

May 1, 2006

PROSPECTUS

T. ROWE PRICE

# Equity Income Fund

A stock fund seeking substantial dividend  
income and long-term capital growth.



*The Securities and  
Exchange Commission  
has not approved or  
disapproved these  
securities or passed  
upon the adequacy of  
this prospectus. Any  
representation to the  
contrary is a criminal  
offense.*

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Founded in 1937 by the late Thomas Rowe Price, Jr., T. Rowe Price Associates, Inc. (T. Rowe Price), and its affiliates managed \$269.5 billion for more than nine million individual and institutional investor accounts as of December 31, 2005. T. Rowe Price is the fund's investment manager.

**Mutual fund shares are not deposits or obligations of, or guaranteed by, any depository institution. Shares are not insured by the FDIC, Federal Reserve, or any other government agency, and are subject to investment risks, including possible loss of the principal amount invested.**

**OBJECTIVE, STRATEGY, RISKS, AND EXPENSES**

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**What is the fund's objective?**

The fund seeks to provide substantial dividend income as well as long-term growth of capital through investments in the common stocks of established companies.

**What is the fund's principal investment strategy?**

The fund will normally invest at least 80% of its net assets in common stocks, with 65% in the common stocks of well-established companies paying above-average dividends.

The fund typically employs a "value" approach in selecting investments. Our in-house research team seeks companies that appear to be undervalued by various measures and may be temporarily out of favor but have good prospects for capital appreciation and dividend growth.

In selecting investments, we generally look for companies with one or more of the following:

- an established operating history;
- above-average dividend yield relative to the S&P 500;
- low price/earnings ratio relative to the S&P 500;
- a sound balance sheet and other positive financial characteristics; and
- low stock price relative to a company's underlying value as measured by assets, cash flow, or business franchises.

In pursuing its investment objective, the fund's management has the discretion to purchase some securities that do not meet its normal investment criteria, as described above, when it perceives an unusual opportunity for gain. These special situations might arise when the fund's management believes a security could increase in value for a variety of reasons, including a change in management, an extraordinary corporate event, or a temporary imbalance in the supply of or demand for the securities.

While most assets will be invested in U.S. common stocks, other securities may also be purchased, including foreign stocks, futures, and options, in keeping with fund objectives.

The fund may sell securities for a variety of reasons, such as to secure gains, limit losses, or redeploy assets into more promising opportunities.

Certain investment restrictions, such as a required minimum or maximum investment in a particular type of security, are measured at the time the fund purchases a security. The status, market value, maturity, credit quality, or other

characteristics of the fund's securities may change after they are purchased, and this may cause the amount of the fund's assets invested in such securities to exceed the stated maximum restriction or fall below the stated minimum restriction. If this occurs, it would not be considered a violation of the investment restriction. However, purchases by the fund during the time it is above or below the stated percentage restriction would be made in compliance with applicable restrictions.

- ▶ ***For details about the fund's investment program, please see the Investment Policies and Practices section.***

#### **What are the main risks of investing in the fund?**

The value approach carries the risk that the market will not recognize a security's intrinsic value for a long time or that a stock judged to be undervalued may actually be appropriately priced.

The fund's emphasis on stocks of established companies paying high dividends and its potential investments in fixed-income securities may limit its potential for appreciation in a broad market advance. Such securities may be hurt when interest rates rise sharply. Also, a company may reduce or eliminate its dividend.

As with all equity funds, this fund's share price can fall because of weakness in the broad market, a particular industry, or specific holdings. The market as a whole can decline for many reasons, including adverse political or economic developments here or abroad, changes in investor psychology, or heavy institutional selling. The prospects for an industry or company may deteriorate because of a variety of factors, including disappointing earnings or changes in the competitive environment. In addition, our assessment of companies held in the fund may prove incorrect, resulting in losses or poor performance even in a rising market. Finally, the fund's investment approach could fall out of favor with the investing public, resulting in lagging performance versus other types of stock funds.

Foreign stock holdings may lose value because of declining foreign currencies or adverse political or economic events overseas. Investments in futures and options, if any, are subject to additional volatility and potential losses.

As with any mutual fund, there can be no guarantee the fund will achieve its objective.

- ▶ ***The fund's share price may decline, so when you sell your shares, you may lose money.***

#### **How can I tell if the fund is appropriate for me?**

Consider your investment goals, your time horizon for achieving them, and your tolerance for risk. If you seek a relatively conservative equity investment that provides substantial dividend income along with the potential for capital growth, the

fund could be an appropriate part of your overall investment strategy. This fund should not represent your complete investment program or be used for short-term trading purposes.

The fund can be used in both regular and tax-deferred accounts, such as IRAs.

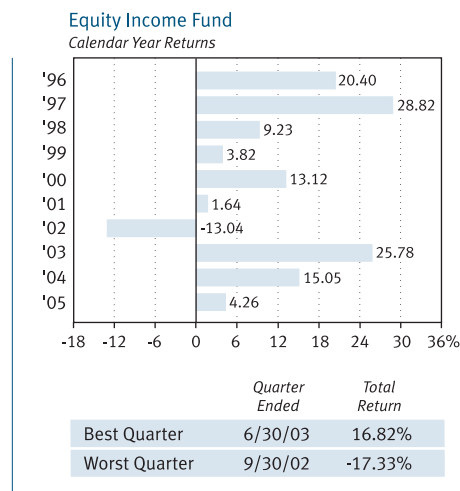
- **Equity investors should have a long-term investment horizon and be willing to wait out bear markets.**

**How has the fund performed in the past?**

The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. Fund past returns (before and after taxes) are not necessarily an indication of future performance.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by the shareholder may influence returns. Actual after-tax returns depend on each investor's situation and may differ from those shown. After-tax returns are not relevant if the shares are held in a tax-deferred account, such as a 401(k) or IRA. During periods of fund losses, the post-liquidation after-tax return may exceed the fund's other returns because the loss generates a tax benefit that is factored into the result.



**Table 1 Average Annual Total Returns**

	<i>Periods ended December 31, 2005</i>		
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>
<b>Equity Income Fund</b>			
<i>Returns before taxes</i>	4.26%	5.93%	10.25%
<i>Returns after taxes on distributions</i>	3.22	4.93	8.31
<i>Returns after taxes on distributions and sale of fund shares</i>	4.12	4.76	8.05
<i>S&amp;P 500 Index</i>	4.91	0.54	9.07
<i>Lipper Equity Income Funds Index</i>	5.80	3.57	8.39

Returns are based on changes in principal value, reinvested dividends, and capital gain distributions, if any. *Returns before taxes* do not reflect effects of any income or capital gains taxes. Taxes are computed using the highest federal income tax rate. The after-tax returns reflect the rates applicable to ordinary and qualified dividends and capital gains effective in 2003. The returns do not reflect the impact of state and local taxes. *Returns after taxes on distributions* reflect the taxed return on the payment of dividends and capital gains. *Returns after taxes on distributions and sale of fund shares* assume the shares were sold at period-end and, therefore, are also adjusted for any capital gains or losses incurred by the shareholder. *Market indexes* do not include expenses, which are deducted from fund returns, or taxes.

S&P 500 Index tracks the stocks of 500 U.S. companies.

### What fees and expenses will I pay?

The fund is 100% no load. There are no fees or charges to buy or sell fund shares, reinvest dividends, or exchange into other T. Rowe Price funds. There are no 12b-1 fees.

**Table 2 Fees and Expenses of the Fund\***

	<i>Annual fund operating expenses (expenses that are deducted from fund assets)</i>
Management fee	0.56%
Other expenses	0.15%
<b>Total annual fund operating expenses</b>	<b>0.71%</b>

\* Redemption proceeds of less than \$5,000 sent by wire are subject to a \$5 fee paid to the fund. Accounts with less than a \$2,000 balance (with certain exceptions) are subject to a \$10 fee. See Account Maintenance and Small Account Fees.

**Example.** The following table gives you an idea of how expense ratios may translate into dollars and helps you to compare the cost of investing in this fund with that of other mutual funds. Although your actual costs may be higher or lower, the table shows how much you would pay if operating expenses remain the same, you invest \$10,000, earn a 5% annual return, hold the investment for the following periods, and then redeem:

<i>1 year</i>	<i>3 years</i>	<i>5 years</i>	<i>10 years</i>
\$73	\$227	\$395	\$883

## OTHER INFORMATION ABOUT THE FUND

### What are some of the fund's potential rewards?

Dividends are normally a more stable and predictable component of total return than capital appreciation. While the price of a company's stock can go up or down in response to earnings or to fluctuations in the general market, dividends are usually more reliable. Stocks paying a high level of dividend income tend to be less volatile than those with below-average dividends and may hold up better in falling markets.

### What are the fund's major characteristics?

T. Rowe Price believes that income can be a significant contributor to total return over time and expects the fund's yield to be above that of the Standard & Poor's 500 Stock Index. The fund will tend to take a "value" approach and invest in stocks and other securities that appear to be temporarily undervalued by various measures, such as price/earnings ratios.

### What is meant by a "value" investment approach?

Value investors seek to invest in companies whose stock prices are low in relation to their real worth or future prospects. By identifying companies whose stocks are currently out of favor or misunderstood, value investors hope to realize significant appreciation as other investors recognize the stock's intrinsic value and the price rises accordingly.

Finding undervalued stocks requires considerable research to identify the particular company, analyze its financial condition and prospects, and assess the likelihood that the stock's underlying value will be recognized by the market and reflected in its price.

Some of the principal measures used to identify such stocks are:

- **Price/earnings ratio** Dividing a stock's price by its earnings per share generates a price/earnings or P/E ratio. A stock with a P/E that is significantly below that of its peers, the market as a whole, or its own historical norm may represent an attractive opportunity.
- **Price/book value ratio** Dividing a stock's price by its book value per share indicates how a stock is priced relative to the accounting (i.e., book) value of the

company's assets. A ratio below the market, that of its competitors, or its own historic norm could indicate an undervalued situation.

- **Dividend yield** A stock's dividend yield is found by dividing its annual dividend by its share price. A yield significantly above a stock's own historic norm or that of its peers may suggest an investment opportunity.
  - ▶ *A stock selling at \$10 with an annual dividend of \$0.50 has a 5% yield.*
- **Price/cash flow** Dividing a stock's price by the company's cash flow per share, rather than by its earnings or book value, provides a more useful measure of value in some cases. A ratio below that of the market or of its peers suggests the market may be incorrectly valuing the company's cash flow for reasons that could be temporary.
- **Undervalued assets** This analysis compares a company's stock price with its underlying asset values, its projected value in the private (as opposed to public) market, or its expected value if the company or parts of it were sold or liquidated.
- **Restructuring opportunities** Many well-established companies experience business challenges that can lead to a temporary decline in their financial performance. These challenges can include a poorly integrated acquisition, difficulties in product manufacturing or distribution, a downturn in a major end market, or an increase in industry capacity that negatively impacts pricing. The shares of such companies frequently trade at depressed valuations. These companies can become successful investments if their management is sufficiently skilled and motivated to properly restructure the organization, their financial flexibility is adequate, the underlying value of the business has not been impaired, or their business environment improves or remains healthy.

