**Report**”).

2. **Liability**

- a. It will be the normal practice of the Fund not to hold RPS liable with respect to any Transaction which causes Dilution to any single Fund of less than \$25,000. RPS will, however, closely monitor for each Fund the daily and Cumulative Gain/Dilution which is caused by Transactions of less than \$25,000. When the Cumulative Dilution to any Fund exceeds 3/10 of 1% of net asset value per share, RPS, in consultation with counsel to the Fund, will make appropriate inquiry to determine whether it should take any remedial action. RPS will report to the Board of Directors/Trustees of the Fund (“**Board**”), as appropriate, any action it has taken.
- b. Where a Transaction causes Dilution to a Fund equal to or greater than \$25,000 (“**Significant Transaction**”) but less than \$100,000, RPS will review with Counsel to

the Fund the circumstances surrounding the underlying Significant Transaction to determine whether the Significant Transaction was caused by or occurred as a result of a negligent act or omission by RPS. If it is determined that the Dilution is the result of a negligent action or omission by RPS, RPS and outside counsel for the Fund will negotiate settlement. All such Significant Transactions will be reported to the Audit Committee at least annually (unless the settlement fully compensates the Fund for any Dilution). Any Significant Transaction, however, causing Dilution in excess of the lesser of \$100,000 or a penny per share will be promptly reported to the Board and resolved at the next scheduled Board Meeting. Settlement for Significant Transactions causing Dilution of \$100,000 or more will not be entered into until approved by the Board. The factors to consider in making any determination regarding the settlement of a Significant Transaction would include but not be limited to:

- i. Procedures and controls adopted by RPS to prevent As Of Processing;
- ii. Whether such procedures and controls were being followed at the time of the Significant Transaction;
- iii. The absolute and relative volume of all transactions processed by RPS on the day of the Significant Transaction;
- iv. The number of Transactions processed by RPS during prior relevant periods, and the net Dilution/Gain as a result of all such Significant Transactions to the Fund and to all other Funds; and
- v. The prior response of RPS to recommendations made by the Funds regarding improvement to RPS' As Of Processing procedures.

- c. In determining RPS' liability with respect to a Significant Transaction, an isolated error or omission will normally not be deemed to constitute negligence when it is determined that:
- RPS had in place "Appropriate Procedures" as defined in Section 4 of Article F of this Agreement (it is understood that RPS is not obligated to have in place separate procedures to prevent each and every conceivable type of error or omission);
 - the employees responsible for the error or omission had been reasonably trained and were being appropriately monitored; and
 - no evidence or circumstances have been produced to indicate that the individual who committed the error or omission was functioning in bad faith, gross negligence or willful misconduct at the time of the incident.

L. Term and Termination of Agreement

1. This Agreement shall run for a period of one (1) year from the date first written above and will be renewed from year to year thereafter unless terminated by either party as provided hereunder.
2. This Agreement may be terminated by the Funds upon one hundred twenty (120) days' prior written notice to RPS; and by RPS, upon three hundred sixty-five (365) days' prior written notice to the Fund.
3. Upon termination hereof, the Fund shall pay to RPS such compensation as may be due as of the date of such termination, and shall likewise reimburse for out-of-pocket expenses related to its services hereunder.

M. Notice

Any notice as required by this Agreement shall be sufficiently given (i) when sent to an authorized person of the other party at the address of such party set forth above or at such other address as such party may from time to time specify in writing to the other party; or (ii) as otherwise agreed upon by appropriate officers of the parties hereto.

N. Assignment

Neither this Agreement nor any rights or obligations hereunder may be assigned either voluntarily or involuntarily, by operation of law or otherwise, by either party without the prior written consent of the other party.

O. Amendment/Interpretive Provisions

The parties by mutual written agreement may amend this Agreement at any time. In addition, in connection with the operation of this Agreement, RPS and the Fund may agree from time to time on such provisions interpretive of or in addition to the provisions of this Agreement as in their joint opinion may be consistent with the general tenor of this Agreement. Any such interpretive or additional provisions are to be signed by all parties and annexed hereto, but no such provision shall contravene any applicable federal or state law or regulation and no such interpretive or additional provision shall be deemed to be an amendment of this Agreement.

P. Further Assurances

Each party agrees to perform such further acts and execute such further documents as are necessary to effectuate the purposes hereof.

Q. Maryland Law to Apply

This Agreement shall be construed and the provisions thereof interpreted under and in accordance with the laws of Maryland.

R. Merger of Agreement

This Agreement, including the attached Schedule supersede any prior agreement with respect to the subject hereof, whether oral or written.

S. Counterparts

This Agreement may be executed by the parties hereto in any number of counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

T. The Parties

All references herein to “the Fund” are to each of the Funds listed on Appendix A individually, as if this Agreement were between such individual Fund and RPS. In the case of a series Fund or trust, all references to “the Fund” are to the individual series or portfolio of such Fund or trust, or to such Fund or trust on behalf of the individual series or portfolio, as appropriate. The “Fund” also includes any T. Rowe Price Fund which may be established after the date of this Agreement. Any reference in this Agreement to “the parties” shall mean RPS and such other individual Fund as to which the matter pertains.

U. Directors, Trustees and Shareholders and Massachusetts Business Trust

It is understood and is expressly stipulated that neither the holders of shares in the Fund nor any Directors or Trustees of the Fund shall be personally liable hereunder. With respect to any Fund which is a party to this Agreement and which is organized as a Massachusetts business trust, the term “Fund” means and refers to the trustees from time to time serving under the applicable trust agreement (Declaration of Trust) of such Trust as the same may be amended from time to time. It is expressly agreed that the obligations of any such Trust hereunder shall not be binding upon any of the trustees, shareholders, nominees, officers, agents or employees of the Trust, personally, but bind only the trust property of the Trust, as provided in the Declaration of Trust of the Trust. The execution and delivery of this Agreement has been authorized by the Trustees and signed by an authorized officer of the Trust, acting as such, and neither such authorization by such Trustees nor

such execution and delivery by such officer shall be deemed to have been made by any of them, but shall bind only the trust property of the Trust as provided in its Declaration of Trust.

V. Captions

The captions in the Agreement are included for convenience of reference only and in no way define or limit any of the provisions hereof or otherwise affect their construction or effect.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their names and on their behalf under their seals by and through their duly authorized officers.

**T. ROWE PRICE RETIREMENT PLAN
SERVICES, INC.**

BY: /S/ Charles E. Vieth

DATED: April 22, 2005

T. ROWE PRICE FUNDS

BY: /S/ Joseph A. Carrier

DATED: April 21, 2005

APPENDIX A

- T. ROWE PRICE BALANCED FUND, INC.
- T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.
 - T. Rowe Price Blue Chip Growth Fund—R Class
- T. ROWE PRICE CAPITAL APPRECIATION FUND
- T. ROWE PRICE CAPITAL OPPORTUNITY FUND, INC.
 - T. Rowe Price Capital Opportunity Fund—R Class
- T. ROWE PRICE CORPORATE INCOME FUND, INC.
- T. ROWE PRICE DEVELOPING TECHNOLOGIES FUND, INC.
- T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND, INC.
- T. ROWE PRICE DIVERSIFIED SMALL-CAP GROWTH FUND, INC.
- T. ROWE PRICE DIVIDEND GROWTH FUND, INC.
- T. ROWE PRICE EQUITY INCOME FUND
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- T. ROWE PRICE FINANCIAL SERVICES FUND, INC.
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- T. ROWE PRICE GLOBAL TECHNOLOGY FUND, INC.
- T. ROWE PRICE GROWTH & INCOME FUND, INC.
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- T. ROWE PRICE HEALTH SCIENCES FUND, INC.
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- T. ROWE PRICE INDEX TRUST, INC.
 - T. Rowe Price Equity Index 500 Fund
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- T. ROWE PRICE INSTITUTIONAL EQUITY FUNDS, INC.

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T. ROWE PRICE INSTITUTIONAL INCOME FUNDS, INC.

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T. ROWE PRICE INSTITUTIONAL INTERNATIONAL FUNDS, INC.

