

# SECURITIES AND EXCHANGE COMMISSION

## FORM 485BPOS

Post-effective amendments [Rule 485(b)]

Filing Date: **1995-02-22**  
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### FILER

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#### **PRICE T ROWE INDEX TRUST INC**

CIK: **858581** | State of Incorpor.: **MD** | Fiscal Year End: **1231**  
Type: **485BPOS** | Act: **33** | File No.: **033-32859** | Film No.: **95514201**

Business Address  
*100 EAST PRATT ST  
BALTIMORE MD 21202  
3015472000*

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Registration Nos. 033-32859/811-5986

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 / X /

Post-Effective Amendment No. 6 / X /

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF  
1940 / X /

Amendment No. 9 / X /

Fiscal Year Ended December 31, 1994

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T. ROWE PRICE INDEX TRUST, INC.

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(Exact Name of Registrant as Specified in Charter)

100 East Pratt Street, Baltimore, Maryland 21202

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(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code 410-547-2000

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Henry H. Hopkins  
100 East Pratt Street  
Baltimore, Maryland 21202

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(Name and Address of Agent for Service)

Approximate Date of Proposed Public Offering May 1, 1995

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It is proposed that this filing will become effective (check appropriate box):

/ / immediately upon filing pursuant to paragraph (b)  
/ / on (date) pursuant to paragraph (b)  
/ / 60 days after filing pursuant to paragraph (a) (1)  
/X/ on May 1, 1995 pursuant to paragraph (a) (1)  
/ / 75 days after filing pursuant to paragraph (a) (2)

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/ / on (date) pursuant to paragraph (a) (2) of Rule 485

If appropriate, check the following box:

/ / this post-effective amendment designates a new effective date for a previously filed post-effective amendment.

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933+

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Pursuant to Section 24f-2 of the Investment Company Act of 1940, the Registrant has registered an indefinite number of securities under the Securities Act of 1933 and intends to file a 24f-2 Notice by February 28, 1995.

+Not applicable, as no securities are being registered by this Post-Effective Amendment No. 6 to the Registration Statement.

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The Registration Statement of T. Rowe Index Trust, Inc. on Form N-1A (File Number 33-32859) is hereby amended under the Securities Act of 1933 to update financial information, make other changes in the Registrant's Prospectus and Statement of Additional Information, and to satisfy the annual amendment requirements of Rule 8b-16 under the Investment Company Act of 1940.

This Amendment consists of the following:

Cross Reference Sheet  
Part A of Form N-1A, Revised Prospectus

Part B of Form N-1A, Statement of Additional Information  
Part C of Form N-1A, Other Information  
Accountants' Consent

## T. ROWE PRICE INDEX TRUST, INC.

## CROSS REFERENCE SHEET

N-1A Item No.	Location
PART A	
Item 1. Cover Page	Cover Page
Item 2. Synopsis	Transaction and Fund Expenses
Item 3. Condensed Financial Information	Financial Highlights
Item 4. General Description of Registrant	Transaction and Fund Expenses; Fund, Market, and Risk Characteristics; The Fund's Organization and Management; Understanding Fund Performance; Investment Policies and Practices; Types of Management Practices
Item 5. Management of the Fund	Transaction Fund and Expenses; Fund, Market, and Risk Characteristics; The Fund's Organization and Management
Item 5A. Management's Discussion of Fund Performance	+
Item 6. Capital Stock and Other Securities	Distributions and Taxes; The Fund's Organization and Management
Item 7. Purchase of Securities Being Offered	Pricing Shares and Receiving Sale Proceeds; Transaction Procedures and Special Requirements; Meeting Requirements for New Accounts; Shareholder Services
Item 8. Redemption or Repurchase	Pricing Shares and Receiving Sale Proceeds; Transaction Procedures and Special

