

SECURITIES AND EXCHANGE COMMISSION

FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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FILER

PRICE T ROWE PRIME RESERVE FUND INC

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T. Rowe Price

SemiAnnual Report
Prime Reserve Fund

November 30, 1996

Report Highlights
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- * Money market yields were relatively steady over the last six months amid conflicting economic signals and inflation fears.
- * The Prime Reserve Fund returned 2.39% and 4.95% for the 6- and 12-month periods ended November 30, slightly ahead of its peer group average.
- * The fund increased holdings of fixed rate securities and slightly emphasized short- and long-term money market securities over their intermediate counterparts.
- * The Federal Reserve has little reason to tighten in the near future. We expect money market yields to remain steady.

Fellow Shareholders
=====

Money market yields held relatively steady over the last six months amid conflicting signals on the economy and inflation. Despite widespread expectation of monetary tightening earlier in the period, the Federal Reserve kept key short-term interest rates unchanged. Your fund produced a respectable return.

MARKET ENVIRONMENT
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For much of the last six months, the financial markets waited for the Federal Reserve to apply the brakes as economic growth initially surged, fanning inflation fears. However, the central bank motored along at a steady pace, keeping the key federal funds target at 5.25%, where it has been since last January. That strategy proved correct as growth slowed to more sustainable levels in recent months and inflation fears subsided.

Money market yields, which generally track the federal funds rate, bounced around in a relatively narrow range in response to the conflicting economic signals. They spiked up after the economy grew at a robust 4.7% annualized rate in the second calendar quarter, but dropped back over the last three months as growth slowed to 2% in the third quarter.

[A 3-line chart showing interest rate levels on the 1-Year Treasury bill, 90-day Treasury bill, and Federal Funds rate from 11/30/95 through 11/30/96.]

As shown in the chart, the one-year and 90-day Treasury bills reached recent highs in August of 6% and 5.3%, respectively, before dropping back as the economy slowed. Over the last 12 months, despite significant volatility, short-term interest rates ended up close to where they started, leading to steady returns on money market securities.

Late in the fund's reporting period, foreign buyers created a huge demand for U.S. money market securities due to the strong dollar and comparatively lower interest rates abroad, particularly in Japan.

As prices rose, the difference in yield between the one-year Treasury bill and the federal funds rate, historically around 35 basis points when the Federal Reserve is on hold, shrank to around 10 basis points (one-tenth of one percentage point).

PERFORMANCE AND STRATEGY REVIEW
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Despite the uncertainty over monetary policy, your fund's yield was relatively steady over the last six months, ending at 4.89% (as shown in the table following this letter). The fund produced a decent return, essentially in line with the average money market fund as measured by Lipper Analytical Services. For the 12 months ended November 30, the fund again produced favorable absolute and relative performance, as shown in the table.

Performance Comparison
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Periods Ended 11/30/96	6 Months	12 Months
Prime Reserve Fund	2.39%	4.95%
Lipper Money Market Funds Average	2.36	4.83

The apparent stability of your fund's average maturity, rising by only seven days between May and November, masks the wide range it covered. When economic growth appeared strong and rates rose earlier in the period, we bought shorter-maturity issues that could be quickly rolled over into higher-yielding ones. Conversely, when the economy weakened and rates fell back in recent months, we purchased instruments with longer maturities to enhance yield and delay the roll-over of assets into lower-yielding securities. As a result of this strategy, average maturity ranged between a low of 41 days and a high of 70 days over the last six months. We ended the period near the upper end of that range, in line with our competitor funds, given our belief that the Fed would not raise short-term rates in the near future.

As usual, we made only minor changes in the fund's mix of securities, as shown in the sector diversification table following this letter. Since the fund invests only in high-quality, short-term debt instruments, portfolio changes generally reflect the availability more than the relative attractiveness of these securities. We slightly increased exposure to fixed rate obligations to 90% of net assets, with a corresponding decrease in floating rate instruments, where yields were driven lower by strong demand. The fund continued to maintain a well-diversified portfolio, with its heaviest concentrations in domestic bank commercial paper, foreign negotiable CDs denominated in U.S. dollars, and finance and credit issues.