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T. Rowe Price Retirement 2015 Fund

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T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

T. ROWE PRICE SHORT-TERM BOND FUND, INC.

T. ROWE PRICE SMALL-CAP STOCK FUND, INC.

T. ROWE PRICE SMALL-CAP VALUE FUND, INC.

T. ROWE PRICE SPECTRUM FUND, INC.

Spectrum Income Fund

Spectrum Growth Fund

Spectrum International Fund

T. ROWE PRICE SUMMIT FUNDS, INC.

T. Rowe Price Summit Cash Reserves Fund

T. Rowe Price Summit GNMA Fund

T. ROWE PRICE U.S. BOND INDEX FUND, INC.

T. ROWE PRICE U.S. TREASURY FUNDS, INC.

U.S. Treasury Intermediate Fund

U.S. Treasury Long-Term Fund

U.S. Treasury Money Fund

T. ROWE PRICE VALUE FUND, INC.

TRANSFER AGENCY AND SERVICE AGREEMENT

between

T. ROWE PRICE SERVICES, INC.

and

THE T. ROWE PRICE FUNDS

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	APPENDIX A	

TRANSFER AGENCY AND SERVICE AGREEMENT

AGREEMENT made as of the first day of January, 2005, by and between T. ROWE PRICE SERVICES, INC., a Maryland corporation having its principal office and place of business at 100 East Pratt Street, Baltimore, Maryland 21202 ("**Price Services**"), and EACH FUND WHICH IS LISTED ON APPENDIX A (as such Appendix may be amended from time to time) and which evidences its agreement to be bound hereby by executing a copy of this Agreement (each such Fund individually hereinafter referred to as "**the Fund**," whose definition may be found in Article V);

WHEREAS, the Fund desires to appoint Price Services as its transfer agent, dividend disbursing agent and agent in connection with certain other activities, and Price Services desires to accept such appointment;

WHEREAS, Price Services represents that it is registered with the Securities and Exchange Commission as a Transfer Agent under Section 17A of the Securities Exchange Act of 1934 ("**34 Act**") and will notify each Fund promptly if such registration is revoked or if any proceeding is commenced before the Securities and Exchange Commission which may lead to such revocation;

WHEREAS, Price Services has the capability of providing shareholder services on behalf of the Funds for the accounts of shareholders in the Funds;

WHEREAS, certain of the Funds are underlying investment options of portfolios of College Savings Programs ("**529 Plans**") and Price Services has the capability of providing services, on behalf of the Funds, for the accounts of individuals participating in these 529 Plans;

WHEREAS, certain of the Funds are named investment options under various tax-sheltered retirement plans including, but not limited to, individual retirement accounts,

Sep-IRA's, SIMPLE plans, deferred compensation plans, 403(b) plans, and profit sharing, thrift, and money purchase pension plans for self-employed individuals, individual 401(k)s and professional partnerships and corporations (collectively referred to as "**Retirement Plans**");

WHEREAS, Price Services has the capability of providing special services, on behalf of the Funds, for the accounts of shareholders participating in these Retirement Plans ("**Retirement Accounts**");

WHEREAS, Price Services may subcontract or jointly contract with other parties, on behalf of the Funds, to perform certain of the functions and services described herein including services to Retirement Plans and Retirement Accounts;

WHEREAS, Price Services may enter into agreements with certain third party intermediaries such as banks, broker-dealers, insurance companies and retirement plan record keepers ("**Intermediaries**"), who will perform certain of the services described herein for beneficial shareholders of the Funds and may accept orders on behalf of the Fund from such beneficial shareholders; and

WHEREAS, Price Services may also enter into, on behalf of the Funds, certain banking relationships to perform various banking services including, but not limited to, check deposits, check disbursements, automated clearing house transactions ("**ACH**") and wire transfers.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

A. Terms of Appointment

Subject to the terms and conditions set forth in this Agreement, the Fund hereby employs and appoints Price Services to act, and Price Services agrees to act, as the Fund's transfer agent, dividend disbursing agent and agent in connection with: (1) the Fund's authorized and issued shares of its common stock or shares of beneficial interest (all such stock and shares to be referred to as "**Shares**"); (2) any dividend reinvestment or other services provided to the existing shareholders of the Fund ("**Shareholders**"), including, without limitation, any periodic investment plan or periodic withdrawal program; and (3) Retirement Plan and Retirement Accounts as agreed upon by the parties.

The parties to the Agreement hereby acknowledge that from time to time, Price Services and T. Rowe Price Trust Company and their affiliates may enter into contracts ("**Other Contracts**") with employee benefit plans and/or their sponsors and the sponsors of 529 Plans for the provision of certain services to participants of 529 Plans and Retirement Plans. Compensation paid to Price Services pursuant to this Agreement is with respect to the services described herein and not with respect to services provided under Other Contracts.

B. Duties of Price Services

Price Services agrees that it will perform the following services:

1. Receipt of Orders/Payments

Price Services shall receive for acceptance, orders/payments for the purchase of Shares and promptly deliver payment and appropriate documentation thereof to the authorized custodian of the Fund (the "**Custodian**"). Upon receipt of any check or other instrument drawn or endorsed to it as agent for, or identified as being for the account of, the Fund, Price Services will process the order as follows:

- Examine the check to determine if the check conforms to the Funds' acceptance procedures (including certain third-party check procedures). If the check conforms, Price Services will endorse the check and include the date of receipt, will process the same for payment, and deposit the net amount to the parties agreed upon designated bank account prior to such deposit in the Custodial account, and will notify the Fund and the Custodian, respectively, of such deposits (such notification to be given on a daily basis of the total amount deposited to said accounts during the prior business day);
- Subject to guidelines mutually agreed upon by the Funds and Price Services, excess balances, if any, resulting from deposit in these designated bank accounts will be invested and the income therefrom will be used to offset fees which would otherwise be charged to the Funds under this Agreement;
- Ensure that any documentation received from Investors is in "good order" and all appropriate documentation is received to establish an account;
- Open a new account, if necessary, and credit the account of the investor with the number of Shares to be purchased according to the price of the Fund's Shares in effect for purchases made on that date, subject to any instructions which the Fund may have given to Price Services with respect to acceptance of orders for Shares;
- Maintain a record of all unpaid purchases and report such information to the Fund daily;
- Process periodic payment orders, as authorized by investors, in accordance with the payment procedures mutually agreed upon by both parties;

- Receive monies from Retirement Plans and determine the proper allocation of such monies to the Retirement Accounts based upon instructions received from Retirement Plan participants or Retirement Plan administrators (“**Administrators**”);
- Process contributions in the 529 Plan investment option selected by participant and monitor participant account levels for maximum contribution limit as permitted by 529 Plan;
- For purchases received in 529 Plan investment options and certain Funds that invest in underlying Funds allocate such purchase to the underlying Funds in accordance with procedures and allocation methodologies agreed upon between the Funds and Services;
- Ensure that all purchase orders are processed in accordance with Rule 22c-1 of the Investment Company Act of 1940 (“**’40 Act**”);
- Process orders received from third-party intermediaries on behalf of beneficial Shareholders of omnibus and individual accounts in the Funds in accordance with procedures established by agreement with such intermediaries. Receipt of orders by such third party intermediaries may be deemed receipt by the Fund to the extent permitted by Rule 22c-1 of the ’40 Act;
- Process telephone and computer orders for purchases of Fund shares from the Shareholder’s bank account (via wire or ACH) to the Fund in accordance with procedures mutually agreed upon by both parties and applicable National Automated Clearing House Association (“NACHA”) regulations; and

- Upon receipt of funds through the Federal Reserve Wire System that are designated for purchases in Funds which declare dividends at 12:00 p.m. (or such time as set forth in the Fund's current prospectus), Price Services shall promptly notify the Fund and the Custodian of such deposit.

Procedures and requirements for effecting and accepting purchase orders from investors by telephone, Tele*Access, computer, or written instructions shall be established by mutual agreement between Price Services and the Fund consistent with the Fund's current prospectus and applicable law.