#### **What are some examples of undervalued situations?**

There are numerous situations in which a company's value may not be reflected in its stock price. For example, a company may own a substantial amount of real estate that is valued on its financial statements well below market levels. If those properties were to be sold, or if their hidden value became recognized in some other manner, the company's stock price could rise. In another example, a company's management could spin off an unprofitable division into a separate company, potentially increasing the value of the parent. Or, in the reverse, a parent company could spin off a profitable division that has not drawn the attention it deserves, potentially resulting in higher valuations for both entities.

Sometimes new management can revitalize companies that have grown or lost their focus, eventually leading to improved profitability. Management could increase shareholder value by using excess cash flow to pay down debt, buy back outstanding shares of common stock, or raise the dividend.



**Is there other information I can review before making a decision?**

Investment Policies and Practices in Section 3 discusses various types of portfolio securities the fund may purchase as well as types of management practices the fund may use.

As a T. Rowe Price shareholder, you will want to know about the following policies and procedures that apply to the T. Rowe Price family of stock, bond, and money market funds.

## **PRICING SHARES AND RECEIVING SALE PROCEEDS**

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### **How and When Shares Are Priced**

The share price (also called “net asset value” or NAV per share) for all funds except the Japan Fund is calculated at the close of the New York Stock Exchange, normally 4 p.m. ET, each day that the exchange is open for business. (See the following section for information on the Japan Fund.) To calculate the NAV, the fund’s assets are valued and totaled, liabilities are subtracted, and the balance, called net assets, is divided by the number of shares outstanding. Market values are used to price stocks and bonds. Market values represent the prices at which securities actually trade or evaluations based on the judgment of the fund’s pricing services. If a market value for a security is not available, the fund will make a good faith effort to assign a fair value to the security. This value may differ from the value the fund receives upon sale of the securities. Amortized cost is used to price securities held by money market funds. Investments in mutual funds are valued at the closing NAV per share of the mutual fund on the day of valuation.

Non-U.S. equity securities are valued on the basis of their most recent closing market prices at 4 p.m. ET except under the circumstances described below. Most foreign markets close before 4 p.m. For securities primarily traded in the Far East, for example, the most recent closing prices may be as much as 15 hours old at 4 p.m. If a fund determines that developments between the close of the foreign market and 4 p.m. ET will, in its judgment, materially affect the value of some or all of the fund’s securities, the fund will adjust the previous closing prices to reflect what it believes to be the fair value of the securities as of 4 p.m. ET. In deciding whether to make these adjustments, the fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. A fund may also fair value securities in other situations, for example, when a particular foreign market is closed but the fund is open. The fund uses outside pricing services to provide it with closing market prices and information used for adjusting those prices. The fund cannot predict how often it will use closing prices and how

often it will adjust those prices. As a means of evaluating its fair value process, the fund routinely compares closing market prices, the next day's opening prices in the same markets, and adjusted prices.

- ▶ ***The various ways you can buy, sell, and exchange shares are explained at the end of this prospectus and on the New Account Form. These procedures may differ for institutional and employer-sponsored retirement accounts or if you hold your account through an intermediary.***

### **How Your Purchase, Sale, or Exchange Price Is Determined**

If we receive your request in correct form by 4 p.m. ET, your transaction will be priced at that business day's NAV. If we receive it after 4 p.m., it will be priced at the next business day's NAV.

We cannot accept orders that request a particular day or price for your transaction or any other special conditions.

Fund shares may be purchased through various third-party intermediaries including banks, brokers, and investment advisers. Where authorized by a fund, orders will be priced at the NAV next computed after receipt by the intermediary. Consult your intermediary to determine when your orders will be priced. The intermediary may charge a fee for its services.

*Note:* The time at which transactions and shares are priced and the time until which orders are accepted may be changed in case of an emergency or if the New York Stock Exchange closes at a time other than 4 p.m. ET.

### **Japan Fund: Pricing and Transactions**

The Japan Fund's share price is calculated at the close of the New York Stock Exchange, normally 4 p.m. ET, on days when both it and the Tokyo Stock Exchange are open. The fund will not price shares or process orders on any day when either the New York or Tokyo Stock Exchange is closed. Orders received on such days will be processed the next day the fund computes a NAV. As a result, you may experience a delay in purchasing or redeeming fund shares.

*Exchanges:* If you wish to exchange into the Japan Fund on a day the New York Stock Exchange is open but the Tokyo Stock Exchange is closed, the exchange out of the other T. Rowe Price fund will be processed on that day, but Japan Fund shares will not be purchased until the day the Japan Fund reopens. If you wish to exchange out of the Japan Fund on a day when the New York Stock Exchange is open but the Tokyo Stock Exchange is closed, the exchange will be delayed until the Japan Fund reopens.

The Tokyo Stock Exchange is scheduled to be closed on the following days: In 2006—January 2, 3, and 9; February 11; March 21; April 29; May 3, 4, and 5; July 17; September 18 and 23; October 9; November 3 and 23; and

December 23. In 2007—January 2, 3, and 8; February 11; March 21; April 29; May 3, 4, and 5; July 16; September 17 and 23; October 8; November 3 and 23; and December 23. If the Tokyo Stock Exchange closes on dates not listed, the fund will not be priced on those dates.

### How You Can Receive the Proceeds From a Sale

- ▶ ***When filling out the New Account Form, you may wish to give yourself the widest range of options for receiving proceeds from a sale.***

If your request is received by 4 p.m. ET (on a business day) in correct form, proceeds are usually sent on the next business day. Proceeds can be sent to you by mail or to your bank account by Automated Clearing House (ACH) transfer or bank wire. ACH is an automated method of initiating payments from, and receiving payments in, your financial institution account. Proceeds sent by ACH transfer are usually credited the second business day after the sale. Proceeds sent by bank wire should be credited to your account the first business day after the sale.

**Exception:** Under certain circumstances and when deemed to be in a fund's best interest, your proceeds may not be sent for up to seven calendar days after we receive your redemption request.

- ▶ ***If for some reason we cannot accept your request to sell shares, we will contact you.***

### Contingent Redemption Fee

Short-term trading can disrupt a fund's investment program and create additional costs for long-term shareholders. For these reasons, certain T. Rowe Price funds, listed below, assess a fee on redemptions (including exchanges) of fund shares held for less than the period shown, which reduces the proceeds from such redemptions by the amounts indicated:

<b><i>T. Rowe Price Funds With Redemption Fees</i></b>		
<b><i>Fund name</i></b>	<b><i>Redemption fee</i></b>	<b><i>Holding period*</i></b>
Developing Technologies	1%	90 days/3 months
Diversified Small-Cap Growth	1%	90 days/3 months
Emerging Europe & Mediterranean	2%	90 days/3 months
Emerging Markets Bond	2%	90 days/3 months
Emerging Markets Stock	2%	90 days/3 months
Equity Index 500	0.5%	90 days/3 months
European Stock	2%	90 days/3 months
Extended Equity Market Index	0.5%	90 days/3 months

<b><i>T. Rowe Price Funds With Redemption Fees (continued)</i></b>		
<b><i>Fund name</i></b>	<b><i>Redemption fee</i></b>	<b><i>Holding period*</i></b>
Global Stock	2%	90 days/3 months
High Yield	1%	90 days/3 months
International Bond	2%	90 days/3 months
International Discovery	2%	90 days/3 months
International Equity Index	2%	90 days/3 months
International Growth & Income	2%	90 days/3 months
International Stock	2%	90 days/3 months
Japan	2%	90 days/3 months
Latin America	2%	90 days/3 months
New Asia	2%	90 days/3 months
Real Estate	1%	90 days/3 months
Small-Cap Value	1%	90 days/3 months
Spectrum International	2%	90 days/3 months
Tax-Efficient Balanced	1%	1 year
Tax-Efficient Growth	1%	1 year
Tax-Efficient Multi-Cap Growth	1%	1 year
Total Equity Market Index	0.5%	90 days/3 months
U.S. Bond Index	0.5%	90 days/3 months

Redemption fees are paid to a fund to deter short-term trading, offset costs, and protect the fund's long-term shareholders. Subject to the exceptions described on the following pages, all persons holding shares of a T. Rowe Price fund that imposes a redemption fee are subject to the fee, whether the person is holding shares directly with a T. Rowe Price fund, through a retirement plan for which T. Rowe Price serves as recordkeeper, or indirectly through an intermediary, such as a broker, bank, investment adviser, recordkeeper for retirement plan participants, or any other third party.

#### **\*Computation of Holding Period**

When an investor sells shares of a fund that assesses a redemption fee, T. Rowe Price will use the "first-in, first-out" (FIFO) method to determine the holding period for the shares sold. Under this method, the date of redemption or exchange will be compared with the earliest purchase date of shares held in the account. A redemption fee will be charged on shares sold before the end of the required holding period.

If you purchase shares held directly with T. Rowe Price, the holding period is three months. For example, if you purchase shares on March 1 and redeem before June 1, you will be assessed the redemption fee.

If you purchase shares through a retirement plan for which T. Rowe Price serves as recordkeeper, the holding period is 90 days. For example, if you redeem your shares on or before the 90th day from the date of purchase, you will be assessed the redemption fee.

If you purchase shares through an intermediary, consult your intermediary to determine how the holding period (90 days versus three months) will be applied.

### **Transactions Not Subject to Redemption Fees**

The T. Rowe Price funds will not assess a redemption fee with respect to certain transactions. As of the date of this prospectus, the following shares of T. Rowe Price funds will not be subject to redemption fees:

1. Shares redeemed via an automated systematic withdrawal plan;
2. Shares redeemed through or used to establish an automated, nondiscretionary rebalancing or asset allocation program, if approved in writing by T. Rowe Price;
3. Shares purchased by the reinvestment of dividends or capital gain distributions;\*
4. Shares converted from one share class to another share class of the same fund;\*
5. Shares redeemed by a fund (e.g., for failure to meet account minimums or to cover various fees such as fiduciary fees);
6. Shares purchased by rollover and changes of account registration within the same fund;\*
7. Shares redeemed to return an excess contribution in an IRA account;
8. Shares purchased by a fund-of-funds product, if approved in writing by T. Rowe Price;
9. Shares transferred to T. Rowe Price or a third-party intermediary acting as a service provider when the age of the shares cannot be determined systematically;\*
10. Shares redeemed in retirement plans or other products that restrict trading to no more frequently than once per quarter, if approved in writing by T. Rowe Price.