Item 9. Pending Legal Proceedings

Requirements;  
Exchanging and  
Redeeming Shares;  
Shareholder Services  
+

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PART B

Item 10.	Cover Page	Cover Page
Item 11.	Table of Contents	Table of Contents
Item 12.	General Information and History	+
Item 13.	Investment Objectives and Policies	Investment Objectives and Policies; Risk Factors; Investment Program; Portfolio Management Practices; Investment Restrictions; Investment Performance
Item 14.	Management of the Registrant	Management of Fund
Item 15.	Control Persons and Principal Holders of Securities	Principal Holders of Securities
Item 16.	Investment Advisory and Other Services	Investment Management Services; Custodian; Independent Accountants; Legal Counsel
Item 17.	Brokerage Allocation	Portfolio Transactions; Code of Ethics
Item 18.	Capital Stock and Other Securities	Dividends and Distributions; Capital Stock
Item 19.	Purchase, Redemption and Pricing of Securities Being Offered	Redemptions in Kind; Pricing of Securities; Net Asset Value Per Share; Redemptions in Kind; Federal and State Registration of Shares; Ratings of

Item 20. Tax Status	Corporate Debt Securities Tax Status
Item 21. Underwriters	Distributor for Fund
Item 22. Calculation of Yield Quotations of Money Market Funds	+
Item 23. Financial Statements	Incorporated by Reference from Annual Report

PART C

Information required to be included in Part C is set forth under the appropriate item, so numbered, in Part C to this Registration Statement

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+ Not applicable or negative answer

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Facts At A Glance

Investment Goal  
To match the total return performance of the U.S. equity market as represented by the Standard & Poor's 500 Composite Stock Index(registered trademark) (S&P 500 Index). As with any mutual fund, there is no guarantee the fund will achieve its goal.

Strategy  
To invest in all 500 stocks that compose the S&P 500 Stock Index.

Risk/Reward  
The potential to match the



performance and volatility of the broad stock market.

#### Investor Profile

Investors seeking capital appreciation and dividend income who can accept the price fluctuations inherent in common stock investing. Appropriate for both regular and tax-deferred accounts, such as IRAs.

#### Fees and Charges

100% no-load. Shares held for less than six months (excluding those purchased through reinvested distributions) are subject to a 0.50% redemption fee. No fees or charges to buy shares or to reinvest dividends; no 12b-1 marketing fees; free telephone exchange among T. Rowe Price funds.

#### Investment Manager

Founded in 1937 by the late Thomas Rowe Price, Jr. T. Rowe Price Associates and its affiliates currently manage over \$57 billion for approximately three million individual and institutional investor accounts.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, OR ANY STATE SECURITIES COMMISSION,

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NOR HAS THE SECURITIES AND EXCHANGE COMMISSION, OR ANY STATE SECURITIES COMMISSION, PASSED UPON THE ACCURACY

OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

T. Rowe Price  
Equity Index Fund  
May 1, 1995

Prospectus

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This prospectus contains information you should know before investing. Please keep it for future reference. A Statement of Additional Information about the fund, dated May 1, 1995, has been filed with the Securities and Exchange Commission and is incorporated by reference in this prospectus. To obtain a free copy, call 1-800-638-5660.

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1 About the Fund

#### Transaction and Fund Expenses

These tables should help you understand the kinds of expenses you will bear directly or indirectly as a fund shareholder.

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Like all T. Rowe Price funds, the fund is 100% no load.

In Table 1 below, "Shareholder Transaction Expenses" shows that you pay no sales charges. All the money you invest in the fund goes to work for you, subject to the fees explained below. "Annual Fund Expenses," provides an estimate of how much it will cost to operate the fund for a year, based on 1994 fiscal year expenses (and any applicable expense limitations). These are costs you pay indirectly, because they are deducted from the fund's total assets before the daily share price is calculated and before dividends and other distributions are made. In other words, you will not see these expenses on your account

statement.

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For the fiscal year ended December 31, 1994, the fund paid \$49,000 to T. Rowe Price Services, Inc. for transfer and dividend disbursing functions and shareholder services; \$302,000 to T. Rowe Price Retirement Plan Services, Inc. for certain recordkeeping services for certain retirement plans; and \$61,000 to T. Rowe Price for accounting services.