Since yields on intermediate-term money market securities were only incrementally higher than those on short-term issues, we underweighted intermediates in favor of both short- and long-term instruments. This "barbell" strategy helped enhance the fund's yield by taking advantage of temporarily higher yields on very short-term issues as well as the customarily higher yields of one-year maturities.

OUTLOOK
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The economy has slowed to a more sustainable rate of growth and inflation remains moderate. There appears to be little reason for the Fed to raise interest rates in the near future. While demand for U.S. money market securities from foreign buyers is strong, it is more unpredictable than demand from

domestic buyers. Therefore, we expect to keep overall maturity in line with our competitor funds. Money market yields should remain relatively steady over the next six months.

Respectfully submitted,

[signature]

Edward A. Wiese
 President and
 Chairman of the Investment Advisory Committee

December 18, 1996

 Portfolio Highlights
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Key statistics

	5/31/96	11/30/96
Price Per Share	\$ 1.00	\$ 1.00
Dividends Per Share		
For 6 months	0.025	0.024
For 12 months	0.051	0.048
Dividend Yield (7-Day Compound) *	4.79%	4.89%
Weighted Average Maturity (days)	59	66
Weighted Average Quality **	First Tier	First Tier

 * Dividends earned and reinvested for the periods indicated are annualized and divided by the average daily net asset values per share for the same period.

** All securities purchased in the money fund are rated in the two highest categories (tiers) as established by national rating agencies or, if unrated, are deemed of comparable quality by T. Rowe Price.

 T. Rowe Price Prime Reserve Fund
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Portfolio Highlights

SECTOR Diversification

	Percent of Net Assets 5/31/96	Percent of Net Assets 11/30/96
	-----	-----
Banking	15%	14%
U.S. Dollar-Denominated Foreign Negotiable CDs	14	14
Finance and Credit	12	14
Eurodollar Negotiable CDs	14	9
Foreign Government and Municipalities	5	7
Domestic Negotiable CDs	4	6
Automobiles and Related	5	6
Asset-Backed	7	6
Domestic Negotiable Bank Notes	5	5
Pharmaceuticals	3	4
Industrial	5	4
U.S. Government Agency	3	3
Broker-Dealers	3	3
Petroleum	1	2

Food Processing	2	2
All Other	3	3
Other Assets Less Liabilities	-1	-2
Total	100%	100%
Fixed Rate Obligations	86	90
Floating Rate Instruments	14	10

Performance Comparison

This chart shows the value of a hypothetical \$10,000 investment in the fund over the past 10 fiscal year periods or since inception (for funds lacking 10-year records). The result is compared with a broad-based average or index. The index return does not reflect expenses, which have been deducted from the fund's return.

[SEC Graph shown here. Periods 11\87 thru 11\96. Prime Reserve Fund \$17,201 and Lipper Money Market Funds Average \$17,110]

Average Annual Compound Total Return

This table shows how the fund would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate.

Periods Ended 11/30/96	1 Year	3 Years	5 Years	10 Years
Prime Reserve Fund	4.95%	4.64%	4.00%	5.57%

Investment return represents past performance and will vary. While the fund is managed to maintain a stable share price of \$1.00, this is not guaranteed. An investment in the fund is not insured or guaranteed by the U.S. government.

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

Financial Highlights

Unaudited

T. Rowe Price Prime Reserve Fund

	<C> 6 Months Ended 11/30/96	<C> Year Ended 5/31/96	<C> 5/31/95	<C> 3 Months++ Ended 5/31/94	<C> Year Ended 2/28/94	<C> 2/28/93	<C> 2/29/92
NET ASSET VALUE							
Beginning of period ...	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
Investment activities							
Net investment income	0.024	0.051	0.047	0.008	0.026	0.030	0.051
Distributions							
Net investment income	(0.024)	(0.051)	(0.047)	(0.008)	(0.026)	(0.030)	(0.051)

NET ASSET VALUE

End of period	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
Ratios/Supplemental Data							
Total return	2.39%	5.25%	4.85%	0.76%	2.60%	3.06%	5.26%
Ratio of expenses to average net assets	0.66%+	0.66%	0.67%	0.73%+	0.74%	0.75%	0.78%
Ratio of net investment income to average net assets	4.76%+	5.07%	4.76%	3.02%+	2.56%	3.04%	5.14%
Net assets, end of period (in millions)	\$4,375	\$4,011	\$3,841	\$3,627	\$3,379	\$3,597	\$4,115

</TABLE>

+ Annualized.
 ++ The fund's fiscal year-end was changed to May 31.