\* Subsequent exchanges of these shares into funds that assess redemption fees will subject such shares to the fee.

### **Redemption Fees on Shares Held in Retirement Plans**

If shares are held in a retirement plan, generally redemption fees will be assessed only on shares redeemed by exchange that were originally purchased by exchange. However, redemption fees may apply to transactions other than exchanges depending on how shares of the plan are held at T. Rowe Price or

how the fees are applied by your plan's recordkeeper. To determine which of your transactions are subject to redemption fees, you should contact T. Rowe Price or your plan recordkeeper.

#### **Omnibus Accounts**

If your shares are held through an intermediary in an omnibus account, T. Rowe Price relies on the intermediary to assess the redemption fee on underlying shareholder accounts. T. Rowe Price seeks to identify intermediaries establishing omnibus accounts and to enter into agreements requiring the intermediary to assess the redemption fees. There are no assurances that T. Rowe Price will be successful in identifying all intermediaries or that the intermediaries will properly assess the fees.

Certain intermediaries may not apply the exemptions listed above to the redemption fee policy; all redemptions by persons trading through such intermediaries may be subject to the fee. Certain intermediaries may exempt transactions not listed above from redemption fees, if approved by T. Rowe Price. Persons redeeming shares through an intermediary should check with their respective intermediary to determine which transactions are subject to the fees.

#### **Implementation**

Recordkeepers for retirement plan participants who are unable to implement redemption fees due to system limitations must either (1) implement short-term trading restrictions approved by T. Rowe Price until they have the system capabilities to assess the fees or (2) set forth an implementation plan acceptable to T. Rowe Price. Any person purchasing shares through a retirement plan recordkeeper should check with their recordkeeper to determine when purchases will be subject to redemption fees.

**If you held or purchased shares of the Tax-Efficient Growth Fund or Tax-Efficient Multi-Cap Growth Fund prior to January 1, 2005, these shares are subject to the terms for holding periods and early redemption as set forth in the prospectus in effect when the shares were originally purchased.** For example, shares of these funds purchased on December 31, 2004, would be subject to a two-year holding period and 2% redemption fee if sold within two years; shares of these funds purchased on January 3, 2005, would be subject to the new one-year holding period and a 2% redemption fee if sold within the one-year holding period.

## USEFUL INFORMATION ON DISTRIBUTIONS AND TAXES

- *All net investment income and realized capital gains are distributed to shareholders.*

### Dividends and Other Distributions

Dividend and capital gain distributions are reinvested in additional fund shares in your account unless you select another option on your New Account Form. Reinvesting distributions results in compounding, that is, receiving income dividends and capital gain distributions on a rising number of shares.

Distributions not reinvested are paid by check or transmitted to your bank account via ACH. If the Post Office cannot deliver your check, or if your check remains uncashed for six months, the fund reserves the right to reinvest your distribution check in your account at the NAV on the day of the reinvestment and to reinvest all subsequent distributions in shares of the fund. Interest will not accrue on amounts represented by uncashed distributions or redemption checks.

The following table provides details on dividend payments:

**Table 3** *Dividend Payment Schedule*

<i>Fund</i>	<i>Dividends</i>
Money market funds	<ul style="list-style-type: none"> <li>• Purchases received by T. Rowe Price by noon ET via wire begin to earn dividends on that day. Other shares normally begin to earn dividends on the business day after payment is received by T. Rowe Price.</li> <li>• Declared daily and paid on the first business day of each month.</li> </ul>
Bond funds	<ul style="list-style-type: none"> <li>• Shares normally begin to earn dividends on the business day after payment is received by T. Rowe Price.</li> <li>• Declared daily and paid on the first business day of each month.</li> </ul>
These stock funds only: <ul style="list-style-type: none"> <li>• Balanced</li> <li>• Dividend Growth</li> <li>• Equity Income</li> <li>• Equity Index 500</li> <li>• Growth &amp; Income</li> <li>• Personal Strategy Balanced</li> <li>• Personal Strategy Income</li> <li>• Real Estate</li> </ul>	<ul style="list-style-type: none"> <li>• Declared quarterly, if any, in March, June, September, and December.</li> <li>• Must be a shareholder on the dividend record date.</li> </ul>



**Table 3 Dividend Payment Schedule (continued)**

<i>Fund</i>	<i>Dividends</i>
Retirement Funds: <ul style="list-style-type: none"> <li>• Retirement Income</li> <li>• All others</li> </ul>	<ul style="list-style-type: none"> <li>• Shares normally begin to earn dividends on the business day after payment is received by T. Rowe Price.</li> <li>• Paid on the first business day of each month.</li> <li>• Declared annually, if any, generally in December.</li> <li>• Must be a shareholder on the dividend record date.</li> </ul>
Tax-Efficient Balanced	Municipal Portion <ul style="list-style-type: none"> <li>• Shares normally begin to earn dividends on the business day after payment is received by T. Rowe Price.</li> <li>• Paid on the last business day of March, June, September, and December.</li> </ul> Equity Portion <ul style="list-style-type: none"> <li>• Declared annually, if any, generally in December.</li> <li>• Must be a shareholder on the dividend record date.</li> </ul>
Other stock funds	<ul style="list-style-type: none"> <li>• Declared annually, if any, generally in December.</li> <li>• Must be a shareholder on the dividend record date.</li> </ul>

Bond or money fund shares will earn dividends through the date of redemption. Shares redeemed on a Friday or prior to a holiday (other than wire redemptions for money funds received before noon ET) will continue to earn dividends until the next business day. Generally, if you redeem all of your bond or money fund shares at any time during the month, you will also receive all dividends earned through the date of redemption in the same check. When you redeem only a portion of your bond or money fund shares, all dividends accrued on those shares will be reinvested, or paid in cash, on the next dividend payment date.

If you purchase and sell your shares through an intermediary, consult your intermediary to determine when your shares begin and stop accruing dividends; the information described above may vary.

**Capital Gain Payments**

If a fund has net capital gains for the year (after subtracting any capital losses), they are usually declared and paid in December to shareholders of record on a specified date that month. If a second distribution is necessary, it is paid the following year.

Capital gain payments are not expected from money market funds, which are managed to maintain a constant share price.

- ▶ *A capital gain or loss is the difference between the purchase and sale price of a security.*

## Tax Information

► ***You will be sent timely information for your tax filing needs.***

If you invest in the fund through a tax-deferred retirement account, you will not be subject to tax on dividends and distributions from the fund or the sale of fund shares if those amounts remain in the tax-deferred account.

If you invest in the fund through a taxable account, you will generally be subject to tax when:

- You sell fund shares, including an exchange from one fund to another.
- A fund makes a distribution to your account.

Additional information about certain T. Rowe Price funds is listed below:

Tax-Free and Municipal Funds
<ul style="list-style-type: none"> <li>• Regular monthly dividends (including those from the state-specific tax-free funds) are expected to be exempt from federal income taxes.</li> <li>• Exemption is not guaranteed, since the fund has the right under certain conditions to invest in nonexempt securities.</li> <li>• You must report your total tax-free income on IRS Form 1040. The IRS uses this information to help determine the tax status of any Social Security payments you may have received during the year.</li> <li>• Tax-exempt dividends paid to Social Security recipients may increase the portion of benefits that is subject to tax.</li> <li>• For state-specific funds, the monthly dividends you receive are expected to be exempt from state and local income tax. For other funds, a small portion of your income dividend may be exempt from state and local income taxes.</li> <li>• If the funds invest in certain “private activity” bonds, shareholders who are subject to the alternative minimum tax (AMT) must include income generated by those bonds in their AMT calculation. The portion of the fund’s income dividend that should be included in your AMT calculation, if any, will be reported to you in January.</li> </ul>
Tax-Efficient Balanced Fund
<ul style="list-style-type: none"> <li>• The fund intends to invest a sufficient portion of its assets in municipal bonds and notes so that it may qualify to pay tax-exempt dividends, which will be exempt from federal income tax. The fund may not always qualify to pay tax-exempt dividends.</li> <li>• The amount of such dividends will be reported to you on your calendar year-end statement.</li> <li>• You must report your total tax-exempt income on IRS Form 1040. This information is used by the IRS to help determine the tax status of any Social Security payments you may have received during the year.</li> <li>• Tax-exempt dividends paid to Social Security recipients may increase the portion of benefits that are subject to tax.</li> <li>• A small portion of your income dividend may also be exempt from state and local income taxes.</li> </ul>

<p>Tax-Efficient Balanced Fund (continued)</p> <ul style="list-style-type: none"> <li>• If the fund invests in certain “private activity” bonds, shareholders who are subject to the AMT must include income generated by those bonds in their AMT calculation. The portion of the fund’s income dividends that should be included in your AMT calculation, if any, will be reported to you in January.</li> </ul>
<p>Florida Intermediate Tax-Free Fund</p> <ul style="list-style-type: none"> <li>• Florida does not have a state income tax but does impose an intangibles property tax that applies to shares of mutual funds.</li> <li>• A fund organized as a business trust and invested at least 90% in Florida municipal obligations, U.S. government obligations, and certain other designated securities on January 1 is exempt from the tax.</li> <li>• If a fund’s portfolio is less than 90% invested in exempt securities on January 1, the exemption applies only to the portion of assets (if any) invested in U.S. government obligations.</li> <li>• The fund is organized as a business trust and will make every effort to have at least 90% of its portfolio invested in exempt securities on January 1 and expects that the entire value of all fund shares will be exempt from the intangibles tax.</li> <li>• <i>Exemption is not guaranteed</i>, since the fund has the right under certain conditions to invest in nonexempt securities.</li> </ul>

For individual shareholders, a portion of ordinary dividends representing “qualified dividend income” received by the fund may be subject to tax at the lower rate applicable to long-term capital gains, rather than ordinary income. You may report it as “qualified dividend income” in computing your taxes provided you have held the fund shares on which the dividend was paid for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. Ordinary dividends that do not qualify for this lower rate are generally taxable at the investor’s marginal income tax rate. This includes the portion of ordinary dividends derived from interest, short-term capital gains, distributions from certain nonqualified foreign corporations, and dividends received by the fund from stocks that were on loan. Little, if any, of the ordinary dividends paid by the Real Estate Fund or the bond and money funds is expected to qualify for this lower rate.