2. **Redemptions**

Price Services shall receive for acceptance redemption requests, including telephone redemptions and requests received from Administrators for distributions to participants or their designated beneficiaries or for payment of fees due the Administrator or such other person, including Price Services, and deliver the appropriate documentation thereof to the Custodian. Price Services shall receive and stamp with the date of receipt, all requests for redemptions of Shares (including all certificates delivered to it for redemption) and shall process said redemption requests as follows, subject to the provisions of Section 6 hereof:

- Examine the redemption request and, for written redemptions, the supporting documentation, to determine that the request is in good order and all requirements have been met;
- Notify the Fund on the next business day of the total number of Shares presented and covered by all such requests;

- For those Funds that impose redemption fees, calculate and assess the fee owed on the redemption and pay such fee to the Fund in accordance with the Fund's then-current prospectus and guidelines established between the Fund and Price Services, including any exceptions granted for certain transactions. Price Services may enter into agreements on behalf of the Funds with intermediaries who hold shares in omnibus accounts whereby the Intermediary agrees to access the fee in accordance with the Fund's prospectus at the time of the redemption and forward such fees to the Funds on a monthly basis or such other mutually agreed upon time;
- As set forth in the prospectus of the Fund, and in any event, on or prior to the seventh (7th) calendar day succeeding any such request for redemption, Price Services shall, from funds available in the accounts maintained by Price Services as agent for the Funds, pay the applicable redemption price in accordance with the current prospectus of the Fund, to the investor, participant, beneficiary, Administrator or such other person, as the case may be;
- Instruct custodian to wire redemption proceeds to a designated bank account of Price Services. Subject to guidelines mutually agreed upon by the Funds and Price Services, excess balances, if any, resulting from deposit in these bank accounts will be invested and the income therefrom will be used to offset fees which would otherwise be charged to the Funds under this Agreement;
- If any request for redemption does not comply with the Fund's requirements, Price Services shall promptly notify the investor of such fact, together with

the reason therefore, and shall effect such redemption at the price in effect at the time of receipt of all appropriate documents;

- Make such withholdings as may be required under applicable Federal tax laws;
- In the event redemption proceeds for the payment of fees are to be wired through the Federal Reserve Wire System or via ACH, Price Services shall cause such proceeds to be wired in Federal funds or via ACH to the bank account designated by Shareholder or Administrator, as the case may be;
- Ensure that all redemption orders are processed in accordance with Rule 22c-1 of the '40 Act;
- Process redemption orders received from third party intermediaries on behalf of beneficial Shareholders in omnibus and individual accounts in the Funds in accordance with procedures established by agreement with such intermediaries. Receipt of redemption orders by such third party intermediaries may be deemed receipt by the Fund to the extent permitted by Rule 22c-1 of the '40 Act;
- Process distributions and refunds of 529 Plans to participants or others, as directed, in accordance with the 529 Plan's requirements;
- For distributions and redemptions received in 529 Plan investment options and certain Funds that invest in underlying Funds allocate such redemptions to the underlying Funds in accordance with procedures and allocation methodologies agreed upon between the Funds and Services; and

- Process periodic redemption orders as authorized by the investor in accordance with the periodic withdrawal procedures for Systematic Withdrawal Plan (“SWP”) and systematic ACH redemptions mutually agreed upon by both parties.

Procedures and requirements for effecting and accepting redemption orders from Shareholders by telephone, Tele*Access, computer, or written instructions shall be established by mutual agreement between Price Services and the Fund consistent with the Fund’s current prospectus and applicable law.

3. **Exchanges**

Price Services shall effect exchanges of shares from one Fund to another in the Shareholder’s accounts in accordance with Rule 22c-1 of the ’40 Act and in accordance with procedures agreed upon between the Funds and Price Services, including the Fund’s excessive trading policy.

Procedures and requirements for effecting and accepting exchange orders from Shareholders by telephone, Tele*Access, computer, or written instructions shall be established by mutual agreement between Price Services and the Fund consistent with the Fund’s current prospectus and applicable law.

4. **Transfers**

Price Services shall effect transfers of Shares by the registered owners thereof upon receipt of appropriate instructions and documentation and examine such instructions for conformance with appropriate procedures and requirements. In this regard, Price Services, upon receipt of a proper request for transfer, including any transfer involving the surrender of certificates of Shares, is authorized to transfer, on the

records of the Fund, Shares of the Fund, including cancellation of surrendered certificates, if any, to credit a like amount of Shares to the transferee.

5. **Confirmations**

Price Services shall mail all confirmations and statements as well as other enclosures requested by the Fund to Shareholders or 529 plan participants, and in the case of Retirement Accounts, to the participants and/or Administrators, as may be required by the Funds or by applicable Federal or state law.

6. **Returned Checks and ACH Debits**

In order to minimize the risk of loss to the Fund by reason of any check being returned unpaid, Price Services will promptly identify and follow-up on any check or ACH debit returned unpaid. For items returned, Price Services may telephone the investor and/or redeposit the check or debit for collection or cancel the purchase, as deemed appropriate. Price Services and the Funds will establish procedures for the collection of money owed the Fund from investors who have caused losses due to these returned items.

7. **Redemption of Shares under a Hold**

- **Uncollected Funds.** Shares purchased by personal, corporate, governmental check, cashier's, treasurer's, certified or official checks or by ACH will be considered uncollected until the tenth calendar date following the trade date of the trade ("**Uncollected Funds**");
- **Good Funds.** Shares purchased by wire transfer or automatically through a shareholder's paycheck will be considered collected immediately ("**Good Funds**"). Absent information to the contrary (i.e., notification from the payee

institution), Uncollected Funds will be considered Good Funds on the tenth calendar day following trade date.

- **Redemption of Uncollected Funds**

- Shareholders making telephone requests for redemption of shares purchased with Uncollected Funds will be given two options:
 1. The Shareholder will be permitted to exchange to another Fund until the payment is deemed Good Funds; or
 2. The redemption can be processed utilizing the same procedures for written redemptions described below.
- If a written redemption request is made for shares where any portion of the payment for said shares is in Uncollected Funds, and the request is in good order, Price Services will promptly obtain the information relative to the payment necessary to determine when the payment becomes Good Funds. The redemption will be processed in accordance with normal procedures, and the proceeds will be held until confirmation that the payment is Good Funds. On the seventh (7th) calendar day after trade date, and each day thereafter until either confirmation is received or the tenth (10th) calendar day, Price Services will call the paying institution to request confirmation that the check or ACH in question has been paid. On the tenth calendar day after trade date, the redemption proceeds will be released, regardless of whether confirmation has been received.

- **Checkwriting Redemptions.**
 - Daily, all checkwriting redemptions \$10,000 and over reported as Uncollected Funds or insufficient funds will be reviewed. An attempt will be made to contact the shareholder to obtain alternative instructions for payment (through wire, exchange, transfer, etc.). Generally by 12:00 p.m. the same day, if the matter has not been resolved, the redemption request will be rejected and the check returned to the Shareholder.
 - All checkwriting redemptions under \$10,000 reported as Uncollected or insufficient funds will be rejected and the check returned to the Shareholder. The Funds and Services may agree to contact shareholders presenting checks under \$10,000 reported as insufficient funds to obtain alternative instructions for payment.
- **Confirmations of Available Funds/Bank Account Registrations.** The Fund expects that situations may develop whereby it would be beneficial to determine (i) if a person who has placed an order for Shares has sufficient funds in his or her checking account to cover the payment for the Shares purchased or (ii) if the bank account owner(s) are the same as the Fund Shareholder(s) (i.e., when establishing an account on-line and funding the account via ACH). When this situation occurs, Price Services may call the bank in question and request that it confirm that sufficient funds to cover the purchase are currently credited to the account in question and/or the bank account owner(s) are the same as the mutual fund owner(s). Price Services

will maintain written documentation or a recording of each telephone call that is made under the procedures outlined above.

None of the above procedures shall preclude Price Services from inquiring as to the status of any check received by it in payment for the Fund's Shares as Price Services may deem appropriate or necessary to protect both the Fund and Price Services. If a conflict arises between Section 2 and this Section 6, Section 6 will govern.

8. **Dividends, Distributions and Other Corporate Actions**

- The Fund will promptly inform Price Services of the declaration of any dividend, distribution, stock split or any other distributions of a similar kind on account of its Capital Stock.
- Price Services shall act as Dividend Disbursing Agent for the Fund, and as such, shall prepare and make income and capital gain payments to investors. As Dividend Disbursing Agent, Price Services will on or before the payment date of any such dividend or distribution, notify the Custodian of the estimated amount required to pay any portion of said dividend or distribution which is payable in cash, and the Fund agrees that on or about the payment date of such distribution, it shall instruct the Custodian to make available to Price Services sufficient funds for the cash amount to be paid out. If an investor is entitled to receive additional Shares by virtue of any such distribution or dividend, appropriate credits will be made to his or her account.