Statement of Net Assets

Unaudited November 30, 1996

	Par	Value
	---	-----
BANK NOTES 5.1%		
Comerica Bank, 5.77%, 8/13/97	\$20,000	\$20,023
FCC National Bank of Wilmington, 5.60%, 11/4/97	25,000	25,001
First America Bank of Michigan N.A., 5.60%, 11/20/97	25,000	24,999
Key Bank, VR, 5.295%, 12/23/96	15,000	14,991
Mellon Bank N.A., 6.25%, 12/16/97	50,000	50,336
PNC Bank N.A		
VR		
5.275%, 12/2/96	38,000	37,978
5.295%, 12/6/96	6,000	5,999
Southtrust Bank of North Carolina, VR, 5.375%, 12/12/96 ..	22,000	22,000
Southtrust Bank of Georgia, VR, 5.315%, 12/22/96	12,000	11,996
Wachovia Bank of North Carolina, 6.65%, 9/5/97	7,200	7,244
Total Bank Notes (Cost \$220,567)		220,567

CERTIFICATES OF DEPOSIT 28.8%

Abbey National, (London), 5.39%, 3/17/97	100,000	100,003
ABN Amro Bank, 5.68%, 4/17/97	25,000	25,008
Australia & New Zealand Banking		
5.51%, 8/18/97	30,000	30,002
(London)		
5.45%, 5/6/97	25,000	25,001
5.50%, 4/23/97	45,000	45,012
Bank of Nova Scotia		
6.08%, 8/4/97	10,000	10,033
(London), 6.05%, 6/25/97	18,000	18,043
Bank of Scotland, 5.26%, 12/2/96	50,000	50,000
Banque Nationale de Paris		
5.385%, 3/6/97	8,000	8,000
(London)		
5.51%, 4/28/97	46,000	46,012
5.52%, 4/25/97	25,000	25,008
Barclays Bank PLC, (London), 5.40%, 1/27/97	40,000	40,000
Bayerische Landesbank Girozentrale, 5.31%, 12/9/96	31,900	31,900