For corporate shareholders, a portion of ordinary dividends may be eligible for the 70% deduction for dividends received by corporations to the extent the fund’s income consists of dividends paid by U.S. corporations. Little, if any, of the ordinary dividends paid by the international funds or the bond and money funds is expected to qualify for this deduction.

**Taxes on Fund Redemptions**

When you sell shares in any fund, you may realize a gain or loss. An exchange from one fund to another is also a sale for tax purposes.

In January, you will be sent Form 1099-B indicating the date and amount of each sale you made in the fund during the prior year. This information will also be reported to the IRS. For most new accounts or those opened by exchange in 1984 or later, we will provide you with the gain or loss on the shares you sold during the year based on the average cost single category method. This information is not reported to the IRS, and you do not have to use it. You may calculate the cost basis using other methods acceptable to the IRS, such as “specific identification.”

To help you maintain accurate records, we will send you a confirmation promptly following each transaction you make (except for systematic purchases and redemptions) and a year-end statement detailing all your transactions in each fund account during the year.

**Taxes on Fund Distributions**

In January, you will be sent Form 1099-DIV indicating the tax status of any income dividend and capital gain distributions made to you. This information will also be reported to the IRS. Distributions are generally taxable to you in the year in which they are paid. You will be sent any additional information you need to determine your taxes on fund distributions, such as the portion of your dividends, if any, that may be exempt from state and local income taxes. Dividends from tax-free funds are expected to be tax-exempt.

The tax treatment of a capital gain distribution is determined by how long the fund held the portfolio securities, not how long you held the shares in the fund. Short-term (one year or less) capital gain distributions are taxable at the same rate as ordinary income, and gains on securities held more than one year are taxed at the lower rates applicable to long-term capital gains. If you realized a loss on the sale or exchange of fund shares that you held six months or less, your short-term capital loss must be reclassified as a long-term capital loss to the extent of any long-term capital gain distributions received during the period you held the shares. If you realized a loss on the sale or exchange of tax-free fund shares held six months or less, your capital loss is reduced by the tax-exempt dividends received on those shares. For funds investing in foreign securities, distributions resulting from the sale of certain foreign currencies, currency contracts, and the currency portion of gains on debt securities are taxed as ordinary income. Net foreign currency losses may cause monthly or quarterly dividends to be reclassified as a return of capital.

If the fund qualifies and elects to pass through nonrefundable foreign taxes paid to foreign governments during the year, your portion of such taxes will be reported to you as taxable income. However, you may be able to claim an offsetting credit or deduction on your tax return for those amounts. There can be no assurance that a fund will meet the requirements to pass through foreign income taxes paid.

The following table provides additional details on distributions for certain funds:

**Table 4 Taxes on Fund Distributions**

<b>Tax-Free and Municipal Funds</b>
<ul style="list-style-type: none"> <li>• Gains realized on the sale of market discount bonds with maturities beyond one year may be treated as ordinary income and cannot be offset by other capital losses.</li> <li>• To the extent the fund invests in these securities, the likelihood of a taxable gain distribution will be increased.</li> </ul>
<b>Tax-Efficient Balanced Fund</b>
<ul style="list-style-type: none"> <li>• Gains realized on the sale of market discount bonds with maturities beyond one year may be treated as ordinary income and cannot be offset by other capital losses.</li> <li>• To the extent the fund invests in these securities, the likelihood of a taxable gain distribution will be increased.</li> </ul>
<b>Inflation Protected Bond Fund</b>
<ul style="list-style-type: none"> <li>• Inflation adjustments on Treasury inflation-protected securities exceeding deflation adjustments for the year will be distributed to you as a short-term capital gain resulting in ordinary income.</li> <li>• In computing the distribution amount, the fund cannot reduce inflation adjustments by short- or long-term capital losses from the sales of securities.</li> <li>• Net deflation adjustments for a year may result in all or a portion of dividends paid earlier in the year being treated as a return of capital.</li> </ul>
<b>Retirement and Spectrum Funds</b>
<ul style="list-style-type: none"> <li>• Distributions by the underlying funds and changes in asset allocations may result in taxable distributions of ordinary income or capital gains.</li> </ul>

#### **Tax Consequences of Hedging**

Entering into certain options, futures, swaps, and forward foreign exchange contracts and transactions may result in the application of the mark-to-market and straddle provisions of the Internal Revenue Code. These provisions could result in the fund being required to distribute gains on such transactions even though it did not close the contracts during the year or receive cash to pay such distributions. The fund may not be able to reduce its distributions for losses on such transactions to the extent of unrealized gains in offsetting positions.

- ▶ ***Distributions are taxable whether reinvested in additional shares or received in cash.***

### **Tax Effect of Buying Shares Before an Income Dividend or Capital Gain Distribution**

If you buy shares shortly before or on the “record date”—the date that establishes you as the person to receive the upcoming distribution—you may receive a portion of the money you just invested in the form of a taxable distribution. Therefore, you may wish to find out a fund’s record date before investing. Of course, a fund’s share price may, at any time, reflect undistributed capital gains or income and unrealized appreciation, which may result in future taxable distributions. Such distributions can occur even in a year when the fund has a negative return.

## **TRANSACTION PROCEDURES AND SPECIAL REQUIREMENTS**

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- ▶ *Following these procedures helps assure timely and accurate transactions.*

### **Purchase Conditions**

#### **Nonpayment**

If you pay with a check or ACH transfer that does not clear or if your payment is not received in a timely manner, your purchase may be canceled. You will be responsible for any losses or expenses incurred by the fund or transfer agent, and the fund can redeem shares you own in this or another identically registered T. Rowe Price account as reimbursement. The fund and its agents have the right to reject or cancel any purchase, exchange, or redemption due to nonpayment.

#### **U.S. Dollars**

All purchases must be paid for in U.S. dollars; checks must be drawn on U.S. banks.

### **Sale (Redemption) Conditions**

#### **Holds on Immediate Redemptions: 10-day Hold**

If you sell shares that you just purchased and paid for by check or ACH transfer, the fund will process your redemption but will generally delay sending you the proceeds for up to 10 calendar days to allow the check or transfer to clear. If, during the clearing period, we receive a check drawn against your newly purchased shares, it will be returned marked “uncollected.” (The 10-day hold does not apply to purchases paid for by bank wire or automatic purchases through your paycheck.)

#### **Telephone, Tele\*Access®, and Online Account Transactions**

You may access your account or conduct transactions using the telephone or Tele\*Access, or online. The T. Rowe Price funds and their agents use reasonable procedures to verify the identity of the shareholder. If these procedures are

followed, the funds and their agents are not liable for any losses that may occur from acting on unauthorized instructions. A confirmation is sent promptly after a transaction. Please review it carefully and contact T. Rowe Price immediately about any transaction you believe to be unauthorized. Telephone conversations are recorded.

#### **Redemptions over \$250,000**

Large redemptions can adversely affect a portfolio manager's ability to implement a fund's investment strategy by causing the premature sale of securities that would otherwise be held. If, in any 90-day period, you redeem (sell) more than \$250,000, or your sale amounts to more than 1% of fund net assets, the fund has the right (without prior notice) to pay the difference between the redemption amount and the lesser of the two previously mentioned figures with securities from the fund's portfolio. You will be responsible for disposing of the securities and bearing any associated costs. The securities you receive will be selected by the fund in its absolute discretion.

#### **Excessive and Short-Term Trading**

▶ ***T. Rowe Price may bar excessive and short-term traders from purchasing shares.***

Excessive or short-term trading in fund shares may disrupt management of a fund and raise its costs. Short-term traders in funds investing in foreign securities may seek to take advantage of an anticipated difference between the price of the fund's shares and price movements in overseas markets (see Pricing Shares and Receiving Sale Proceeds—"How and When Shares Are Priced"). While there is no assurance that T. Rowe Price can prevent all excessive and short-term trading, the Board of Directors/Trustees of each fund has adopted the policy set forth below to deter such activity. Persons trading directly with T. Rowe Price or indirectly through intermediaries in violation of this policy or persons believed to be short-term traders may be barred for 90 calendar days or permanently from further purchases of T. Rowe Price funds. Purchase transactions placed by such persons are subject to rejection without notice.

- All persons purchasing shares held directly with a T. Rowe Price fund, or through a retirement plan for which T. Rowe Price serves as recordkeeper, who make more than one purchase and one sale or one sale and one purchase involving the same fund within any 90-day calendar period will violate the policy.
- All persons purchasing fund shares held through an intermediary, including a broker, bank, investment adviser, recordkeeper, insurance company, or other third party, and who hold the shares for less than 90 calendar days will violate the policy.

### Omnibus Accounts

Intermediaries often establish omnibus accounts in the T. Rowe Price funds for their customers. In such situations, T. Rowe Price cannot always monitor trading activity by individual shareholders. However, T. Rowe Price reviews trading activity at the omnibus account level and looks for activity that indicates potential excessive or short-term trading. If it detects suspicious trading activity, T. Rowe Price contacts the intermediary to determine whether the excessive trading policy has been violated and, if so, asks the intermediary to take action with respect to the underlying shareholder.

### Retirement Plans

If shares are held in a retirement plan, generally the fund's excessive trading policy only applies to shares purchased and redeemed by exchange. However, the policy may apply to transactions other than exchanges depending on how shares of the plan are held at T. Rowe Price or how the excessive trading policy is applied by your plan's recordkeeper. To determine which of your transactions are subject to the fund's excessive trading policy, you should contact T. Rowe Price or your plan recordkeeper.

### Exceptions to Policy

The following types of transactions are exempt from this policy: 1) trades solely in money market funds (exchanges between a money fund and a nonmoney fund are not exempt); 2) systematic purchases and redemptions (see Information About Your Services); and 3) checkwriting redemptions from bond and money funds.

In addition, transactions in automated nondiscretionary rebalancing programs, nondiscretionary asset allocation programs, or fund-of-funds products may be exempt from the excessive trading policy subject to prior written approval by designated persons at T. Rowe Price.

T. Rowe Price may modify the 90-day policy set forth above (for example, in situations where a retirement plan or retirement plan recordkeeper has restrictions on trading that differ from the T. Rowe Price fund's policy). These modifications would be authorized only if the fund believes that the modified policy would provide protection to the fund that is reasonably equivalent to the fund's regular policy.

- ▶ ***There is no guarantee that T. Rowe Price will be able to detect or prevent excessive or short-term trading.***



### Keeping Your Account Open

Due to the relatively high cost to a fund of maintaining small accounts, we ask you to maintain an account balance of at least \$1,000 (\$10,000 for Summit Funds). If your balance is below this amount for three months or longer, we have the right to close your account after giving you 60 days to increase your balance.