9. **Abandoned Property and Lost Shareholders**

In accordance with procedures agreed upon by both parties, Price Services shall report abandoned property to appropriate state and governmental authorities of the Fund. Price Services shall, 90 days prior to the annual reporting of abandoned property to each of the states, make reasonable attempts to locate Shareholders for which (a) checks, tax forms, statements or confirms have been returned; (b) for which accounts have aged outstanding checks; or (c) accounts with share balances that have been coded with stop mail and meet the dormancy period guidelines specified in the individual states. Price Services shall make reasonable attempts to contact shareholders for those accounts that have significant aged outstanding checks over a specified dollar threshold as agreed to by the parties. Price Services shall also comply with the requirements of Rule 17Ad-17 of the '34 Act with respect to searching for lost shareholders.

10. **Books and Records**

Price Services shall maintain records showing for each Shareholder's account, 529 Plan, Retirement Plan or Retirement Account, as the case may be, the following:

- Names, address and tax identification number;
- Number of Shares held;
- Certain historical information regarding the account of each Shareholder, including dividends and distributions distributed in cash or invested in Shares;

- Pertinent information regarding the establishment and maintenance of Retirement Plans and Retirement Accounts necessary to properly administer each account;
- Information with respect to the source of dividends and distributions allocated among income (taxable and nontaxable income), realized short-term gains and realized long-term gains;
- Any stop or restraining order placed against a Shareholder's account;
- Information with respect to withholdings on domestic and foreign accounts;
- Any instructions from a Shareholder including, all forms furnished by the Fund and executed by a Shareholder with respect to (i) dividend or distribution elections, and (ii) elections with respect to payment options in connection with the redemption of Shares;
- Any correspondence relating to the current maintenance of a Shareholder's account;
- Certificate numbers and denominations for any Shareholder holding certificates;
- Any information required in order for Price Services to perform the calculations contemplated under this Agreement; and
- Any other records required under applicable law including Rules 17Ad-6 and 7 under the '34 Act and Rule 31a-1 of the '40 Act.

Price Services shall maintain files and furnish statistical and other information as required under this Agreement and as may be agreed upon from time to time by both parties or required by applicable law. However, Price Services reserves the right to

delete, change or add any information to the files maintained; provided such deletions, changes or additions do not contravene the terms of this Agreement or applicable law and do not materially reduce the level of services described in this Agreement.

Any such records maintained pursuant to Rule 31a-1 under the '40 Act and 17AD-6 and 7 under the '34 Act will be preserved for the periods and maintained in a manner prescribed under the Rules, including any requirements relating to electronic storage of records. Disposition of such records after such prescribed periods shall be as mutually agreed upon by the Fund and Price Services. The retention of such records, which may be inspected by the Fund at reasonable times, shall be at the expense of the Fund. All records maintained by Price Services in connection with the performance of its duties under this Agreement will remain the property of the Fund and, in the event of termination of this Agreement, will be delivered to the Fund as of the date of termination or at such other time as may be mutually agreed upon.

All books, records, information and data pertaining to the business of the other party which are exchanged or received pursuant to the negotiation or the carrying out of this Agreement shall remain confidential, and shall not be voluntarily disclosed to any other person, except after prior notification to and approval by the other party hereto, which approval shall not be unreasonably withheld and may not be withheld where Price Services or the Fund may be exposed to civil or criminal contempt proceedings for failure to comply; when requested to divulge such information by duly constituted governmental authorities; or after so requested by the other party hereto.

11. **Authorized Issued and Outstanding Shares**

Price Services shall record the issuance of Shares of the Fund and maintain, pursuant to Rule 17Ad-10(e) of the '34 Act, a record of the total number of Shares of the Fund which are authorized and outstanding, based upon data provided to it by the Fund. Price Services shall also provide the Fund on a regular basis the total number of Shares that are authorized and issued and outstanding. Price Services shall have no obligation, when recording the issuance of Shares, to monitor the issuance of such Shares or to take cognizance of any laws relating to the issuance or sale of such Shares.

12. **Tax Information**

Price Services shall prepare and file with the Internal Revenue Service (“IRS”) and with other appropriate state agencies and, if required, mail to shareholders, those returns for reporting dividends and distributions paid as required to be so filed and mailed, and shall withhold such sums required to be withheld under applicable Federal income tax laws, rules, and regulations and remit such sums to the IRS. Additionally, Price Services will file and, as applicable, mail to Shareholders, any appropriate information returns required to be filed in connection with Retirement Plan processing, such as 1099R, 5498, as well as any other appropriate forms that the Fund or Price Services may deem necessary. The Fund and Price Services shall agree to procedures to be followed with respect to Price Services’ responsibilities in connection with compliance with back-up withholding and other tax laws.

13. **Information to be Furnished to the Fund**

Price Services shall furnish to the Fund such information as may be agreed upon between the Fund and Price Services, including any information that the Fund and Price

Services agree is necessary to the daily operations of the business and to comply with Sarbanes Oxley Act of 2002.

14. **Correspondence**

Price Services shall promptly and fully answer correspondence from shareholders, participants and Administrators relating to Shareholder Accounts, Retirement Accounts, and 529 Plan accounts, transfer agent procedures, and such other correspondence as may from time to time be mutually agreed upon with the Funds. Unless otherwise instructed, copies of all correspondence will be retained by Price Services in accordance with applicable law and procedures.

15. **Lost or Stolen Securities**

Pursuant to Rule 17f-1 of the '34 Act, Price Service shall report to the Securities Information Center and/or the FBI or other appropriate person on Form X-17-F-1A all lost, stolen, missing or counterfeit securities. Provide any other services relating to lost, stolen or missing securities as may be mutually agreed upon by both parties.

16. **Telephone/Computer Services**

Price Services shall maintain a Telephone Servicing Staff of representatives ("**Representatives**") sufficient to timely respond to all telephonic inquiries reasonably foreseeable. The Representatives will also effect telephone purchases, redemptions, exchanges, and other transactions mutually agreed upon by both parties, for those Shareholders who have authorized telephone services. The Representatives shall require each Shareholder or participant effecting a telephone transaction to properly identify himself/herself before the transaction is effected, in accordance with procedures agreed upon between by both parties. Procedures for processing telephone transactions will be

mutually agreed upon by both parties. Price Services will also be responsible for providing Tele*Access, On-Line Access and such other Services as may be offered by the Funds from time to time. Price Services will maintain a special Shareholder Servicing staff to service certain Shareholders with substantial relationships with the Funds.

17. **Collection of Shareholder/Participant Fees and Calculation and Distribution of 12b-1 Fees and Administrative Fee Payments**

- **Shareholder Fees.** Price Services shall calculate and notify shareholders of Funds and participants of 529 Plans of any fees owed the Fund, its affiliates or its agents. Such fees include but are not limited to the small account fee, IRA custodial fee, wire fee and any initial and annual fees for participation in the 529 Plan.
- **12b-1 Fees and Administrative Fee Payments.** Certain Funds have adopted a 12b-1 Plan pursuant to the '40 Act ("**12b-1 Plan**") under which payments to T. Rowe Price Investment Services, Inc. or its designee may be made for distribution, personal and shareholder services performed with respect to Fund shares of a designated class. Such 12b-1 fees may be paid to third parties in consideration of performance of these services. The Funds have also instituted a program whereby they may, in their discretion, pay a third party (e.g., a plan or an intermediary) a fee to compensate the third party for certain expenses incurred as a result of providing administrative services to underlying shareholders of the Funds ("**Administrative Fee Payments**"). Price Services agrees to calculate and

distribute, on behalf of the Funds, the payments/fees owed to third parties under the Fund's 12b-1 Plan and Administrative Fee Payment Program.

- **Administrative Fee Agreements.** Each Fund authorizes Price Services to enter into, on its behalf, agreements with third parties for payment of such administrative fee payments in consideration of such third parties' or their agents' performance of services pursuant to the Fund's Administrative Fee Payment Program. Any payments owed under these Administrative Fee Agreements shall be the obligation of the applicable Fund, not Price Services.

18. **Forms N-SAR and N-CSR**

Price Services shall maintain such records, if any, as shall enable the Fund to fulfill the requirements of Forms N-SAR and N-CSR.

19. **Cooperation With Accountants**

Price Services shall cooperate with each Fund's independent public accountants and take all reasonable action in the performance of its obligations under the Agreement to assure that the necessary information is made available to such accountants for the expression of their opinion without any qualification as to the scope of their examination, including, but not limited to, their opinion included in each such Fund's annual report on Form N-CSR and annual amendment to Form N-1A.

20. **Blue Sky**

Price Services shall provide to the Fund or its agent, on a daily, weekly, monthly and quarterly basis, and for each state in which the Fund's Shares are sold, sales reports

and other materials for blue sky compliance purposes as shall be agreed upon by the parties.