Bayerische Vereinsbank (London)		
5.415%, 1/10/97	\$ 10,000	\$ 10,000
5.43%, 5/14/97	45,000	45,002
5.70%, 10/31/97	15,000	15,017
Branch Banking & Trust, 5.28%, 12/12/96	50,000	50,000
Canadian Imperial Bank		
5.31%, 12/5/96	50,000	50,000
5.36%, 1/10/97	50,000	50,000
Chase Manhattan Bank, 5.50%, 8/5/97	50,000	50,007
Credit Agricole, 5.42%, 12/30/96	40,000	40,003
Deutsche Bank		
5.31%, 12/6/96	20,000	20,000
5.37%, 1/21/97	75,000	75,000
FCC National Bank of Wilmington, 5.73%, 8/21/97	33,000	33,035
Hessische Landesbank Girozentrale, 6.09%, 9/11/97	45,000	45,180
National Westminster Bank PLC, 5.57%, 12/9/96	40,000	40,002
Providian National Bank, 5.65%, 4/4/97	21,000	21,014
Societe Generale, 5.73%, 10/15/97	45,000	45,049
Sudwesdeutsche Landesbank, (London), 5.43%, 4/1/97	20,000	20,002
Svenska Handelsbank, 5.45%, 5/7/97	30,000	30,000
U.S. Bank of Oregon, 5.35%, 1/10/97	50,000	50,000
Union Bank, 5.50%, 4/8/97	50,000	50,000
Westpac Capital		
6.23%, 9/5/97	28,000	28,136
6.24%, 9/4/97	40,000	40,197
Total Certificates of Deposit (Cost \$1,261,666)		1,261,666
COMMERCIAL PAPER 48.2%		
American Express Credit, 5.25%, 12/3/96	50,000	49,985
Ameritech Capital Funding, 4(2), 5.30%, 12/19/96	35,000	34,907
Asset Securitization Cooperative 4(2)		
5.27%, 12/5/96	22,503	22,490
5.30%, 2/21/97	50,000	49,396
5.32%, 12/2/96	16,450	16,448
Banc One 4(2)		
5.30%, 1/28/97	35,000	34,701
5.45%, 12/2/96	1,882	1,882
Bank of America, 5.27%, 12/26/96	5,000	4,982
Bank of Scotland Treasury, 5.29%, 5/9/97	20,000	19,533
BBL North America, 5.28%, 12/3/96	48,000	47,986
Bell Atlantic Network Funding, 5.25%, 12/3/96	18,500	18,495
Bex America Finance, 5.33%, 2/4/97	\$ 24,000	\$ 23,769
BMW U.S. Capital		
5.26%, 12/12/96	33,385	33,332
5.28%, 2/24/97	23,000	22,713
Caisse des Depots et Consignations 4(2)		
5.26%, 12/2/96	80,000	79,988
5.30%, 1/30/97	50,000	49,559
California Pollution Control, 5.33%, 12/23/96	20,000	20,000
Cargill Financial Services, 4(2), 5.25%, 12/5/96	5,000	4,997
Chrysler Financial		
5.30%, 12/23/96	27,000	26,913
5.35%, 12/23/96	10,000	9,967
Coca-Cola, 5.23%, 12/10/96	35,000	34,954
Commercial Credit		
5.25%, 12/2/96 - 12/3/96	44,500	44,491
5.32%, 12/9/96	25,000	24,970
Countrywide Funding, 5.28%, 12/2/96	32,000	31,995