### Signature Guarantees

- ▶ *A signature guarantee is designed to protect you and the T. Rowe Price funds from fraud by verifying your signature.*

You may need to have your signature guaranteed in certain situations, such as:

- Written requests: (1) to redeem over \$100,000; or (2) to wire redemption proceeds when prior bank account authorization is not on file.
- Remitting redemption proceeds to any person, address, or bank account not on record.
- Transferring redemption proceeds to a T. Rowe Price fund account with a different registration (name or ownership) from yours.
- Establishing certain services after the account is opened.

You can obtain a signature guarantee from most banks, savings institutions, broker-dealers, and other guarantors acceptable to T. Rowe Price. We cannot accept guarantees from notaries public or organizations that do not provide reimbursement in the case of fraud.

## ACCOUNT MAINTENANCE AND SMALL ACCOUNT FEES

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- **Small Account Fee (all funds except Index Funds)** Because of the disproportionately high costs of servicing accounts with low balances, a \$10 fee, paid to T. Rowe Price Services, the funds' transfer agent, will automatically be deducted from nonretirement accounts with balances falling below a minimum amount. The valuation of accounts and the deduction are expected to take place during the last five business days of September. The fee will be deducted from accounts with balances below \$2,000, except for UGMA/UTMA accounts, for which the minimum is \$500. The fee will be waived for any investor whose T. Rowe Price mutual fund accounts total \$25,000 or more. Accounts employing automatic investing (e.g., payroll deduction, automatic purchase from a bank account, etc.) are also exempt from the charge. The fee does not apply to IRAs and other retirement plan accounts that utilize a prototype plan sponsored by T. Rowe Price, but a separate custodial or administrative fee may apply to such accounts.

- **Account Maintenance Fee (Index Funds only)** An annual \$10 account maintenance fee is charged on a quarterly basis (\$2.50 per quarter) usually during the last week of a calendar quarter. On the day of the assessment, accounts with balances below \$10,000 will be charged the fee. Please note that the fee will be charged to accounts that fall below \$10,000 for any reason, including market fluctuations, redemptions, or exchanges. The fee will apply to IRA accounts. The fee does not apply to retirement plans directly registered with T. Rowe Price Services or accounts maintained by intermediaries through NSCC<sup>®</sup> Networking.

## ORGANIZATION AND MANAGEMENT

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### How is the fund organized?

The fund was organized as a Massachusetts business trust in 1985 and is an “open-end investment company,” or mutual fund. Mutual funds pool money received from shareholders and invest it to try to achieve specified objectives.

- ▶ *Shareholders benefit from T. Rowe Price’s 69 years of investment management experience.*

### What is meant by “shares”?

As with all mutual funds, investors purchase shares when they put money in a fund. These shares are part of a fund’s authorized capital stock, but share certificates are not issued.

Each share and fractional share entitles the shareholder to:

- Receive a proportional interest in income and capital gain distributions.
- Cast one vote per share on certain fund matters, including the election of fund directors/trustees, changes in fundamental policies, or approval of changes in the fund’s management contract.

### Do T. Rowe Price funds have annual shareholder meetings?

The funds are not required to hold annual meetings and, to avoid unnecessary costs to fund shareholders, do not do so except when certain matters, such as a change in fundamental policies, must be decided. In addition, shareholders representing at least 10% of all eligible votes may call a special meeting, if they wish, for the purpose of voting on the removal of any fund director or trustee. If a meeting is held and you cannot attend, you can vote by proxy. Before the meeting, the fund will send you proxy materials that explain the issues to be decided and include instructions on voting by mail or telephone, or on the Internet.

### Who runs the fund?

#### General Oversight

The fund is governed by a Board of Directors/Trustees that meets regularly to review fund investments, performance, expenses, and other business affairs. The Board elects the fund’s officers. At least 75% of Board members are independent of T. Rowe Price.

- ▶ *All decisions regarding the purchase and sale of fund investments are made by T. Rowe Price—specifically by the fund’s portfolio managers.*

### Portfolio Management

The fund has an Investment Advisory Committee with the following members: Brian C. Rogers, Chairman, Jeffrey A. Arricale, Stephen W. Boesel, Mark S. Finn, David R. Giroux, Michael W. Holton, John D. Linehan, and William J. Stromberg. The committee chairman has day-to-day responsibility for managing the portfolio and works with the committee in developing and executing the fund's investment program. Mr. Rogers has been chairman of the fund's committee since 1993. He joined T. Rowe Price in 1982 and has been managing investments since 1983. The Statement of Additional Information provides additional information about the portfolio manager's compensation, other accounts managed by the portfolio manager, and the portfolio manager's ownership of securities in the fund.

### The Management Fee

This fee has two parts—an “individual fund fee,” which reflects a fund's particular characteristics, and a “group fee.” The group fee, which is designed to reflect the benefits of the shared resources of the T. Rowe Price investment management complex, is calculated daily based on the combined net assets of all T. Rowe Price funds (except the Spectrum Funds, Retirement Funds, TRP Reserve Investment Funds, and any index or private label mutual funds). The group fee schedule (shown below) is graduated, declining as the asset total rises, so shareholders benefit from the overall growth in mutual fund assets.

#### Group Fee Schedule

0.334%*	First \$50 billion
0.305%	Next \$30 billion
0.300%	Next \$40 billion
0.295%	Next \$40 billion
0.290%	Thereafter

\* Represents a blended group fee rate containing various breakpoints.

The fund's group fee is determined by applying the group fee rate to the fund's average daily net assets. At December 31, 2005, the effective annual group fee rate was 0.31%. The individual fund fee is 0.25% on assets up to \$15 billion and 0.21% on assets above \$15 billion.

A discussion about the factors and conclusions considered by the Board in approving the fund's investment management contract with T. Rowe Price appears in the fund's semiannual report to shareholders for the period ended June 30.

### **Fund Operations and Shareholder Services**

T. Rowe Price Associates provides accounting services to the T. Rowe Price funds. T. Rowe Price Services, Inc. acts as the transfer and dividend disbursing agent and provides shareholder and administrative services to the funds. T. Rowe Price Retirement Plan Services, Inc. provides recordkeeping, sub-transfer agency, and administrative services for certain types of retirement plans investing in the funds. These companies receive compensation from the funds for their services. The funds may also pay third-party intermediaries for performing shareholder and administrative services for underlying shareholders in omnibus accounts. All such fees are included in the fees and expenses table under Other expenses and the fund's financial statements.

## **UNDERSTANDING PERFORMANCE INFORMATION**

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This section should help you understand the terms used to describe fund performance. You will come across them in shareholder reports you receive from us, in our educational and informational materials, in T. Rowe Price advertisements, and in the media.

### **Total Return**

This tells you how much an investment has changed in value over a given period. It reflects any net increase or decrease in the share price and assumes that all dividends and capital gains (if any) paid during the period were reinvested in additional shares. Therefore, total return numbers include the effect of compounding.

Advertisements may include cumulative or average annual total return figures, which may be compared with various indices, other performance measures, or other mutual funds.

### **Cumulative Total Return**

This is the actual return of an investment for a specified period. A cumulative return does not indicate how much the value of the investment may have fluctuated *during* the period. For example, an investment could have a 10-year positive cumulative return despite experiencing some negative years during that time.

### **Average Annual Total Return**

This is always hypothetical and should not be confused with actual year-by-year results. It smooths out all the variations in annual performance to tell you what *constant* year-by-year return would have produced the investment's actual cumulative return. This gives you an idea of an investment's annual contribution to your portfolio, provided you held it for the entire period.

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## INVESTMENT POLICIES AND PRACTICES

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This section takes a detailed look at some of the types of fund securities and the various kinds of investment practices that may be used in day-to-day portfolio management. Fund investments are subject to further restrictions and risks described in the Statement of Additional Information.

Shareholder approval is required to substantively change fund objectives. Shareholder approval is also required to change certain investment restrictions noted in the following section as “fundamental policies.” The managers also follow certain “operating policies” that can be changed without shareholder approval. Shareholders will receive at least 60 days’ prior notice of any change in the policy requiring the fund to normally invest at least 80% of net assets in common stocks. Fund investment restrictions and policies apply at the time of purchase. A later change in circumstances will not require the sale of an investment if it was proper at the time it was made. (This exception does not apply to the fund’s borrowing policy.)

Fund holdings of certain kinds of investments cannot exceed maximum percentages of total assets, which are set forth in this prospectus. For instance, fund investments in certain derivatives are limited to 10% of total assets. While these restrictions provide a useful level of detail about fund investments, investors should not view them as an accurate gauge of the potential risk of such investments. For example, in a given period, a 5% investment in derivatives could have significantly more of an impact on a fund’s share price than its weighting in the portfolio. The net effect of a particular investment depends on its volatility and the size of its overall return in relation to the performance of all other fund investments.

Changes in fund holdings, fund performance, and the contribution of various investments are discussed in the shareholder reports sent to you.

- ▶ ***Fund managers have considerable leeway in choosing investment strategies and selecting securities they believe will help achieve fund objectives.***

### Types of Portfolio Securities

In seeking to meet its investment objective, fund investments may be made in any type of security or instrument (including certain potentially high-risk derivatives described in this section) whose investment characteristics are consistent with its investment program. The following pages describe various types of fund securities and investment management practices.

*Fundamental policy* The fund will not purchase a security if, as a result, with respect to 75% of its total assets, more than 5% of the fund's total assets would be invested in securities of a single issuer or more than 10% of the outstanding voting securities of the issuer would be held by the fund.

Fund investments are primarily in common stocks (normally, at least 80% of net assets) and, to a lesser degree, other types of securities as described below.

#### **Common and Preferred Stocks**

Stocks represent shares of ownership in a company. Generally, preferred stock has a specified dividend and ranks after bonds and before common stocks in its claim on income for dividend payments and on assets should the company be liquidated. After other claims are satisfied, common stockholders participate in company profits on a pro-rata basis; profits may be paid out in dividends or reinvested in the company to help it grow. Increases and decreases in earnings are usually reflected in a company's stock price, so common stocks generally have the greatest appreciation and depreciation potential of all corporate securities. While most preferred stocks pay a dividend, preferred stock may be purchased where the issuer has omitted, or is in danger of omitting, payment of its dividend. Such investments would be made primarily for their capital appreciation potential.