21. **Monitoring Fund's Excessive Trading Policy**

Price Services shall monitor accounts to determine if purchases and sales of Fund Shares are in conformance with the Fund's excessive trading policy as outlined in each Fund's then-current prospectus. If the Fund's policy has been violated in accounts held directly with Price Services, Price Services will take action to restrict the account from future excessive trading in accordance with procedures agreed upon between Price Services and the Funds. Price Services will also monitor trading activity in omnibus accounts to review trading activity that indicates potential excessive trading and, if it determined that excessive trading has occurred, Price Services shall take action to restrict future activity in accordance with procedures agreed to between Price Services and the Funds.

22. **Anti-Money Laundering Program**

Price Services shall perform, on behalf of the Funds, Anti-Money Laundering ("AML") services in accordance with the Anti-Money Laundering Program adopted by the Funds. Price Services shall, maintain policies and procedures, and related internal controls, which are consistent with such AML Program, including but not limited to the following:

- Upon opening a new account, collect required Shareholder information and verify the identity of Shareholders in accordance with the Funds' Customer Identification Program;

- Monitor shareholder transactions, including shareholder purchases made with cash equivalents, identify suspicious activity and report such activity as required to be reported by law, such as filing Suspicious Activity Reports with Department of Treasury and the U.S. Securities and Exchange Commission (“SEC”);
- Review Shareholder names against lists of suspected terrorists organizations supplied by various governmental organizations, such as Office of Foreign Asset Control (“OFAC”), as required, and take action if a match is found in accordance with the Funds’ AML Program, including reporting such matches to OFAC in compliance with OFAC regulations;
- Ensure that employees that are required to take AML training, complete such training in compliance with the Funds’ AML Program and as required by law;
- Arrange for periodic reviews by T. Rowe Price Group Inc.’s internal audit department, at least annually, of the services performed by Price Services under the Funds’ AML Program; and
- Maintain all records or other documentation relating to shareholder accounts and transactions therein that are required to be prepared and maintained pursuant to the Funds’ AML Program.

Price Services is authorized to take, on behalf of the Funds, any action permitted by law and in accordance with the Funds’ AML Program in carrying out its responsibilities under the Funds’ AML Program, including rejecting purchases, freezing Shareholder accounts, restricting certain services, or closing Shareholder accounts if (a) suspicious

activity is detected, (b) it is unable to verify the identity of a Shareholder, or (c) a Shareholder matches a government list of known or suspected suspicious persons.

23. **Other Services**

Price Services shall provide such other services as may be mutually agreed upon between Price Services and the Fund.

C. **Fees and Expenses**

Except as set forth in this Paragraph C, Price Services is responsible for all expenses relating to the providing of the services hereunder. Each Fund is directly responsible for the fees set forth under Section I of Schedule A and the vendor charges under Section II of Schedule A as well as the following expenses and charges:

- **Postage.** The cost of postage and freight for mailing materials, including confirmations, statements, tax forms, Fund prospectuses and shareholder reports and other communications to Shareholders and 529 Plan and Retirement Plan participants, or their agents, including overnight delivery, UPS and other express mail services and special courier services required to transport mail between Price Services locations and mail processing vendors.
- **Proxies.** The cost to mail proxy cards and other material supplied to Price Services by the Fund to Shareholders and costs related to the receipt, examination and tabulation of returned proxies and the certification of the vote to the Fund.
- **Communications**
 - **Print.** The printed forms used internally and externally for documentation and processing Shareholder and 529 Plan and Retirement Plan participant, or their agent's inquiries and requests; paper and envelope supplies for letters,

notices, and other written communications sent to Shareholders and 529 and Retirement Plan participants, or their agents, which includes charges from T. Rowe Price Technologies, Inc. for internally printed forms and written communications.

- **Print & Mail House.** The cost of internal and third party printing and mail house services, including printing of confirmations, statements, tax forms, prospectuses and reports sent to existing Shareholders.
- **Voice and Data.** The cost of equipment (including associated maintenance), supplies and services used for communicating with and servicing Shareholders of the Fund and 529 Plan and Retirement Plan participants, or their agents, and other Fund offices or other agents of either the Fund or Price Services. These charges shall include:
 - telephone toll charges (both incoming and outgoing, local, long distance and mailgrams);
 - data and telephone expenses to communicate with shareholders and transfer shareholders between T. Rowe Price facilities; and
 - production support, service enhancements and custom reporting for the shareholder mainframe recordkeeping system.
- **Record Retention.** The cost of maintenance and supplies used to maintain, microfilm, copy, record, index, display, retrieve, and store, in optical disc, microfiche or microfilm form, documents and records.
- **Disaster Recovery.** The cost of services, equipment, facilities and other charges necessary to provide disaster recovery for any and all services listed

in this Agreement, which includes charges from T. Rowe Price Technologies, Inc. for the cost of providing recovery of critical shareholder servicing systems maintained internally as agreed to by the parties.

As an accommodation to the Funds and acting as their agent, Price Services may make payments directly to vendors for Fund expenses and, thereafter, be reimbursed by the Funds on a timely basis.

The fees and expenses under this Paragraph C shall be allocated to the Funds based on a reasonable allocation methodology agreed upon by the parties. Where possible, such as in the case of inbound and outbound WATS charges, allocation will be made on the actual distribution or usage.

D. Representations and Warranties of Price Services

Price Services represents and warrants to the Fund that:

1. It is a corporation duly organized and existing and in good standing under the laws of Maryland;
2. It is duly qualified to carry on its business in Maryland, Colorado, Florida, District of Columbia, Illinois, Massachusetts, New Jersey, Virginia and California;
3. It is empowered under applicable laws and by its charter and by-laws to enter into and perform this Agreement;
4. All requisite corporate proceedings have been taken to authorize it to enter into and perform this Agreement;
5. It is registered with the Securities and Exchange Commission as a Transfer Agent pursuant to Section 17A of the '34 Act; and

6. It has and will continue to have access to the necessary facilities, equipment and personnel to perform its duties and obligations under this Agreement.

E. Representations and Warranties of the Fund

The Fund represents and warrants to Price Services that:

1. It is a corporation or business trust duly organized and existing and in good standing under the laws of Maryland or Massachusetts, as the case may be;
2. It is empowered under applicable laws and by its Articles of Incorporation or Declaration of Trust, as the case may be, and By-Laws to enter into and perform this Agreement;
3. All proceedings required by said Articles of Incorporation or Declaration of Trust, as the case may be, and By-Laws have been taken to authorize it to enter into and perform this Agreement;
4. It is an investment company registered under the Act; and
5. A registration statement under the Securities Act of 1933 (“**the ‘33 Act**”) is currently effective and will remain effective, and appropriate state securities law filings have been made and will continue to be made, with respect to all Shares of the Fund being offered for sale.

F. Standard of Care/Indemnification

Notwithstanding anything to the contrary in this Agreement:

1. Price Services shall not be liable to any Fund for any act or failure to act by it or its agents or subcontractors on behalf of the Fund in carrying or attempting to carry out the terms and provisions of this Agreement provided Price Services has acted in good

faith and without negligence or willful misconduct and selected and monitored the performance of its agents and subcontractors with reasonable care.

2. The Fund shall indemnify and hold Price Services harmless from and against all losses, costs, damages, claims, actions and expenses, including reasonable expenses for legal counsel, incurred by Price Services resulting from: (i) any action or omission by Price Services or its agents or subcontractors in the performance of their duties hereunder; (ii) Price Services acting upon instructions believed by it to have been executed by a duly authorized officer of the Fund; or (iii) Price Services acting upon information provided by the Fund in form and under policies agreed to by Price Services and the Fund. Price Services shall not be entitled to such indemnification in respect of actions or omissions constituting negligence or willful misconduct of Price Services or where Price Services has not exercised reasonable care in selecting or monitoring the performance of its agents or subcontractors.

3. Except as provided in Article M of this Agreement, Price Services shall indemnify and hold harmless the Fund from all losses, costs, damages, claims, actions and expenses, including reasonable expenses for legal counsel, incurred by the Fund resulting from the negligence or willful misconduct of Price Services or which result from Price Services' failure to exercise reasonable care in selecting or monitoring the performance of its agents or subcontractors. The Fund shall not be entitled to such indemnification in respect of actions or omissions constituting negligence or willful misconduct of such Fund or its agents or subcontractors; unless such negligence or misconduct is attributable to Price Services.