Cregem North America, 5.30%, 2/13/97	34,500	34,124
CS First Boston Group, 5.26%, 12/6/96	25,000	24,982
Delaware Funding, 4(2), 5.30%, 12/16/96	38,000	37,916
Dillard Investment, 5.25%, 12/10/96	11,600	11,585
Dover, 4(2), 5.34%, 1/22/97	13,243	13,141
Du Pont (EI) de Nemours 4(2)		
5.23%, 12/5/96	25,000	24,985
5.24%, 12/4/96	14,923	14,917
Finova Capital, 5.30%, 12/2/96 - 12/10/96	15,500	15,493
Gaz de France Service Nationale, 5.25%, 12/18/96	13,606	13,572
General Electric Capital, 5.30%, 5/1/97	5,000	4,889
Glaxo Wellcome, 5.30%, 2/13/97	43,000	42,531
Golden Managers Acceptance, 5.35%, 1/8/97	20,000	19,887
Great Lakes Chemical, 4(2), 5.28%, 12/20/96	11,170	11,139
H.J. Heinz, 4(2), 5.30%, 12/9/96	\$10,000	\$ 9,988
Harvard University, 5.26%, 12/5/96	25,000	24,985
Island Finance of Puerto Rico, 5.28%, 12/20/96	25,000	24,930
KFW International Finance, 5.25%, 12/2/96 - 12/5/96	101,000	100,973
Korea Development Bank, 5.32%, 2/13/97	30,000	29,672
Lucent Technologies, 5.30%, 2/18/97	25,000	24,709
Merck & Co., 4(2), 5.25%, 12/6/96	11,275	11,267
Metlife Funding, 5.30%, 1/31/97	13,566	13,444
Mobil Australia Finance, 4(2), 5.26%, 12/10/96	30,000	29,961
Morgan Stanley Group, 5.33%, 12/3/96	4,500	4,499
National Australia Funding		
5.27%, 12/2/96	36,200	36,194
5.30%, 12/5/96	80,000	79,953
5.40%, 12/6/96	47,000	46,972
National Bank of Canada, 5.30%, 12/3/96	\$ 50,000	\$ 49,985
National City Credit		
5.26%, 12/2/96 - 12/19/96	40,000	39,969
5.27%, 12/13/96 - 12/20/96	40,000	39,904
Oesterreichische Kontrollbank, 5.25%, 12/10/96	24,125	24,093
Paccar Financial, 5.33%, 12/3/96	8,100	8,098
Pacific Mutual, 5.32%, 12/2/96	25,000	24,996
Panasonic Finance, 4(2), 5.25%, 12/20/96	34,000	33,906
Pfizer		
4(2)		
5.26%, 12/5/96	50,000	49,971
5.30%, 12/5/96	27,300	27,284
Preferred Receivables Funding, 5.30%, 4/10/97	17,575	17,239
Reed Elsevier, 4(2), 5.37%, 12/2/96	17,300	17,297
Rockwell International, 4(2), 5.60%, 12/3/96	13,411	13,407
Sandoz, 4(2), 5.30%, 12/2/96	59,000	58,991
Sara Lee, 5.30%, 12/9/96	32,000	31,962
Statoil (Den Norske Stats Oljeselskap), 5.25%, 12/5/96 ...	35,000	34,980
Tasmanian Public Finance, 5.40%, 12/12/96	10,000	9,983
Toyota Motor Credit, 5.30%, 12/2/96	40,000	39,994
Transamerica Finance, 5.25%, 12/2/96	20,400	20,397
UBS Finance (Delaware)		
5.35%, 12/3/96	50,000	49,985
5.40%, 12/3/96	11,474	11,471
Unifunding, 5.32%, 4/21/97	5,300	5,190
Unilever Capital, 4(2), 5.25%, 12/13/96	20,000	19,965
Vereinsbank Finance, 5.25%, 12/11/96	50,000	49,927
Yale University, 5.26%, 12/20/96	14,500	14,460
Total Commercial Paper (Cost \$2,108,615)		2,108,615
MEDIUM-TERM NOTES 16.8%		
American General Finance, VR, 5.473%, 12/16/96	10,000	10,002
Associates Corporation of North America		
6.875%, 1/15/97	3,000	3,005
8.70%, 1/1/97	10,000	10,025

Avco Financial Services, 5.875%, 10/15/97	2,000	2,000
Bankamerica, Eurodollar, 5.906%, 2/28/97	9,000	9,009
Bear Stearns, VR, 5.425%, 12/29/96	45,000	45,000
CIT Group Holdings, 5.50%, 2/28/97	6,500	6,506
Citicorp, 8.50%, 2/24/97	5,000	5,037
Corporate Asset Funding, (144a)		
5.366%, 12/2/96	28,000	28,000
VR		
5.383%, 12/10/97	25,000	24,998
5.397%, 12/10/96	28,000	27,994
Ford Motor Credit		
5.625%, 3/3/97	\$ 10,000	\$ 10,014
7.125%, 12/1/97	21,075	21,359
8.00%, 12/1/96	5,000	5,000
General Electric Capital		
5.12%, 1/27/97	12,000	11,999
5.30%, 1/3/97	119,200	119,196
7.646%, 2/3/97	30,000	30,124
General Motors Acceptance Corporation		
5.907%, 12/6/96	13,000	13,000
7.80%, 5/5/97	1,650	1,663
8.125%, 1/13/97	1,070	1,073
8.375%, 5/1/97	1,000	1,010
Goldman Sachs Group, VR, 5.435%, 12/20/96	62,000	62,000
International Lease Finance, 4.75%, 1/15/97	19,000	18,986
John Deere Capital, 7.33%, 11/14/97	17,550	17,813
Merrill Lynch & Co., VR, 5.833%, 12/24/96	5,000	5,007
Nationsbank, 7.50%, 2/15/97	2,735	2,749
Norwest		
7.75%, 12/31/96	1,000	1,002
7.875%, 1/30/97	8,000	8,032
Pepsico, Eurodollar, 7.75%, 2/28/97	6,000	6,037
PHH, VR, 5.365%, 12/8/96	50,000	49,983
Republic National Bank of New York, 7.95%, 1/14/97	2,000	2,006
Smithkline Beecham, Eurodollar, 7.375%, 11/10/97	5,000	5,073
SMM Trust, (144a)		
VR		
5.425%, 12/29/96	35,000	35,000
5.706%, 12/26/96	75,000	75,000
Toyota Motor Credit		
5.55%, 3/20/97	40,000	40,011
7.625%, 1/30/97	18,500	18,565
Total Medium-Term Notes (Cost \$733,278)		733,278
U.S. GOVERNMENT AGENCY OBLIGATIONS 3.3%		
Federal Home Loan Mortgage, Discount Notes, 5.70%, 12/2/96	\$145,361	\$145,338
Total U.S. Government Agency Obligations (Cost \$145,338) .		145,338
Total Investments in Securities		
102.2% of Net Assets (Cost \$4,469,464)		\$4,469,464
Other Assets Less Liabilities		(94,675)
NET ASSETS		\$ 4,374,789
Net Assets Consist of:		
Accumulated net investment		
income - net of distributions	\$ 814	
Accumulated net realized gain/		
loss - net of distributions	(1,677)	