#### **Convertible Securities and Warrants**

Investments may be made in debt or preferred equity securities convertible into, or exchangeable for, equity securities. Traditionally, convertible securities have paid dividends or interest at rates higher than common stocks but lower than nonconvertible securities. They generally participate in the appreciation or depreciation of the underlying stock into which they are convertible, but to a lesser degree. Some convertibles combine higher or lower current income with options and other features. Warrants are options to buy a stated number of shares of common stock at a specified price anytime during the life of the warrants (generally, two or more years). Warrants can be highly volatile, have no voting rights, and pay no dividends.

#### **Foreign Securities**

Investments may be made in foreign securities. These include nondollar-denominated securities traded outside of the U.S. and dollar-denominated securities of foreign issuers traded in the U.S. (such as ADRs and ADSs). Investing in foreign securities involves special risks that can increase the potential for losses. These include: exposure to potentially adverse local, political, and economic developments such as war, political instability, hyperinflation, currency devaluations, and overdependence on particular industries; government interference in markets such as nationalization and exchange controls, expropriation of assets, or imposition of punitive taxes; potentially lower liquidity and higher volatility; possible problems arising from accounting,

disclosure, settlement, and regulatory practices and legal rights that differ from U.S. standards; and the chance that fluctuations in foreign exchange rates will decrease the investment's value (favorable changes can increase its value). These risks are heightened for investments in developing countries, and there is no limit on the amount of fund foreign investments that may be made in such countries.

*Operating policy* Fund investments in foreign securities are limited to 25% of total assets.

#### **Hybrid Instruments**

These instruments (a type of potentially high-risk derivative) can combine the characteristics of securities, futures, and options. For example, the principal amount, redemption, or conversion terms of a security could be related to the market price of some commodity, currency, or securities index. Such securities may bear interest or pay dividends at below market or even relatively nominal rates. Under certain conditions, the redemption value of a hybrid could be zero.

▶ ***Hybrids can have volatile prices and limited liquidity, and their use may not be successful.***

*Operating policy* Fund investments in hybrid instruments are limited to 10% of total assets.

#### **Illiquid Securities**

These securities include private placements that are sold directly to a small number of investors, usually institutions. Unlike public offerings, such securities are not registered with the SEC. Although certain of these securities may be readily sold, for example, under Rule 144A, others may have resale restrictions and be illiquid. The sale of illiquid securities may involve substantial delays and additional costs, and the fund may only be able to sell such securities at prices substantially less than what the fund believes they are worth.

*Operating policy* Fund investments in illiquid securities are limited to 15% of net assets.

#### **Fixed-Income Securities**

From time to time, we may invest in debt securities of any type, including municipal securities, without regard to quality or rating. Such securities would be purchased in companies, municipalities, or entities that meet fund investment criteria. The price of a bond fluctuates with changes in interest rates, generally rising when interest rates fall and falling when interest rates rise. Below investment-grade bonds, or "junk bonds," can be more volatile and have greater risk of default than investment-grade bonds.



*Operating policy* The fund may purchase any type of noninvestment-grade debt security (or junk bond) including those in default. The fund will not purchase this type of security if it would have more than 10% of total assets invested in such securities. Fund investments in convertible securities are not subject to this limit.

### **Types of Investment Management Practices**

#### **Reserve Position**

A certain portion of fund assets will be held in money market reserves. Fund reserve positions are expected to consist primarily of shares of one or both T. Rowe Price internal money market funds. Short-term, high-quality U.S. and foreign dollar-denominated money market securities, including repurchase agreements, may also be held. For temporary, defensive purposes, there is no limit on fund investments in money market reserves. Significant investments in reserves could compromise the ability to achieve fund objectives. The reserve position provides flexibility in meeting redemptions, paying expenses, and in the timing of new investments and can serve as a short-term defense during periods of unusual market volatility.

#### **Borrowing Money and Transferring Assets**

Fund borrowings may be made from banks and other T. Rowe Price funds for temporary emergency purposes to facilitate redemption requests, or for other purposes consistent with fund policies as set forth in this prospectus. Such borrowings may be collateralized with fund assets, subject to restrictions.

*Fundamental policy* Borrowings may not exceed 33 $\frac{1}{3}$ % of total assets.

*Operating policy* Fund transfers of portfolio securities as collateral will not be made except as necessary in connection with permissible borrowings or investments, and then such transfers may not exceed 33 $\frac{1}{3}$ % of total assets. Fund purchases of additional securities will not be made when borrowings exceed 5% of total assets.

#### **Futures and Options**

Futures, a type of potentially high-risk derivative, are often used to manage or hedge risk because they enable the investor to buy or sell an asset in the future at an agreed-upon price. Options, another type of potentially high-risk derivative, give the investor the right (where the investor purchases the option), or the obligation (where the investor “writes” or sells the option), to buy or sell an asset at a predetermined price in the future. Futures and options contracts may be bought or sold for any number of reasons, including: to manage exposure to changes in securities prices and foreign currencies; as an efficient means of increasing or decreasing fund overall exposure to a specific part or broad segment of the U.S. market or a foreign market; in an effort to enhance income; to protect the value

of portfolio securities; and to serve as a cash management tool. Call or put options may be purchased or sold on securities, financial indices, and foreign currencies.

Futures contracts and options may not always be successful hedges; their prices can be highly volatile; using them could lower fund total return; and the potential loss from the use of futures can exceed a fund's initial investment in such contracts.

*Operating policies* Futures: Initial margin deposits on futures and premiums on options used for non-hedging purposes will not exceed 5% of net asset value. Options on securities: The total market value of securities covering call or put options may not exceed 25% of total assets. No more than 5% of total assets will be committed to premiums when purchasing call or put options.

#### **Exchange Traded Funds (ETFs)**

These are a type of index fund bought and sold on a securities exchange. An ETF trades like common stock and represents a fixed portfolio of securities designed to track a particular market index. The fund could purchase an ETF to temporarily gain exposure to a portion of the U.S. or a foreign market while awaiting purchase of underlying securities. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs.

#### **Managing Foreign Currency Risk**

Investors in foreign securities may attempt to “hedge” their exposure to potentially unfavorable currency changes. The primary means of doing this is through the use of “forwards”—contracts to exchange one currency for another on some future date at a specified exchange rate. However, futures, swaps, and options on these instruments may also be used. In certain circumstances, a different currency may be substituted for the currency in which the investment is denominated, a strategy known as “proxy hedging.” If the fund were to engage in any of these foreign currency transactions, they would be primarily to protect a fund's foreign securities from adverse currency movements relative to the dollar. Such transactions involve the risk that anticipated currency movements will not occur, which could reduce fund total return. There are certain markets, including many emerging markets, where it is not possible to engage in effective foreign currency hedging.

**Lending of Portfolio Securities**

Fund securities may be lent to broker-dealers, other institutions, or other persons to earn additional income. Risks include the potential insolvency of the broker-dealer or other borrower that could result in delays in recovering securities and capital losses. Additionally, losses could result from the reinvestment of collateral received on loaned securities in investments that default or do not perform well.

*Fundamental policy* The value of loaned securities may not exceed 33<sup>1</sup>/<sub>3</sub>% of total assets.

**Portfolio Turnover**

Turnover is an indication of frequency of trading. We will not generally trade in securities for short-term profits, but, when circumstances warrant, securities may be purchased and sold without regard to the length of time held. Each time the fund purchases or sells a security, it incurs a cost. This cost is reflected in the fund's net asset value but not in its operating expenses. The higher the turnover rate, the higher the transaction costs and the greater the impact on the fund's total return. Higher turnover can also increase the possibility of taxable capital gain distributions. The fund's portfolio turnover rates are shown in the Financial Highlights table.

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**DISCLOSURE OF FUND PORTFOLIO INFORMATION**

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The fund's portfolio holdings are disclosed on a regular basis in its semiannual and annual reports to shareholders, and on Form N-Q, which is filed with the SEC within 60 days of the fund's first and third fiscal quarter-end. In addition, the fund discloses its calendar quarter-end portfolio holdings on [troweprice.com](http://troweprice.com) 15 calendar days after each quarter. Under certain conditions, up to 5% of the fund's holdings may be included in this portfolio list without being individually identified. Generally, securities would not be individually identified if they are being actively bought or sold and it is determined that the quarter-end disclosure of the holding could be harmful to the fund. A security will not be excluded from identification for more than one year. The fund also discloses its largest 10 holdings on [troweprice.com](http://troweprice.com) seven days after each month-end. These holdings are listed in alphabetical order along with the aggregate percentage of the fund's total assets they represent. The quarter-end portfolio will remain on the Web site for one year. The top 10 list is replaced every six months. A description of the fund's policy and procedures with respect to the disclosure of portfolio information is in the Statement of Additional Information.

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**FINANCIAL HIGHLIGHTS**

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Table 5, which provides information about fund's financial history, is based on a single share outstanding throughout the periods shown. The table is part of the fund's financial statements, which are included in its annual report and are incorporated by reference into the Statement of Additional Information (available upon request). The total returns in the table represent the rate that an investor would have earned or lost on an investment in the fund (assuming reinvestment of all dividends and distributions and no payment of account or [if applicable] redemption fees). The financial statements in the annual report were audited by the fund's independent registered public accounting firm, PricewaterhouseCoopers LLP.

**Table 5 Financial Highlights**

	<i>Year ended December 31</i>				
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005<sup>c</sup></i>
Net asset value, beginning of period	\$ 24.67	\$ 23.65	\$ 19.79	\$ 24.16	\$ 26.59
<b>Income From Investment Operations</b>					
Net investment income	0.37	0.38	0.38	0.41	0.46
Net gains or losses on securities (both realized and unrealized)	(0.02) <sup>a</sup>	(3.43)	4.65	3.16	0.66
Total from investment operations	0.35	(3.05)	5.03	3.57	1.12
<b>Less Distributions</b>					
Dividends (from net investment income)	(0.36)	(0.36)	(0.39)	(0.42)	(0.46)
Distributions (from capital gains)	(1.01)	(0.45)	(0.27)	(0.72)	(1.33)
Returns of capital	—	—	—	—	—
Total distributions	(1.37)	(0.81)	(0.66)	(1.14)	(1.79)
<b>Net asset value, end of period</b>	<b>\$ 23.65</b>	<b>\$ 19.79</b>	<b>\$ 24.16</b>	<b>\$ 26.59</b>	<b>\$ 25.92</b>
<b>Total return</b>	<b>1.64%</b>	<b>(13.04)%</b>	<b>25.78%</b>	<b>15.05%</b>	<b>4.26%</b>
<b>Ratios/Supplemental Data</b>					
Net assets, end of period (in millions)	\$10,128	\$ 8,954	\$12,160	\$16,034	\$17,891
Ratio of expenses to average net assets	0.80%	0.79%	0.78%	0.74%	0.71%
Ratio of net income to average net assets	1.53%	1.72%	1.80%	1.69% <sup>b</sup>	1.73%
Portfolio turnover rate	17.3%	15.2%	11.8%	16.1%	20.5%

<sup>a</sup> The amount presented is calculated pursuant to a methodology prescribed by the Securities and Exchange Commission for a share outstanding throughout the period. This amount is inconsistent with the fund's aggregate gains and losses because of the timing of sales and redemptions of fund shares in relation to fluctuating market values for the investment portfolio.