4. In determining Price Services' liability, an isolated error or omission will normally not be deemed to constitute negligence when it is determined that:

- Price Services had in place "appropriate procedures;" and
- the employee(s) responsible for the error or omission had been reasonably trained and were being appropriately monitored.

No evidence or circumstances have been produced to indicate that the individual who committed the error or omission was functioning in bad faith, gross negligence or willful misconduct at the time of the incident.

It is understood that Price Services is not obligated to have in place separate procedures to prevent each and every conceivable type of error or omission. The term "Appropriate Procedures" shall mean procedures reasonably designed to prevent and detect errors and omissions. In determining the reasonableness of such procedures, weight will be given to such factors as are appropriate, including the prior occurrence of any similar errors or omissions when such procedures were in place and transfer agent industry standards in place at the time of the occurrence.

5. In the event either party is unable to perform its obligations under the terms of this Agreement because of acts of God, strikes or other causes reasonably beyond its control, such party shall not be liable to the other party for any loss, cost, damage, claim, action or expense resulting from such failure to perform or otherwise from such causes.

6. In order that the indemnification provisions contained in this Article E shall apply, upon the assertion of a claim for which either party may be required to indemnify the other, the party seeking indemnification shall promptly notify the other party of such assertion, and shall keep the other party advised with respect to all developments

concerning such claim. The party who may be required to indemnify shall have the option to participate with the party seeking indemnification in the defense of such claim, or to defend against said claim in its own name or in the name of the other party. The party seeking indemnification shall in no case confess any claim or make any compromise in any case in which the other party may be required to indemnify it except with the other party's prior written consent.

7. Neither party to this Agreement shall be liable to the other party for consequential damages under any provision of this Agreement.

G. Dual Interests

It is understood that some person or persons may be directors, officers, or shareholders of both the Funds and Price Services (including Price Services' affiliates), and that the existence of any such dual interest shall not affect the validity of this Agreement or of any transactions hereunder except as otherwise provided by a specific provision of applicable law.

H. Documentation

As requested by Price Services, the Fund shall promptly furnish to Price Services the following:

- A certified copy of the resolution of the Directors/Trustees of the Fund authorizing the appointment of Price Services and the execution and delivery of this Agreement;
- A copy of the Articles of Incorporation or Declaration of Trust, as the case may be, and By-Laws of the Fund and all amendments thereto;
- As applicable, specimens of all forms of outstanding and new stock/share certificates in the forms approved by the Board of Directors/Trustees of the Fund with a certificate of the Secretary of the Fund as to such approval;

- All account application forms and other documents relating to Shareholders' accounts;
- An opinion of counsel for the Fund with respect to the validity of the stock, the number of Shares authorized, the status of redeemed Shares, and the number of Shares with respect to which a Registration Statement has been filed and is in effect; and
- A copy of the Fund's current prospectus.

The delivery of any such document for the purpose of any other agreement to which the Fund and Price Services are or were parties shall be deemed to be delivery for the purposes of this Agreement.

- As requested by Price Services, the Fund will also furnish from time to time the following documents:
- Each resolution of the Board of Directors/Trustees of the Fund authorizing the original issue of its Shares;
- Each Registration Statement filed with the Securities and Exchange Commission and amendments and orders thereto in effect with respect to the sale of Shares with respect to the Fund;
- A certified copy of each amendment to the Articles of Incorporation or Declaration of Trust, and the By-Laws of the Fund;
- Certified copies of each vote of the Board of Directors/Trustees authorizing officers to give instructions to the Transfer Agent;
- Such other documents or opinions which Price Services, in its discretion, may reasonably deem necessary or appropriate in the proper performance of its duties; and

- Copies of new prospectuses issued.

Price Services hereby agrees to establish and maintain facilities and procedures reasonably acceptable to the Fund for safekeeping of stock certificates, check forms and facsimile signature imprinting devices, if any; and for the preparation or use, and for keeping account of, such certificates, forms and devices.

I. References to Price Services

Each Fund agrees not to circulate any printed matter which contains any reference to Price Services without the prior approval of Price Services, excepting solely such printed matter that merely identifies Price Services as agent of the Fund. The Fund will submit printed matter requiring approval to Price Services in draft form, allowing sufficient time for review by Price Services and its legal counsel prior to any deadline for printing.

J. Compliance with Governmental Rules and Regulations

Except as otherwise provided in the Agreement and except for the accuracy of information furnished to the Fund by Price Services, each Fund assumes full responsibility for the preparation, contents and distribution of its prospectuses and compliance with all applicable requirements of the '40 Act, the '34 Act, the '33 Act, and any other laws, rules and regulations of governmental authorities having jurisdiction over the Fund. Price Services shall be responsible for complying with all laws, rules and regulations of governmental authorities having jurisdiction over transfer agents and their activities and cooperating with respect to examinations and requests from such governmental authorities.

K. Ownership of Software and Related Material

All computer programs, magnetic tapes, written procedures and similar items purchased and/or developed and used by Price Services in performance of the Agreement shall be the property of Price Services and will not become the property of the Fund.

L. Quality Service Standards

Price Services and the Fund may from time to time agree to certain quality service standards, as well as incentives and penalties with respect to Price Services' hereunder.

M. As Of Transactions

For purposes of this Article M, the term "**Transaction**" shall mean any single or "related transaction" (as defined below) involving the purchase or redemption of Shares (including exchanges) that is processed at a time other than the time of the computation of the Fund's net asset value per Share next computed after receipt of any such transaction order by Price Services due to an act or omission of Price Services. "**As Of Processing**" refers to the processing of these Transactions. All As Of Processing may only be performed in accordance with the requirements of Rule 22c-1 of the '40 Act. Price Services is responsible for monitoring As Of Transactions procedures that set forth the circumstances under which As Of Transactions are permitted. If more than one Transaction ("**Related Transaction**") in the Fund is caused by or occurs as a result of the same act or omission, such transactions shall be aggregated with other transactions in the Fund and be considered as one Transaction.

- **Reporting**

Price Services shall:

1. Utilize a system to identify all Transactions, and shall compute the net effect of such Transactions upon the Fund on a daily, monthly and rolling 365-day basis.

The monthly and rolling 365-day periods are hereafter referred to as “**Cumulative.**”

2. Supply to the Fund, from time to time as mutually agreed upon, a report summarizing the Transactions and the daily and Cumulative net effects of such Transactions both in terms of aggregate dilution and loss (“**Dilution**”) or gain and negative dilution (“**Gain**”) experienced by the Fund, and the impact such Gain or Dilution has had upon the Fund’s net asset value per Share.
3. With respect to any Transaction which causes Dilution to the Fund of \$100,000 or more, immediately provide the Fund: (i) a report identifying the Transaction and the Dilution resulting therefrom, (ii) the reason such Transaction was processed as described above, and (iii) the action that Price Services has or intends to take to prevent the reoccurrence of such as of processing (“**Report**”).

- **Liability**

1. It will be the normal practice of the Funds not to hold Price Services liable with respect to any Transaction that causes Dilution to any single Fund of less than \$25,000. Price Services will, however, closely monitor for each Fund the daily and Cumulative Gain/Dilution that is caused by Transactions of less than \$25,000. When the Cumulative Dilution to any Fund exceeds 3/10 of 1% net asset value per share, Price Services, in consultation with counsel to the Fund, will make appropriate inquiry to determine whether it should take any remedial action. Price Services will report to the Board of Directors/Trustees of the Fund (“**Board**”) any action it has taken.