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Shareholder Transaction Expenses

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Sales charge "load" on purchases	None
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Sales charge "load" on reinvested dividends	None
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Redemption fees	.50%
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Exchange fees	None
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Annual Fund Expenses	Percentage of Fiscal 1994 Average Net Assets
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Management fee (after reduction)	0.07% <sup>a</sup>
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Marketing fees (12b-1)	None
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Total other (Shareholder servicing, custodial, auditing, etc.)	0.38%
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Total fund expenses (after reduction)	0.45% <sup>a</sup>
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a The fund's management fee and total expense ratio would have been 0.20% and 0.58%, respectively, had T. Rowe Price not agreed to waive fees and bear any expenses in accordance with the expense limitation. Effective January 1, 1992, T. Rowe Price agreed to extend the Fund's 0.45% expense limitation for a period of two years through December 31, 1993. Effective January 1, 1994, T. Rowe Price agreed to extend the Fund's 0.45% expense limitation for another period of two years through December 31, 1995. Fees waived or expenses paid or assumed under these agreements are subject to reimbursement to T. Rowe Price by the Fund whenever the Fund's expense ratio is below 0.45%; however, no reimbursement will be made after December 31, 1995 (for the first agreement), or December 31, 1997 (for the second agreement), or if it would result in the expense ratio exceeding 0.45%.

Note: The fund charges a \$5 fee for wire redemptions under \$5,000, subject to change without notice.

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#### Table 1

The main types of expenses, which all mutual funds may charge against fund assets, are:

- o A management fee: the percent of fund assets paid to the fund's investment manager. The fund's fee is 0.20%.
- o "Other" administrative expenses: primarily the servicing of shareholder accounts, such as providing statements, reports, disbursing dividends, as well as custodial services.
- o Marketing or distribution fees: an annual charge ("12b-1") to existing shareholders to defray the cost of selling shares to new shareholders. T. Rowe Price funds do not levy 12b-1 fees.

For further details on fund expenses, please see "The Fund's Organization and Management."

- o Hypothetical example: Assume you invest \$1,000, the fund returns 5% annually, expense ratios remain as previously listed, and you close your account at the end of the time periods shown. Your expenses would be:

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The table at right is just an example; actual expenses can be higher or lower than those shown.

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1 Year	3 Years	5 Years	10 Years
\$5	\$14	\$25	\$57

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Table 2

### Financial Highlights

The following table provides information about the fund's financial history. It is based on a single share outstanding throughout each fiscal year. The table is part of the fund's financial statements

which are included in the fund's annual report and incorporated by reference into the Statement of Additional Information. This document is available to shareholders upon request. The financial statements in the annual report have been audited by Coopers & Lybrand L.L.P., independent

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accountants, whose unqualified report covers the periods shown.

Year Ended, December 31	Investment Activities		Distributions				
	Net Asset Value, Begin- ning of Period	Net Invest- ment Income	Net Real- ized and Unreal- ized Gain (Loss) on Invest- ments	Total from Invest- ment Activi- ties	Net Invest- ment Income	Net Real- ized Gain	Total Distri- butions
1990a	\$10.00	\$0.31b	\$ (0.28)	\$ .03	\$(0.31)	--	\$(0.31)
1991	9.72	0.34b	2.46	2.80	(0.34)	\$(0.08)	(0.42)
1992	12.10	0.32b	0.53	.85	(0.31)	(0.01)	(0.32)
1993	12.63	0.32b	0.86	1.18	(0.32)	(0.01)	(0.33)
1994	13.48	0.36b	(0.23)	0.13	(0.36)	(0.09)	(0.52)

End of Period

Net Asset Value,	Net	Ratio of Expenses to Average	Ratio of Net Invest- ment Income to Aver-	Port- folio Turn-
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Year Ended, December 31	End of Period	Total Return	Assets (in thousands)	Net Assets	age Net Assets	Net over Rate
1990a	\$ 9.72	0.4%c	\$ 7,285	0.45%b	4.28%	7.0%
1991	12.10	29.2%	22,069	0.45%b	3.07%	5.8%
1992	12.63	7.2%	128,242	0.45%b	2.57%	0.1%
1993	13.48	9.4%	166,994	0.45%b	2.40%	0.8%
1994	13.09	1.0%b	270,165	0.45%b	2.73%b	1.3%

- a For the period March 30, 1990 (commencement of operations) to December 31, 1990.
- b Excludes expenses in excess of a 0.45% voluntary expense limitation in effect through December 31, 1995.
- c Annualized.