Paid-in-capital applicable to 4,376,938,434
 shares of \$0.01 par value capital stock outstanding;
 15,000,000,000 shares authorized 4,375,652

NET ASSETS \$ 4,374,789

NET ASSET VALUE PER SHARE \$ 1.00

VR Variable Rate

4(2) Commercial Paper sold within terms of a private placement memorandum, exempt from registration under section 4.2 of the Securities Act of 1933, as amended, and may be sold only to dealers in that program or other "accredited investors".

144a Security was purchased pursuant to Rule 144a under the Securities Act of 1933 and may not be resold subject to that rule except to qualified institutional buyers -- total of such securities at year-end amounts to 4.4% of net assets.

Statement of Operations

In thousands

Unaudited

T. Rowe Price Prime Reserve Fund

	6 Months Ended 11/30/96 -----
Investment Income	
Interest income	\$ 114,642
Expenses	
Investment management	8,022
Shareholder servicing	5,507
Prospectus and shareholder reports	239
Custody and accounting	163
Registration	47
Legal and audit	20
Directors	17
Miscellaneous	29

Total expenses	14,044

Net investment income	100,598
Realized Gain (Loss)	
Net realized gain (loss) on securities	631
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 101,229

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

Statement of Changes in Net Assets

In thousands

Unaudited

T. Rowe Price Prime Reserve Fund

	6 Months Ended 11/30/96 -----	Year Ended 5/31/96 -----
Increase (Decrease) in Net Assets		
Operations		
Net investment income	\$ 100,598	\$ 201,227
Net realized gain (loss)	631	778
Change in net unrealized gain or loss	--	335
 Increase (decrease) in net assets from operations	 101,229	 202,340
Distributions to shareholders		
Net investment income	(100,598)	(202,178)
Capital share transactions *		
Shares sold	4,842,964	7,790,741
Distributions reinvested	96,438	196,288
Shares redeemed	(4,576,263)	(7,816,950)
Increase (decrease) in net assets from capital share transactions	 363,139	 170,079
Net Assets		
Increase (decrease) during period	363,770	170,241
Beginning of period	4,011,019	3,840,778
End of period	\$4,374,789	\$4,011,019
*Share information		
Shares sold	4,842,964	7,790,743
Distributions reinvested	96,437	196,288
Shares redeemed	(4,576,263)	(7,816,950)
Increase (decrease) in shares outstanding	363,138	170,081

Notes to Financial Statements

Unaudited

November 30, 1996

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

T. Rowe Price Prime Reserve Fund, Inc., (the fund) is registered under the Investment Company Act of 1940 as a diversified, open-end management investment company and commenced operations on March 3, 1976.

Valuation Securities are valued at amortized cost. Assets and liabilities for which such valuation procedures are deemed not to reflect fair value are stated at fair value as determined in good faith by or under the supervision of the officers of the fund, as authorized by the Board of Directors.