2. Where a Transaction causes Dilution to a Fund equal to or greater than \$25,000 (“**Significant Transaction**”), but less than \$100,000, Price Services will review with Counsel to the Fund the circumstances surrounding the underlying Transaction to determine whether the Transaction was caused by or occurred as a result of a negligent act or omission by Price Services. If it is determined that the Dilution is the result of a negligent action or omission by Price Services, Price Services and outside counsel for the Fund will negotiate settlement. Significant Transactions equal to or greater than \$25,000 will be reported to the Audit Committee at least annually (unless the settlement fully compensates the Fund for any Dilution). Any Significant Transaction, however, causing Dilution in excess of the lesser of \$100,000 or a penny per share will be promptly reported to the Board and resolved at the next scheduled Board Meeting. Settlement for Significant Transactions causing Dilution of \$100,000 or more will not be entered into until approved by the Board. The factors to consider in making any determination regarding the settlement of a Significant Transaction would include but not be limited to:

- Procedures and controls adopted by Price Services to prevent As Of Processing;
- Whether such procedures and controls were being followed at the time of the Significant Transaction;
- The absolute and relative volume of all transactions processed by Price Services on the day of the Significant Transaction;

- The number of Transactions processed by Price Services during prior relevant periods, and the net Dilution/Gain as a result of all such Transactions to the Fund and to all other Price Funds;
 - The prior response of Price Services to recommendations made by the Funds regarding improvement to Price Services' As Of Processing procedures.
3. In determining Price Services' liability with respect to a Significant Transaction, an isolated error or omission will normally not be deemed to constitute negligence when it is determined that:
- Price Services had in place "Appropriate Procedures" as defined in Section 4 of Article F of this Agreement (it is understood that Price Services is not obligated to have in place separate procedures to prevent each and every conceivable type of error or omission);
 - the employee(s) responsible for the error or omission had been reasonably trained and were being appropriately monitored; and
 - No evidence or circumstances have been produced to indicate that the individual who committed the error or omission was functioning in bad faith, gross negligence or willful misconduct at the time of the incident.
- **As Of Transactions — Intermediaries**

If an As Of Transaction is performed by an intermediary, which is designated by the Fund to receive orders for Fund Shares, Price Services shall cause such intermediary to promptly reimburse the Fund for any Dilution caused by such As Of Transaction; provided, however, Price Services shall not be obligated to seek reimbursement from such intermediary if the Dilution is less than \$100.

N. Term and Termination of Agreement

- This Agreement shall run for a period of one (1) year from the date first written above and will be renewed from year to year thereafter unless terminated by either party as provided hereunder.
- This Agreement may be terminated by the Fund upon one hundred twenty (120) days' written notice to Price Services; and by Price Services, upon three hundred sixty-five (365) days' written notice to the Fund.
- Upon termination hereof, the Fund shall pay to Price Services such compensation as may be due as of the date of such termination, and shall likewise reimburse for out-of-pocket expenses related to its services hereunder.

O. Notice

Any notice as required by this Agreement shall be sufficiently given (i) when sent to an authorized person of the other party at the address of such party set forth above or at such other address as such party may from time to time specify in writing to the other party; or (ii) as otherwise agreed upon by appropriate officers of the parties hereto.

P. Assignment

Neither this Agreement nor any rights or obligations hereunder may be assigned either voluntarily or involuntarily, by operation of law or otherwise, by either party without the prior written consent of the other party, provided this shall not preclude Price Services from employing such agents and subcontractors as it deems appropriate to carry out its obligations set forth hereunder.

Q. Amendment/Interpretive Provisions

The parties by mutual written agreement may amend this Agreement at any time. In addition, in connection with the operation of this Agreement, Price Services and the Fund may agree from time to time on such provisions interpretive of or in addition to the provisions of this Agreement as may in their joint opinion be consistent with the general tenor of this Agreement. Any such interpretive or additional provisions are to be signed by all parties and annexed hereto, but no such provision shall contravene any applicable Federal or state law or regulation and no such interpretive or additional provision shall be deemed to be an amendment of this Agreement.

R. Further Assurances

Each party agrees to perform such further acts and execute such further documents as are necessary to effectuate the purposes hereof.

S. Maryland Law to Apply

This Agreement shall be construed and the provisions thereof interpreted under and in accordance with the laws of Maryland.

T. Merger of Agreement

This Agreement, including the attached Appendices and Schedules supersedes any prior agreement with respect to the subject hereof, whether oral or written.

U. Counterparts

This Agreement may be executed by the parties hereto on any number of counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instruments.

V. The Parties

All references herein to “the Fund” are to each of the Funds listed on Appendix A individually, as if this Agreement were between such individual Fund and Price Services. In the case of a series Fund or trust, all references to “the Fund” are to the individual series or portfolio of such Fund or trust, or to such Fund or trust on behalf of the individual series or portfolio, as appropriate. The “Fund” also includes any T. Rowe Price Funds that may be established after the execution of this Agreement. Any reference in this Agreement to “the parties” shall mean Price Services and such other individual Fund as to which the matter pertains.

W. Directors, Trustees and Shareholders and Massachusetts Business Trust

It is understood and is expressly stipulated that neither the holders of Shares in the Fund nor any Directors or Trustees of the Fund shall be personally liable hereunder.

With respect to any Fund which is a party to this Agreement and which is organized as a Massachusetts business trust, the term “Fund” means and refers to the trustees from time to time serving under the applicable trust agreement (Declaration of Trust) of such Trust as the same may be amended from time to time. It is expressly agreed that the obligations of any such Trust hereunder shall not be binding upon any of the trustees, shareholders, nominees, officers, agents or employees of the Trust, personally, but bind only the trust property of the Trust, as provided in the Declaration of Trust of the Trust. The execution and delivery of this Agreement has been authorized by the trustees and signed by an authorized officer of the Trust, acting as such, and neither such authorization by such Trustees nor such execution and delivery by such officer shall be deemed to have been made by any of them, but shall bind only the trust property of the Trust as provided in its Declaration of Trust.

X. Captions

The captions in the Agreement are included for convenience of reference only and in no way define or limit any of the provisions hereof or otherwise affect their construction or effect.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their names and on their behalf under their seals by and through their duly authorized officers.

T. ROWE PRICE SERVICES, INC.

BY: /S/ Wayne D. O'Melia

DATED: April 22, 2005

T. ROWE PRICE FUNDS

BY: /S/ Joseph A. Carrier

DATED: April 21, 2005

APPENDIX A

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.
T. Rowe Price Blue Chip Growth Fund—Advisor Class
T. Rowe Price Blue Chip Growth Fund—R Class

T. ROWE PRICE CALIFORNIA TAX-FREE INCOME TRUST
California Tax-Free Bond Fund
California Tax-Free Money Fund

T. ROWE PRICE CAPITAL APPRECIATION FUND
T. Rowe Price Capital Appreciation Fund—Advisor Class

T. ROWE PRICE CAPITAL OPPORTUNITY FUND, INC.
T. Rowe Price Capital Opportunity Fund—Advisor Class
T. Rowe Price Capital Opportunity Fund—R Class

T. ROWE PRICE CORPORATE INCOME FUND, INC.

T. ROWE PRICE DEVELOPING TECHNOLOGIES FUND, INC.

T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND, INC.

T. ROWE PRICE DIVERSIFIED SMALL-CAP GROWTH FUND, INC.

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

T. ROWE PRICE EQUITY INCOME FUND
T. Rowe Price Equity Income Fund—Advisor Class
T. Rowe Price Equity Income Fund—R Class

T. ROWE PRICE EQUITY SERIES, INC.
T. Rowe Price Equity Income Portfolio
T. Rowe Price Equity Income Portfolio-II
T. Rowe Price New America Growth Portfolio
T. Rowe Price Personal Strategy Balanced Portfolio
T. Rowe Price Mid-Cap Growth Portfolio
T. Rowe Price Mid-Cap Growth Portfolio-II
T. Rowe Price Blue Chip Growth Portfolio
T. Rowe Price Blue Chip Growth Portfolio-II
T. Rowe Price Equity Index 500 Portfolio
T. Rowe Price Health Sciences Portfolio
T. Rowe Price Health Sciences Portfolio-II
T. ROWE PRICE FINANCIAL SERVICES FUND, INC.