<sup>b</sup> Includes the effect of a one-time special dividend (0.1% of net assets) that is not expected to recur.

<sup>c</sup> Per share amounts calculated using average shares outstanding method.

**ACCOUNT REQUIREMENTS AND TRANSACTION INFORMATION**

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**Tax Identification Number** We must have your correct Social Security or employer identification number on a signed New Account Form or W-9 Form. Otherwise, federal law requires the funds to withhold a percentage of your dividends, capital gain distributions, and redemptions and may subject you to an IRS fine. If this information is not received within 60 days after your account is established, your account may be redeemed at the fund's net asset value (NAV) on the redemption date.

**Transaction Confirmations** We send immediate confirmations for most of your fund transactions, but some, such as systematic purchases, dividend reinvestments, and checkwriting redemptions for money funds, are reported on your account statement. Please review confirmations and statements as soon as you receive them and promptly report any discrepancies to Shareholder Services.

**Employer-Sponsored Retirement Plans and Institutional Accounts** Transaction procedures in the following sections may not apply to employer-sponsored retirement plans and institutional accounts. For procedures regarding employer-sponsored retirement plans, please call T. Rowe Price Trust Company or consult your plan administrator. For institutional account procedures, please call your designated account manager or service representative.

**T. Rowe Price  
Trust Company**  
1-800-492-7670

We do not accept third-party checks, except for IRA rollover checks that are properly endorsed. In addition, T. Rowe Price does not accept purchases made by credit card check, cash, or traveler's checks.

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**OPENING A NEW ACCOUNT**

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*\$2,500 minimum initial investment; \$1,000 for retirement plans or gifts or transfers to minors (UGMA/UTMA) accounts (\$25,000 minimum initial investment for Summit Funds only)*

**Important Information  
About Opening an Account**

Pursuant to federal law, all financial institutions must obtain, verify, and record information that identifies each person or entity that opens an account.

When you open an account, you will be asked for the name, residential street address, date of birth, and Social Security number or employer identification number for each account owner and person(s) opening an account on behalf of others, such as custodians, agents, trustees, or other authorized signers. Entities are also required to provide documents such as articles of incorporation, partnership agreements, trust documents, and other applicable records.

We will use this information to verify the identity of the person(s)/entity opening the account. We will not be able to open your account until we receive all of this information. If we are unable to verify your identity, we are authorized to take any action permitted by law. (See Rights Reserved by the Funds.)

**Account Registration**

If you own other T. Rowe Price funds, be sure to register any new account just like your existing accounts so you can exchange among them easily. (The name and account type would have to be identical.)

For joint accounts or other types of accounts owned or controlled by more than one party, either owner/party has complete authority to act on behalf of all and give instructions concerning the account without notice to the other party. T. Rowe Price may, in its sole discretion, require written authorization from all owners/parties to act on the account for certain transactions (for example, to transfer ownership).

**By Mail**

Please make your check payable to T. Rowe Price Funds (otherwise it will be returned), and send your check, together with the New Account Form, to the appropriate address below:

**via U.S. Postal Service**

T. Rowe Price Account Services  
P.O. Box 17300  
Baltimore, MD 21297-1300

**via private carriers/overnight services**

T. Rowe Price Account Services  
Mailcode 17300  
4515 Painters Mill Road  
Owings Mills, MD 21117-4903

**By Wire** Call Investor Services for an account number and give the following wire information to your bank:

Receiving Bank: PNC Bank, N.A. (Pittsburgh)  
Receiving Bank ABA#: 043000096  
Beneficiary: T. Rowe Price [*fund name*]  
Beneficiary Account: 1004397951  
Originator to Beneficiary Information (OBI):  
*name of owner(s) and account number*

In order to obtain an account number, you must supply the name, date of birth, Social Security or employer identification number, and residential or business street address for each owner on the account.

Complete a New Account Form and mail it to one of the appropriate T. Rowe Price addresses listed under “By Mail.”

*Note:* Investment will be made, but services may not be established and IRS penalty withholding may occur until we receive a signed New Account Form.

**Online** You can open a new mutual fund account online. Go to [troweprice.com/newaccount](http://troweprice.com/newaccount), where you can choose the type of account you wish to open.

To open an account electronically, you must be a U.S. citizen residing in the U.S. or a resident alien and not subject to IRS backup withholding. Additionally, you must provide consent to receive certain documents electronically.



You will have the option of providing your bank account information that will enable you to make electronic funds transfers (EFT) to and from your bank account. To set up this banking service online, additional steps will be taken to verify your identity.

**By Exchange** Call Shareholder Services or use Tele\*Access or your personal computer (see Automated Services under Information About Your Services). The new account will have the same registration as the account from which you are exchanging. Services for the new account may be carried over by telephone request if they are preauthorized on the existing account. For limitations on exchanging, see the explanation of Excessive Trading under Transaction Procedures and Special Requirements.

**In Person** Drop off your New Account Form at any location listed on the back cover and obtain a receipt.

## **PURCHASING ADDITIONAL SHARES**

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*\$100 minimum additional purchase (\$1,000 for Summit Funds); \$50 minimum for retirement plans and gifts or transfers to minors (UGMA/UTMA) accounts; \$50 minimum for Automatic Asset Builder (\$100 for Summit Funds)*

**By ACH Transfer** Use Tele\*Access or your personal computer or call Shareholder Services if you have established electronic transfers using the ACH system.

**By Wire** Call Shareholder Services or use the wire instructions listed in Account Requirements and Transaction Information—Important Information About Opening an Account.

**By Mail**

1. Make your check payable to T. Rowe Price Funds (otherwise it may be returned).
2. Mail the check to us at the following address with either a fund reinvestment slip or a note indicating the fund you want to buy and your fund account number.
3. Remember to provide your account number and the fund name on the memo line of your check.

**via U.S. Postal Service**

T. Rowe Price Account Services  
P.O. Box 17300  
Baltimore, MD 21297-1300

(For mail via private carriers and overnight services, see previous section.)

**By Automatic Asset Builder** Fill out the Automatic Asset Builder section on the New Account or Shareholder Services Form.

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**EXCHANGING AND REDEEMING SHARES**

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**Exchange Service** You can move money from one account to an existing, identically registered account or open a new identically registered account. Remember, exchanges are purchases and sales for tax purposes. (Exchanges into a state tax-free fund are limited to investors living in states where the fund is registered.) For exchange policies, please see Transaction Procedures and Special Requirements—Excessive and Short-Term Trading.

**Redemptions** Redemption proceeds can be mailed to your account address, sent by ACH transfer to your bank, or wired to your bank (provided your bank information is already on file). For charges, see Electronic Transfers—By Wire under Information About Your Services. Please note that large purchase and redemption requests initiated through automated services, including the National Securities Clearing Corporation (NSCC), may be rejected and, in such instances, the transaction must be placed by contacting a service representative.

If you request to redeem a specific dollar amount, and the market value of your account is less than the amount of your request, we will redeem all shares from your account.

Some of the T. Rowe Price funds may impose a redemption fee. Check the fund's prospectus under Contingent Redemption Fee in Pricing Shares and Receiving Sale Proceeds. The fee is paid to the fund.

For redemptions by check or electronic transfer, please see Information About Your Services.

**By Phone Call Shareholder Services**

If you find our phones busy during unusually volatile markets, please consider placing your order by your personal computer or Tele\*Access (if you have previously authorized these services), mailgram, or express mail.

**By Mail** For each account involved, provide the account name and number, fund name, and exchange or redemption amount. For exchanges, be sure to specify any fund you are exchanging out of and the fund or funds you are exchanging into. T. Rowe Price may require a signature guarantee of all registered owners (see Transaction Procedures and Special Requirements—Signature Guarantees). Please use the appropriate address below:

**For nonretirement and IRA accounts:  
via U.S. Postal Service**

T. Rowe Price Account Services  
P.O. Box 17302  
Baltimore, MD 21297-1302

**via private carriers/overnight services**

T. Rowe Price Account Services  
Mailcode 17302  
4515 Painters Mill Road  
Owings Mills, MD 21117-4903

**For employer-sponsored retirement accounts:  
via U.S. Postal Service**

T. Rowe Price Trust Company  
P.O. Box 17479  
Baltimore, MD 21297-1479

**via private carriers/overnight services**

T. Rowe Price Trust Company  
Mailcode 17479  
4515 Painters Mill Road  
Owings Mills, MD 21117-4903

Requests for redemptions from employer-sponsored retirement accounts may be required to be in writing; please call T. Rowe Price Trust Company or your plan administrator for instructions. IRA distributions may be requested in writing or by telephone; please call

Shareholder Services to obtain an IRA Distribution Form or an IRA Shareholder Services Form to authorize the telephone redemption service.

**Online** Customers with Account Access can electronically exchange shares between identically registered T. Rowe Price accounts and electronically redeem shares from their mutual fund accounts.

## **RIGHTS RESERVED BY THE FUNDS**

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T. Rowe Price funds and their agents reserve the following rights: (1) to waive or lower investment minimums; (2) to accept initial purchases by telephone or mailgram; (3) to refuse any purchase or exchange order; (4) to cancel or rescind any purchase or exchange order placed through an intermediary, no later than the business day after the order is received by the intermediary (including, but not limited to, orders deemed to result in excessive trading, market timing, or 5% ownership); (5) to cease offering fund shares at any time to all or certain groups of investors; (6) to freeze any account and suspend account services when notice has been received of a dispute between the registered or beneficial account owners or there is reason to believe a fraudulent transaction may occur; (7) to otherwise modify the conditions of purchase and any services at any time; (8) to waive any wire, small account, maintenance, or fiduciary fees charged to a group of shareholders; (9) to act on instructions reasonably believed to be genuine; and (10) to involuntarily redeem your account at the net asset value calculated the day the account is redeemed, in cases of threatening conduct, suspected fraudulent or illegal activity, or if the fund or its agent is unable, through its procedures, to verify the identity of the person(s) or entity opening an account.

These actions will be taken when, in the sole discretion of management, they are deemed to be in the best interest of the fund or if required by law.