#### Fund, Market, and Risk Characteristics: What to Expect

To help you decide whether the fund is appropriate for you, this section takes a closer look at its investment objectives and approach.

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What is the fund's objective?

The fund seeks to match the investment performance of the U.S. equity markets as represented by the Standard & Poor's 500 Stock Index.

The fund should not be relied upon as a complete investment program nor be used for short-term trading purposes.

What is the fund's investment program?

The fund will invest in all 500 stocks composing the S&P 500, which includes companies operating across a broad spectrum of the U.S. economy. The index represents

over 70% of the total market value of all U.S. common stocks and approximately 80% of the market value of issues traded on the New York Stock Exchange.

S&P first identifies important industry categories and then allocates a representative sample of stocks to them. It then determines the appropriate percentage of each stock in the index by a "weighting" that reflects the total market value of its outstanding shares. Because of this weighting technique, the 50 largest companies in the index currently account for over 45% of its value. The inclusion of a stock in the index is no way an endorsement by S&P of its attractiveness as an investment, nor is S&P a sponsor of, or in any way affiliated with, the fund.

How does a stock index fund differ from the typical stock fund?  
Index funds are passively managed, attempting to deviate as little as possible from a particular benchmark. Since fewer resources are devoted to researching stocks, and portfolio turnover (the buying and selling of stocks) is low, an index fund incurs lower costs than the average equity fund. The typical equity fund is actively managed, meaning the manager makes buy and sell decisions in pursuit of the fund's investment objective.

Why was the S&P 500 chosen as the fund's benchmark?

The S&P 500 Index is a widely accepted performance benchmark for the U.S. stock

market. Standard & Poor's seeks a representative sample of common stocks that trade on the New York and American Stock Exchanges as well as certain Nasdaq National Market and over-the-counter issues.

How will the fund's portfolio specifically attempt to match the performance of the Index?

The fund relies on a full replication strategy, in which the fund manager attempts to maintain holdings of every S&P 500 stock in the same relative weightings as the index. If the fund does not have enough assets to purchase every S&P stock, the fund manager may purchase stock index futures. Stock index futures can help manage cash flow and track the index efficiently.

Will the fund's performance match the index exactly?

No. Returns are likely to be slightly below the index primarily because the fund has fees and transaction costs while an index has none. The timing of cash flows and the fund's size can also influence returns. The investment manager expects the correlation between the fund's return and the return of the S&P 500 Index to be at least .95. A correlation of 1.00 means the return of the fund is directly proportional of that of the index.

T. Rowe Price compares the contents of the portfolio with the index contents at least weekly. If a misweighting develops, the portfolio is rebalanced to bring it in line with the index. When investing subscriptions cash flow, the fund may purchase a sample of stocks from the index and/or purchase stock index futures. This approach should minimize deviations in performance versus the index.

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Prices of the fund's shares will fluctuate. When you sell your shares, you may lose money.

What are the fund's potential rewards?

Stocks have historically been among the most rewarding investments, although past

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performance is no guarantee to future results. The fund offers investors the opportunity to diversify their assets into many industries and individual stocks. Most of the S&P 500 stocks pay a dividend, which, when reinvested, is an important capital-building component.

Because it is passively managed, the fund's expenses are lower than the average stock market fund. Assuming all other factors are equal, lower expenses can increase a fund's total return. The fund's lower turnover may also offer a tax benefit, because the amount of capital gain distributions should be reduced.

What are the fund's potential risks? Because it seeks to closely track the performance of the S&P Index, the fund will be subject to the same degree of fluctuation as the broad U.S. stock market.

Economic growth in the U.S. or in any nation is punctuated by periodic declines. Share prices of even the best managed, most profitable corporations are subject to market risk, which means their stock prices can decline. In addition, swings in investor psychology and/or significant trading by large institutional investors can result in price fluctuations. For this reason, equity investors should have a long-term investment horizon and be willing to wait out bear markets.

Since the fund is passively managed, assets cannot be shifted from one stock to another based on market conditions or in reaction to trends in market sectors. Therefore, actively managed funds may outperform the fund.

What should I consider when deciding whether to invest?