T. ROWE PRICE FIXED INCOME SERIES, INC.
T. Rowe Price Limited-Term Bond Portfolio
T. Rowe Price Prime Reserve Portfolio

T. ROWE PRICE GLOBAL TECHNOLOGY FUND, INC.

T. ROWE PRICE GNMA FUND

T. ROWE PRICE GROWTH & INCOME FUND, INC.

T. ROWE PRICE GROWTH STOCK FUND, INC.
T. Rowe Price Growth Stock Fund—Advisor Class
T. Rowe Price Growth Stock Fund—R Class

T. ROWE PRICE HEALTH SCIENCES FUND, INC.

T. ROWE PRICE HIGH YIELD FUND, INC.
T. Rowe Price High Yield Fund—Advisor Class

T. ROWE PRICE INFLATION PROTECTED BOND FUND, INC.

T. ROWE PRICE INDEX TRUST, INC.
T. Rowe Price Equity Index 500 Fund
T. Rowe Price Extended Equity Market Index Fund
T. Rowe Price Total Equity Market Index Fund

T. ROWE PRICE INSTITUTIONAL EQUITY FUNDS, INC.
T. Rowe Price Institutional Large-Cap Growth Fund
T. Rowe Price Institutional Large-Cap Core Growth Fund
T. Rowe Price Institutional Large-Cap Value Fund
T. Rowe Price Institutional Mid-Cap Equity Growth Fund
T. Rowe Price Institutional Small-Cap Stock Fund

T. ROWE PRICE INSTITUTIONAL INCOME FUNDS, INC.
T. Rowe Price Institutional High Yield Fund
T. Rowe Price Institutional Core Plus Fund

T. ROWE PRICE INSTITUTIONAL INTERNATIONAL FUNDS, INC.
T. Rowe Price Institutional Foreign Equity Fund
T. Rowe Price Institutional Emerging Markets Equity Fund

T. ROWE PRICE INTERNATIONAL FUNDS, INC.
T. Rowe Price International Stock Fund
T. Rowe Price International Discovery Fund
T. Rowe Price European Stock Fund
T. Rowe Price New Asia Fund
T. Rowe Price Japan Fund
T. Rowe Price Latin America Fund

T. Rowe Price Emerging Markets Stock Fund
T. Rowe Price Global Stock Fund
T. Rowe Price International Growth & Income Fund
T. Rowe Price International Growth & Income Fund—Advisor Class
T. Rowe Price International Growth & Income Fund—R Class
T. Rowe Price International Stock Fund—Advisor Class
T. Rowe Price International Stock Fund—R Class
T. Rowe Price Emerging Europe & Mediterranean Fund
T. Rowe Price International Bond Fund
T. Rowe Price International Bond Fund—Advisor Class
T. Rowe Price Emerging Markets Bond Fund

T. ROWE PRICE INTERNATIONAL INDEX FUND, INC.
T. Rowe Price International Equity Index Fund

T. ROWE PRICE INTERNATIONAL SERIES, INC.
T. Rowe Price International Stock Portfolio

T. ROWE PRICE MEDIA & TELECOMMUNICATIONS FUND, INC.

T. ROWE PRICE MID-CAP GROWTH FUND, INC.
T. Rowe Price Mid-Cap Growth Fund—Advisor Class
T. Rowe Price Mid-Cap Growth Fund—R Class

T. ROWE PRICE MID-CAP VALUE FUND, INC.
T. Rowe Price Mid-Cap Value Fund—Advisor Class
T. Rowe Price Mid-Cap Value Fund—R Class

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.
T. Rowe Price New Income Fund—Advisor Class
T. Rowe Price New Income Fund—R Class

T. ROWE PRICE PERSONAL STRATEGY FUNDS, INC.
T. Rowe Price Personal Strategy Balanced Fund
T. Rowe Price Personal Strategy Growth Fund
T. Rowe Price Personal Strategy Income Fund

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE REAL ESTATE FUND, INC.
T. Rowe Price Real Estate Fund—Advisor Class

T. ROWE PRICE RESERVE INVESTMENT FUNDS, INC.

T. Rowe Price Reserve Investment Fund
T. Rowe Price Government Reserve Investment Fund

T. ROWE PRICE RETIREMENT FUNDS, INC.

T. Rowe Price Retirement 2010 Fund
T. Rowe Price Retirement 2010 Fund—Advisor Class
T. Rowe Price Retirement 2010 Fund—R Class
T. Rowe Price Retirement 2020 Fund
T. Rowe Price Retirement 2020 Fund—Advisor Class
T. Rowe Price Retirement 2020 Fund—R Class
T. Rowe Price Retirement 2030 Fund
T. Rowe Price Retirement 2030 Fund—Advisor Class
T. Rowe Price Retirement 2030 Fund—R Class
T. Rowe Price Retirement 2040 Fund
T. Rowe Price Retirement 2040 Fund—Advisor Class
T. Rowe Price Retirement 2040 Fund—R Class
T. Rowe Price Retirement Income Fund
T. Rowe Price Retirement Income Fund—Advisor Class
T. Rowe Price Retirement Income Fund—R Class
T. Rowe Price Retirement 2005 Fund
T. Rowe Price Retirement 2015 Fund
T. Rowe Price Retirement 2025 Fund
T. Rowe Price Retirement 2035 Fund

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

T. Rowe Price Science & Technology Fund—Advisor Class

T. ROWE PRICE SHORT-TERM BOND FUND, INC.

T. Rowe Price Short-Term Bond Fund—Advisor Class

T. ROWE PRICE SMALL-CAP STOCK FUND, INC.

T. Rowe Price Small-Cap Stock Fund—Advisor Class

T. ROWE PRICE SMALL-CAP VALUE FUND, INC.

T. Rowe Price Small-Cap Value Fund—Advisor Class

T. ROWE PRICE SPECTRUM FUND, INC. Spectrum Income Fund

Spectrum Growth Fund
Spectrum International Fund

T. ROWE PRICE STATE TAX-FREE INCOME TRUST

New York Tax-Free Money Fund
New York Tax-Free Bond Fund
Maryland Tax-Free Bond Fund
Virginia Tax-Free Bond Fund

New Jersey Tax-Free Bond Fund
Maryland Short-Term Tax-Free Bond Fund
Florida Intermediate Tax-Free Fund
Georgia Tax-Free Bond Fund
Maryland Tax-Free Money Fund

T. ROWE PRICE SUMMIT FUNDS, INC.
T. Rowe Price Summit Cash Reserves Fund
T. Rowe Price Summit GNMA Fund

T. ROWE PRICE SUMMIT MUNICIPAL FUNDS, INC.
T. Rowe Price Summit Municipal Money Market Fund
T. Rowe Price Summit Municipal Intermediate Fund
T. Rowe Price Summit Municipal Income Fund

T. ROWE PRICE TAX-EFFICIENT FUNDS, INC.
T. Rowe Price Tax-Efficient Balanced Fund
T. Rowe Price Tax-Efficient Growth Fund
T. Rowe Price Tax-Efficient Multi-Cap Growth Fund

T. ROWE PRICE TAX-EXEMPT MONEY FUND, INC.

T. ROWE PRICE TAX-FREE HIGH YIELD FUND, INC.

T. ROWE PRICE TAX-FREE INCOME FUND, INC.
T. Rowe Price Tax-Free Income Fund—Advisor Class

T. ROWE PRICE TAX-FREE INTERMEDIATE BOND FUND, INC.

T. ROWE PRICE TAX-FREE SHORT-INTERMEDIATE FUND, INC.

T. ROWE PRICE U.S. BOND INDEX FUND, INC.

T. ROWE PRICE U.S. TREASURY FUNDS, INC.
U.S. Treasury Intermediate Fund
U.S. Treasury Long-Term Fund
U.S. Treasury Money Fund

T. ROWE PRICE VALUE FUND, INC.
T. Rowe Price Value Fund—Advisor Class

Exhibit 15 Letter from KPMG LLP, independent registered public accounting firm, re unaudited interim financial information

T. Rowe Price Group, Inc.
100 East Pratt Street
Baltimore, Maryland 21202

Re: Registration Statements on Form S-8: No. 33-7012, No. 33-37573, No. 33-72568, No. 33-58749, No. 333-20333, No. 333-90967, No. 333-59714,
No. 333-120882 and No. 333-120883

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated April 25, 2005 related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an accountant, or a report prepared or certified by an accountant within the meaning of sections 7 and 11 of the Act.

/s/ KPMG LLP

Baltimore, Maryland
April 25, 2005

I, George A. Roche, certify that:

1. I have reviewed this Form 10-Q Quarterly Report for the quarterly period ended March 31, 2005 of T. Rowe Price Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 25, 2005

/s/ George A. Roche
President and Chief Executive Officer

I, Kenneth V. Moreland, certify that:

1. I have reviewed this Form 10-Q Quarterly Report for the quarterly period ended March 31, 2005 of T. Rowe Price Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 25, 2005

/s/ Kenneth V. Moreland
Vice President and Chief Financial Officer

Exhibit 32

Section 1350 Certifications

We certify, to the best of our knowledge, based upon a review of the Form 10-Q Quarterly Report for the quarterly period ended March 31, 2005 of T. Rowe Price Group, Inc., that:

- (1) The Form 10-Q Quarterly Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Form 10-Q Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of T. Rowe Price Group, Inc.

April 25, 2005

/s/ George A. Roche, Principal Executive Officer

/s/ Kenneth V. Moreland, Principal Financial Officer

A signed original of this written statement has been provided to T. Rowe Price Group, Inc. and will be retained by T. Rowe Price Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.