Premiums and Discounts Premiums and discounts on debt securities are amortized for both financial reporting and tax purposes.

Other Income and expenses are recorded on the accrual basis. Investment transactions are accounted for on the trade date. Realized gains and losses are

reported on the identified cost basis. Distributions to shareholders are recorded by the fund on the ex-dividend date. Income and capital gain distributions are determined in accordance with federal income tax regulations and may differ from those determined in accordance with generally accepted accounting principles.

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NOTE 2- FEDERAL INCOME TAXES

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No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. The fund has unused realized capital loss carryforwards for federal income tax purposes of \$2,308,000, of which \$1,035,000 expires in 1997, and \$1,273,000 in 1998. The fund intends to retain gains realized in future periods that may be offset by available capital loss carryforwards.

At November 30, 1996, the aggregate cost of investments for federal income tax and financial reporting purposes was \$4,469,464,000.

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NOTE 3 - RELATED PARTY TRANSACTIONS

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The investment management agreement between the fund and T. Rowe Price Associates, Inc. (the manager) provides for an annual investment management fee, of which \$1,353,000 was payable at November 30, 1996. The fee is computed daily and paid monthly, and consists of an individual fund fee equal to 0.05% of average daily net assets and a group fee. The group fee is based on the combined assets of certain mutual funds sponsored by the manager or Rowe Price-Fleming International, Inc. (the group). The group fee rate ranges from 0.48% for the first \$1 billion of assets to 0.305% for assets in excess of \$50 billion. At November 30, 1996, and for the six months then ended, the effective annual group fee rate was 0.33%. The fund pays a pro-rata share of the group fee based on the ratio of its net assets to those of the group.

In addition, the fund has entered into agreements with the manager and two wholly owned subsidiaries of the manager, pursuant to which the fund receives certain other services. The manager computes the daily share price and maintains the financial records of the fund. T. Rowe Price Services, Inc. (TRPS) is the fund's transfer and dividend disbursing agent and provides shareholder and administrative services to the fund. T. Rowe Price Retirement Plan Services, Inc., provides subaccounting and recordkeeping services for certain retirement accounts invested in the fund. Additionally, the fund is one of several T. Rowe Price mutual funds (the underlying funds) in which the T. Rowe Price Spectrum Growth and Income Funds (Spectrum) invest. In accordance with an agreement among Spectrum, the underlying funds, the manager, and TRPS, expenses from the operation of Spectrum are borne by the underlying funds based on each underlying fund's proportionate share of assets owned by Spectrum. The fund incurred expenses pursuant to these related party agreements totaling approximately \$4,436,000 for the six months ended November 30, 1996, of which \$1,057,000 was payable at period-end.

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Investment Services And Information

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Knowledgeable Service Representatives

By Phone Shareholder service representatives are available from 8 a.m. to 10 p.m. ET Monday through Friday and from 8:30 a.m. to 5 p.m. ET on weekends. Call 1-800-225-5132 to speak directly with a representative who will be able to assist you with your accounts.

In Person Visit one of our investor center

locations to meet with a representative who will be able to assist you with your accounts. While there, you can drop off applications or obtain prospectuses and other literature.

Automated 24-Hour Services

Tele*Access(Registration mark) Call 1-800-638-2587 to obtain information such as account balance, date and amount of your last transaction, latest dividend payment, fund prices, and yields. Additionally, you have the ability to request prospectuses, statements, and account and tax forms; to reorder checks; and to initiate purchase, redemption, and exchange orders for identically registered accounts.

T. Rowe Price OnLine Through a personal computer via dial-up modem, you can replicate all the services available on Tele*Access plus conduct transactions in your Discount Brokerage and Variable Annuity accounts.

Account Services

Checking Write checks for \$500 or more on any money market and most bond fund accounts (except the High Yield and Emerging Markets Bond Funds).

Automatic Investing Build your account over time by investing directly from your bank account or paycheck with Automatic Asset Builder. Additionally, Automatic Exchange enables you to set up systematic investments from one fund account into another, such as from a money fund into a stock fund. A low, \$50 minimum makes it easy to get started.