Review your own financial objectives, time horizon, and risk tolerance to choose the fund suitable for your particular needs. The Equity Index Fund is expected to be a good choice for investors seeking long-term capital appreciation along with some dividend income.

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Is there additional information about the fund to help me decide if it is appropriate for me?

Be sure to review "Investment Policies and Practices" in Types of Portfolio Securities (hybrid instruments); Types of Fund Management Practices (cash position, borrowing money and transferring assets, futures and options, lending of portfolio securities, portfolio transactions, and Standard & Poor's).

## 2 About Your Account

Pricing Shares and Receiving Sale Proceeds

Here are some procedures you should know when investing in the fund.

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The various ways you can buy, sell, and exchange shares are explained at the end of this

prospectus and on the New Account Form.

How and when shares are priced  
The share price (also called "net asset value" or NAV per share) for the fund is calculated at 4 p.m. ET each day the New York Stock Exchange is open for business. To calculate the NAV, the fund's assets are priced and totaled, liabilities are subtracted, and the balance, called net assets, is divided by the number of shares outstanding.

How your purchase, sale, or exchange price is determined  
If we receive your request in correct form before 4 p.m. ET, your transaction will be priced at that 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.

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

Note: The time at which transactions are priced and until which orders are accepted

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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.

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If for some reason we cannot accept your

request to sell shares,  
we will contact you.

How you can receive the proceeds from a sale

If your request is received by 4 p.m. ET 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 ACH transfer or bank wire. Proceeds sent by ACH transfer should be credited the second day after the sale. ACH (Automated Clearing House) is an automated method of initiating payments from and receiving payments in your financial institution account. ACH is a payment system supported by over 20,000 banks, savings banks and credit unions, which electronically exchanges the transactions primarily through the Federal Reserve Banks. Proceeds sent by bank wire should be credited to your bank account the next business day.

Exception:

- o Under certain circumstances and when deemed to be in the fund's best interests, your proceeds may not be sent for up to five business days after receiving your sale or exchange request. If you were exchanging into a bond or money fund, your new investment would not begin to earn dividends until the sixth business day.

Contingent Redemption Fee. The fund can experience substantial price fluctuations and is intended for long-term investors. Short-term "market timers" who engage in frequent purchases and redemptions can disrupt the fund's investment program and create additional transactions costs that are borne by all shareholders. For these reasons, the fund assesses a .50% fee on redemptions (including exchanges) of fund shares held for less than six months.

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Shares owned in this fund as of March 6, 1994 are exempt from the fee. Redemption fees will be paid to the fund to help offset transaction costs.

The fund will use the "first-in, first-out" (FIFO) method to determine the six month holding period. Under this method, the date of the redemption or exchange will be compared with the earliest purchase date of shares held in the account. If this holding period is less than six months, the redemption fee will be assessed.

The fee does not apply to any shares purchased through reinvestment of dividends or capital gain distributions, or to shares held in retirement plans such as 401(k), 403(b), 457, Keogh, profit sharing, and money purchase pension accounts. The fee does apply to shares held in IRA and SEP-IRA accounts and to shares purchased through automatic investment plans (described under "Shareholder Services").

In determining "six months", the fund will use the six month anniversary date of the transaction. Thus, shares purchased on March 12, 1995, for example, will be subject to the fee if they are redeemed on or prior to September 11, 1995. If they are redeemed on or after September 12, 1995, they will not be subject to the fee.

Useful Information on Distributions and Taxes

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The fund distributes all net investment income and realized capital gains 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. The advantage of reinvesting distributions arises from compounding, that is, you receive dividend and capital gain distributions on a rising number of shares.

Distributions not reinvested are paid by check or transmitted to your bank account

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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 then current NAV and to reinvest all subsequent distributions in shares of the fund.

#### Income dividends

- o The fund declares and pays dividends (if any) quarterly.
- o All or part of the fund's dividends will be eligible for the 70% deduction for dividends received by corporations.

#### Capital gains

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

Tax information

You need to be aware of the possible tax consequences when

- o the fund makes a distribution to your account, or
- o you sell fund shares, including an exchange from one fund to another.

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The fund sends timely information for your tax filing needs.