In an effort to protect T. Rowe Price funds from the possible adverse effects of a substantial redemption in a large account, as a matter of general policy, no shareholder or group of shareholders controlled by the same person or group of persons will knowingly be permitted to purchase in excess of 5% of the outstanding shares of a fund, except upon approval of the fund's management.

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## INFORMATION ABOUT YOUR SERVICES

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### Shareholder Services

1-800-225-5132

### Investor Services

1-800-638-5660

Many services are available to you as a shareholder; some you receive automatically, and others you must authorize or request on the New Account Form. By signing up for services on the New Account Form rather than later on, you avoid having to complete a separate form and obtain a signature guarantee. This section discusses some of the services currently offered. Our Services Guide, which we mail to all new shareholders, contains detailed descriptions of these and other services.

*Note:* Corporate and other institutional accounts require documents showing the existence of the entity to open an account. Certain other fiduciary accounts (such as trusts or power of attorney arrangements) require documentation, which may include an original or certified copy of the trust agreement or power of attorney to open an account. For more information, call Investor Services.

### Retirement Plans

We offer a wide range of plans for individuals, institutions, and large and small businesses: Traditional IRAs, Roth IRAs, SIMPLE IRAs, SEP-IRAs, Keoghs (profit sharing, money purchase pension), 401(k)s, and 403(b)(7)s. For information on IRAs or our no-load variable annuity, call Investor Services. For information on all other retirement plans, please call our Trust Company at 1-800-492-7670.

### Investing for College Expenses

We can help you save for future college expenses on a tax-advantaged basis.

### **Education Savings Accounts (ESAs) (formerly known as Education IRAs)**

Invest up to \$2,000 a year per beneficiary depending on your annual income; account earnings are federal income tax-free when used for qualified expenses.

### **529 Plans**

T. Rowe Price offers three 529 plans: the T. Rowe Price College Savings Plan (a national plan sponsored by the Education Trust of Alaska), the Maryland College Investment Plan, and the University of Alaska College Savings Plan. Account earnings are currently federal income tax-free when used for qualified expenses. For more information on the T. Rowe Price College Savings Plan (national plan), call 1-800-369-3641; Maryland College Investment Plan, call 1-888-4-MD-GRAD; and University of Alaska College Savings Plan, call 1-866-277-1005.

### **Automated Services**

#### **Tele\*Access**

1-800-638-2587  
24 hours, 7 days

#### **Tele\*Access**

24-hour service via a toll-free number enables you to (1) access information on fund performance, prices, distributions, account balances, and your latest transaction; (2) request checks, prospectuses, services forms, duplicate statements, and tax forms; and (3) buy, sell, and exchange shares in your accounts (see Electronic Transfers in this section).

#### **Web Address** **troweprice.com**

#### **Online Account Access**

You can sign up online to conduct account transactions through our Web site on the Internet. If you subscribe to America Online<sup>®</sup>, you can access our Web site via keyword "T. Rowe Price" and conduct transactions in your account.

#### **Plan Account Line**

1-800-401-3279

This 24-hour service is similar to Tele\*Access but is designed specifically to meet the needs of retirement plan investors.

#### **By Telephone and In Person**

Buy, sell, or exchange shares by calling one of our service representatives or by visiting one of our investor center locations whose addresses are listed on the back cover.

**Electronic Transfers By ACH**

With no charges to pay, you can move as little as \$100 or as much as \$250,000 between your bank account and fund account using the ACH system. Enter instructions via Tele\*Access or your personal computer, or call Shareholder Services.

**By Wire**

Electronic transfers can be conducted via bank wire. There is a \$5 fee for wire redemptions under \$5,000, and your bank may charge for incoming or outgoing wire transfers regardless of size.

**Checkwriting** *(Not available for equity funds or the Emerging Markets Bond, High Yield, International Bond, or U.S. Bond Index Funds)* You may write an unlimited number of free checks on any money market fund and most bond funds, with a minimum of \$500 per check. Keep in mind, however, that a check results in a redemption; a check written on a bond fund will create a taxable event which you and we must report to the IRS.

**Automatic Investing Automatic Asset Builder**

You can instruct us to move \$50 (\$100 for Summit Funds) or more from your bank account, or you can instruct your employer to send all or a portion of your paycheck to the fund or funds you designate.

**Automatic Exchange**

You can set up systematic investments from one fund account into another, such as from a money fund into a stock fund.

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**T. ROWE PRICE BROKERAGE**

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**To Open an Account**

1-800-638-5660

**For Existing  
Brokerage Customers**

1-800-225-7720

Investments available through our brokerage service include stocks, options, bonds, and others at commission savings over full-service brokers.\* We also provide a wide range of services, including:

**Automated Telephone and Computer Services**

You can enter stock and option orders, access quotes, and review account information around the clock by phone with Tele-Trader or via the Internet with Account Access-Brokerage.

**Investor Information**

A variety of informative reports, such as our Brokerage Insights series, as well as access to online research tools, can help you better evaluate economic trends and investment opportunities.

**Dividend Reinvestment Service**

If you elect to participate in this service, the cash dividends from the eligible securities held in your account will automatically be reinvested in additional shares of the same securities free of charge. Most securities listed on national securities exchanges or NASDAQ are eligible for this service.

\*Services vary by firm.

T. Rowe Price Brokerage is a division of T. Rowe Price Investment Services, Inc., Member NASD/SIPC.

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**INVESTMENT INFORMATION**

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To help you monitor your investments and make decisions that accurately reflect your financial goals, T. Rowe Price offers a wide variety of information in addition to account statements. Most of this information is also available on our Web site at [troweprice.com](http://troweprice.com).

*A note on mailing procedures:* If two or more members of a household own the same fund, we economize on fund expenses by sending only one fund report and prospectus. If you need additional copies or do not want your mailings to be “householded,” please call Shareholder Services at 1-800-225-5132 or write to us at P.O. Box 17630, Baltimore, MD 21297-1630.

**Shareholder Reports**

Fund managers’ annual and semiannual reviews of their strategies and performance.



**The T. Rowe Price Report**

A quarterly investment newsletter discussing markets and financial strategies and including the Performance Update, a review of all T. Rowe Price fund results.

**Insights**

Educational reports on investment strategies and financial markets.

**Investment Guides**

Asset Mix Worksheet, Diversifying Overseas: A T. Rowe Price Guide to International Investing, Managing Your Retirement Distribution, Retirement Readiness Guide, and Retirement Planning Kit.

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**T. ROWE PRICE PRIVACY POLICY**

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In the course of doing business with T. Rowe Price, you share personal and financial information with us. We treat this information as confidential and recognize the importance of protecting access to it.

You may provide information when communicating or transacting business with us in writing, electronically, or by phone. For instance, information may come from applications, requests for forms or literature, and your transactions and account positions with us. On occasion, such information may come from consumer reporting agencies and those providing services to us.

We do not sell information about current or former customers to any third parties, and we do not disclose it to third parties unless necessary to process a transaction, service an account, or as otherwise permitted by law. We may share information within the T. Rowe Price family of companies in the course of providing or offering products and services to best meet your investing needs. We may also share that information with companies that perform administrative or marketing services for T. Rowe Price, with a research firm we have hired, or with a business partner, such as a bank or insurance company with which we are developing or offering investment products. When we enter into such a relationship, our contracts restrict the companies' use of our customer information, prohibiting them from sharing or using it for any purposes other than those for which they were hired.

We maintain physical, electronic, and procedural safeguards to protect your personal information. Within T. Rowe Price, access to such information is limited to those who need it to perform their jobs, such as servicing your accounts, resolving problems, or informing you of new products or services. Our Code of Ethics, which applies to all employees, restricts the use of customer information and requires that it be held in strict confidence.

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This Privacy Policy applies to the following T. Rowe Price family of companies: T. Rowe Price Associates, Inc.; T. Rowe Price Advisory Services, Inc.; T. Rowe Price Investment Services, Inc.; T. Rowe Price Savings Bank; T. Rowe Price Trust Company; and the T. Rowe Price Funds.

To help you achieve your financial goals, T. Rowe Price offers a wide range of stock, bond, and money market investments, as well as convenient services and informative reports.

**For mutual fund or T. Rowe Price Brokerage information**

**Investor Services**  
1-800-638-5660

**For existing accounts**

**Shareholder Services**  
1-800-225-5132

**For the hearing impaired**

1-800-367-0763

**For performance, prices, account information, or to conduct transactions**

**Tele\*Access®**  
24 hours, 7 days  
1-800-638-2587

**Internet address**

[troweprice.com](http://troweprice.com)

**Plan Account Line**

For retirement plan investors: The appropriate 800 number appears on your retirement account statement.

**Investor Centers**

For directions, call 1-800-225-5132 or visit our Web site

**Baltimore Area**

**Downtown**

105 East Lombard Street

**Owings Mills**

Three Financial Center  
4515 Painters Mill Road

**Boston Area**

386 Washington Street  
Wellesley

**Chicago Area**

**Northbrook**

40 Skokie Boulevard

**Oak Brook**

1900 Spring Road  
Suite 104

**Colorado Springs**

2260 Briargate Parkway

**Illinois**

40 Skokie Boulevard  
Northbrook

**Los Angeles Area**

Warner Center  
21800 Oxnard Street  
Suite 270  
Woodland Hills

**New Jersey/New York Area**

51 JFK Parkway  
1st Floor West  
Short Hills, New Jersey

**San Francisco Area**

1990 N. California Boulevard  
Suite 100  
Walnut Creek

**Tampa**

4211 W. Boy Scout Boulevard  
8th Floor

**Washington, D.C. Area**

**Downtown**

900 17th Street, N.W.  
Farragut Square

**Tysons Corner**

1600 Tysons Boulevard  
Suite 150  
McLean, Virginia

A fund Statement of Additional Information has been filed with the Securities and Exchange Commission and is incorporated by reference into this prospectus. Further information about fund investments, including a review of market conditions and the manager's recent strategies and their impact on performance, is available in the annual and semiannual shareholder reports. To obtain free copies of any of these documents, or for shareholder inquiries, call 1-800-638-5660. These documents are also available at [troweprice.com](http://troweprice.com).

Fund information and Statements of Additional Information are also available from the Public Reference Room of the Securities and Exchange Commission. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-202-942-8090. Fund reports and other fund information are available on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>. Copies of this information may be obtained, after paying a duplicating fee, by electronic request at [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the Public Reference Room, Washington D.C. 20549-0102.



**T. Rowe Price Associates, Inc.**  
100 East Pratt Street  
Baltimore, MD 21202