Automatic Withdrawal If you need money from your fund account on a regular basis, you can establish scheduled, automatic redemptions.

Dividend and Capital Gains Payment Options Reinvest all or some of your distributions, or take them in cash. We give you maximum flexibility and convenience.

Discount Brokerage *

Investments Available You can trade stocks, bonds, options, precious metals, and other securities at a savings over regular commission rates.

To Open an Account
Call a shareholder service representative for more information.

Investment Information

Combined Statement A comprehensive overview of your T. Rowe Price accounts is provided. The summary page gives you earnings by tax category, provides total portfolio value, and lists your investments by type--stock, bond, and money market. Detail pages itemize account transactions by fund.

Shareholder Reports Portfolio managers review the performance of the funds in plain language and discuss T. Rowe Price's economic outlook.

The T. Rowe Price Report This is a quarterly newsletter with relevant articles on market trends, personal financial planning, and T. Rowe Price's economic perspective.

Performance Update This quarterly report reviews recent market developments and provides comprehensive performance information for every T. Rowe Price fund.

Insights This library of information includes reports on mutual fund tax issues, investment strategies, and financial markets.

Detailed Investment Guides Our widely acclaimed Asset Mix Worksheet, College Planning Kit, Retirees Financial Guide, and Retirement Planning Kit (also available on disk for PC use) can help you determine and reach your investment goals.

* A division of T. Rowe Price Investment Services, Inc. Member NASD/SIPC.

Mutual Funds

Stock Funds

Domestic

- Balanced
- Blue Chip Growth
- Capital Appreciation
- Capital Opportunity
- Dividend Growth
- Equity Income
- Equity Index
- Financial Services
- Growth & Income
- Growth Stock
- Health Sciences
- Mid-Cap Growth
- Mid-Cap Value
- New America Growth
- New Era New Horizons *
- OTC
- Science & Technology
- Small-Cap Value *
- Spectrum Growth
- Value

International/Global

- Emerging Markets Stock
 - European Stock
 - Global Stock
 - International Discovery
 - International Stock
 - Japan
 - Latin America
 - New Asia
 - Spectrum International
- =====

Bond Funds

- Domestic Taxable

Corporate Income

GNMA
High Yield
New Income
Short-Term Bond
Short-Term U.S. Government
Spectrum Income
Summit GNMA
Summit Limited-Term Bond
U.S. Treasury Intermediate
U.S. Treasury Long-Term

Domestic Tax-free

California Tax-Free Bond
Florida Insured Intermediate Tax-Free
Georgia Tax-Free Bond
Maryland Short-Term Tax-Free Bond
Maryland Tax-Free Bond
New Jersey Tax-Free Bond
New York Tax-Free Bond
Summit Municipal Income
Summit Municipal Intermediate
Tax-Free High Yield
Tax-Free Income
Tax-Free Insured Intermediate Bond
Tax-Free Short-Intermediate
Virginia Short-Term Tax-Free Bond
Virginia Tax-Free Bond

International/Global

Global Government Bond
Emerging Markets Bond
International Bond

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Money Market

Taxable

Prime Reserve
Summit Cash Reserves
U.S. Treasury Money

Tax-Free

California Tax-Free Money
New York Tax-Free Money
Summit Municipal Money Market
Tax-Exempt Money

Blended Asset

Personal Strategy Income
Personal Strategy Balanced
Personal Strategy Growth

T. Rowe Price No-Load Variable Annuity

Equity Income Portfolio
International Stock Portfolio
Limited-Term Bond Portfolio
New America Growth Portfolio
Personal Strategy Balanced Portfolio

*Closed to new investors.

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For yield, price, last transaction,
current balance or to conduct
transactions, 24 hours, 7 days
a week, call Tele*Access(R):
1-800-638-2587 toll free

For assistance
with your existing
fund account, call:
Shareholder Service Center
1-800-225-5132 toll free
625-6500 Baltimore area

To open a Discount Brokerage
account or obtain information,
call: 1-800-638-5660 toll free

Internet address:
<http://www.troweprice.com>

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