Taxes on fund redemptions. When you sell shares in the fund, you may realize a gain or loss. An exchange from one fund to another is still a sale for tax purposes.

In January, the fund will send you 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 accounts opened now or by exchange in 1983 or later, we will provide you the gain or loss of the shares you sold during the year, based on the "average cost" method. This

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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 send you a confirmation immediately following each transaction (except for systematic purchases and redemptions) you make and a year-end statement detailing all your transactions in each fund account

during the year.

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

Taxes on fund distributions. The following summary does not apply to retirement accounts, such as IRAs, which are tax-deferred until you withdraw money from them.

In January, the fund will send you Form 1099-DIV indicating the tax status of any dividend and capital gain distribution made to you. This information will also be reported to the IRS. All distributions made by the fund are taxable to you for the year in which they were paid. Dividends and distributions are taxable to you regardless of whether they are taken in cash or reinvested. The fund will send you 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 income taxes.

Short-term capital gain distributions are taxable as ordinary income and long-term gain distributions are taxable at the applicable long-term gain rate. The gain is long or short term depending on how long the fund held the securities, not how long you held shares in the fund. If you realize a loss on the sale or exchange of fund shares held six months or less, your short-term loss recognized is reclassified to long-term to the extent of any capital gain distribution received.

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Tax effect of buying shares before a capital gain or dividend 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 will receive in the form of a taxable distribution a portion of the money you just invested. Therefore, you may wish to find out the fund's record date before investing. Of course, the fund's share price may reflect undistributed capital gains or income and unrealized appreciation at any time.

Transaction Procedures and Special Requirements

Purchase Conditions

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Following these procedures helps assure timely and accurate transactions.

Nonpayment. If your payment is not received or you pay with a check or ACH transfer that does not clear, your purchase will be cancelled. 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 fund 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

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 your redemption request was sent by mail

or mailgram, proceeds will be mailed no later than the seventh calendar day following receipt unless the check or ACH transfer has not cleared. (The 10-day hold does not apply to the following purchases

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paid for by: bank wire; cashier's, certified, or treasurer's checks; or automatic purchases through your paycheck.)

Telephone Tele\*Access (registered trademark) and PC\*Access (registered trademark) Transactions. These exchange and redemption services are established automatically when you sign the New Account Form unless you check the box which states that you do not want these services. The fund uses reasonable procedures (including shareholder identity verification) to confirm that instructions given by telephone are genuine and is not liable for acting on these instructions. If these procedures are not followed, it is the opinion of certain regulatory agencies that the fund may be liable for any losses that may result from acting on the instructions given. All conversations are recorded, and a confirmation is sent promptly after the telephone transaction.

Redemptions over \$250,000. Large sales can adversely affect the 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 the fund's net assets, the fund has the right to delay sending your

proceeds for up to five business days after receiving your request, or to pay the difference between the redemption amount and the lesser of the two previously mentioned figures with securities from the fund.

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T. Rowe Price may bar excessive traders from purchasing shares.

#### Excessive Trading

Frequent trades involving either substantial fund assets or a substantial portion of your account or accounts controlled by you, can disrupt management of the fund and raise its expenses. We define "excessive trading" as exceeding one purchase and sale involving the same fund within any 120-day period.

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For example, you are in fund A. You can move substantial assets from fund A to fund B, and, within the next 120 days, sell your shares in fund B to return to fund A or move to fund C.

If you exceed the number of trades described above, you may be barred indefinitely from further purchases of T. Rowe Price funds.

Three types of transactions are exempt from excessive trading guidelines: 1) trades solely between money market funds, 2) redemptions that are not part of exchanges, and 3) systematic purchases or redemptions (see "Shareholder Services").

## Keeping Your Account Open

Due to the relatively high cost to the fund of maintaining small accounts, we ask you to maintain an account balance of at least \$1,000. If your balance is below \$1,000 for three months or longer, the fund has the right to close your account after giving you 60 days in which to increase your balance.

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A signature guarantee is designed to protect you and the fund from fraud by verifying your signature.

### Signature Guarantees

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

- o Written requests 1) to redeem over \$50,000 or 2) to wire redemption proceeds.
- o Remitting redemption proceeds to any person, address, or bank account not on record.
- o Transferring redemption proceeds to a T. Rowe Price fund account with a different registration from yours.
- o Establishing certain services after the account is opened.

You can obtain a signature guarantee from most banks, savings institutions,

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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.

### 3 More About the Fund

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Shareholders benefit from T. Rowe Price's 58 years of investment management experience.

#### The Fund's Organization and Management

How is the fund organized?

The fund was incorporated in Maryland in 1989, is a diversified, open-end investment company or mutual fund. Mutual funds pool money received from shareholders and invest it to try to achieve specific objectives.

What is meant by "shares"?

As with all mutual funds, investors purchase "shares" when they invest 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:

- o receive a proportional interest in a fund's income and capital gain distributions;
- o cast one vote per share on certain fund matters, including the election of fund directors, changes in fundamental policies, or approval of changes in a fund's management contract.

Does the fund have an annual shareholder meeting?

The fund is not required to hold annual meetings and does not intend to do so except when certain matters, such as a change in a fund's fundamental policies, are to 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. 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 a voting card for you to mail back.



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All decisions regarding the purchase and sale of fund investments are made by T. Rowe Price Associates--specifically by the fund's portfolio managers.

Who runs the fund?

General Oversight. The fund is governed by a Board of Directors that meets regularly to review the fund's investments, performance, expenses, and other business affairs. The Board elects the fund's officers. The policy of the fund is that a majority of Board members will be independent of T. Rowe Price.

Portfolio Management. The fund has an Investment Advisory Committee composed of the following members: Richard T. Whitney, Chairman, Kristen D. Farrow, and Jonathan M. Greene. 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. Whitney has been Chairman of the fund's Committee since 1990. Mr. Whitney joined T. Rowe Price in 1985 and has been managing investments since 1986.

Marketing. T. Rowe Price Investment Services, Inc., a wholly-owned subsidiary of T. Rowe Price, distributes (sells) shares of this and all other T. Rowe Price funds.

Shareholder Services. T. Rowe Price Services, Inc., another wholly-owned

subsidiary, acts as the fund's transfer and dividend disbursing agent and provides shareholder and administrative services. Services for certain types of retirement plans are provided by T. Rowe Price Retirement Plan Services, Inc., also a wholly-owned subsidiary. The address for each is 100 East Pratt St., Baltimore, MD 21202.

How are fund expenses determined?

The management agreement spells out the expenses to be paid by the fund. In addition to the management fee, the fund

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pays for the following: shareholder service expenses; custodial, accounting, legal, and audit fees; costs of preparing and printing prospectuses and reports sent to shareholders; registration fees and expenses; proxy and annual meeting expenses (if any); and director/trustee fees and expenses.

The Management Fee. The fund pays the fund manager an annual investment management fee of 0.20% of the average daily net asset value of the fund. The fund calculates and accrues the fee daily.

Understanding Performance Information

This section should help you understand the terms used to describe the fund's performance. You will come across them in shareholder reports you receive from us four times a year, in our newsletters, "Insights" reports, in T. Rowe Price

advertisements, and in the media.

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Total return is the most widely used performance measure. Detailed performance information is included in the fund's annual reports and quarterly shareholder reports.

#### Total Return

This tells you how much an investment in the fund has changed in value over a given time 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. Including reinvested distributions means that total return numbers include the effect of compounding, i.e., you receive income and capital gain distributions on a rising number of shares.

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

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#### Cumulative Total Return

This is the actual rate of return on an investment for a specified period. A cumulative return does not indicate how much the value of the investment may have fluctuated between the beginning and the end of the period specified.

#### Average Annual Total Return

This is always hypothetical. Working backward from the actual cumulative return, it tells you what constant year-by-year return would have produced the actual, cumulative return. By smoothing out all the variations in annual performance, it gives you an idea of the investment's annual contribution to your portfolio provided you held it for the entire period in question.

## Investing in the Stock Market

Common stocks offer a way to invest for long-term growth of capital. As the U.S. economy has expanded, corporate profits have grown, and share values have risen. However, economic growth has been punctuated by periodic declines. Share prices of even the best managed, most profitable corporations are subject to market risk, which means their stock prices can decline. For this reason, equity investors should have a long-term investment horizon and be willing to wait out bear markets.

## Investment Policies and Practices

This section takes a detailed look at some of the types of securities the fund may hold in its portfolio and the various kinds of investment practices that may be used in day-to-day portfolio management. The fund's investment program is subject to further restrictions and risks described in the "Statement of Additional Information."

Shareholder approval is required to substantively change the fund's objectives and certain investment restrictions noted in the following section as "fundamental policies." The managers also follow certain "operating policies" which can be changed without shareholder approval.

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However, significant changes are discussed with shareholders in fund reports. The fund adheres to applicable investment restrictions and policies at the time it makes an investment. A later change in circumstances will not require the sale of an investment if it was proper at the time it was made.

The fund's holdings of certain kinds of investments cannot exceed maximum percentages of total assets, which are set forth herein. For instance, this fund is not permitted to invest more than 10% of total assets in hybrid instruments. While these restrictions provide a useful level of detail about the fund's investment program, 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 hybrid securities could have significantly more than a 5% impact on the fund's share price. 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 the fund's other investments.

Changes in the fund's holdings, the fund's performance, and the contribution of various investments are discussed in the shareholder reports we send each quarter.

#### Types of Portfolio Securities

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Fund managers have considerable leeway in choosing investment strategies and selecting securities they believe will help the fund achieve its objective.

In seeking to meet its investment objective, the fund may invest in any type of security or instrument (including

certain potentially high risk derivatives) whose investment characteristics are consistent with the fund's investment program. These and some of the other investment techniques the fund may use are described in the following pages.

PAGE 29

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 its total assets would be invested in securities of the issuer or more than 10% of the voting securities of the issuer would be held by the fund.

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 the S&P 500 Index. Such securities may bear interest or pay dividends at below market (or even relatively nominal) rates. Under certain conditions, the redemption value of such an investment could be zero. Hybrids can have volatile prices and limited liquidity and their use by the fund may not be successful.

Operating policy: The fund may invest up to 10% of its total assets in hybrid instruments.

Types of Management Practices

Cash reserves provide flexibility and serve as a short-term defense during periods of unusual market volatility.

Cash position. The fund will hold a certain portion of its assets in U.S. and foreign dollar denominated money market securities, including repurchase agreements, in the two highest rating categories, maturing in one year or less. For temporary, defensive purposes, the fund may invest without limitation in such securities. This reserve position provides flexibility in meeting redemptions, expenses, and the timing of new investments, and serves as a short-term defense during periods of unusual market volatility.

Borrowing Money and Transferring Assets. The fund can borrow money from banks as a temporary measure for emergency purposes, to facilitate redemption requests, or for other purposes consistent with the fund's

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investment objective and program. Such borrowings may be collateralized with fund assets, subject to restrictions.

Fundamental policy: Borrowings may not exceed 33 1/3% of the fund's total assets.

Operating policies: The fund may not transfer as collateral any portfolio securities except as necessary in connection with permissible borrowings or investments, and then such transfers may not exceed 33 1/3% of the fund's total assets. The fund may not purchase additional securities when borrowings

exceed 5% of total assets.

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Futures are used to manage risk; options give the investor the option to buy or sell an asset at a predetermined price in the future.

Futures and Options. The Fund may make such investments to provide an efficient means of maintaining liquidity while being invested in the market, to facilitate trading or to reduce transaction costs. The Fund may also purchase call options on stock indices. Such options would be used in a manner similar to the Fund's use of stock index futures.

Futures contracts and options prices can be highly volatile; using them could lower the Fund's total return; and the potential loss from the use of futures can exceed the Fund's initial investment in such contracts.

Operating policies: Futures: Initial margin deposits and premiums on options used for non-hedging purposes will not equal more than 5% of a fund's net asset value. Options on indices. The fund will not commit more than 5% of its total assets to premiums when purchasing call options.

Lending of Portfolio Securities. Like other mutual funds, the fund may lend securities to broker-dealers, other institutions, or other persons to earn additional income. The principal risk is the potential



insolvency of the broker-dealer or other borrower. In this event, the fund could experience delays in recovering their securities and possibly capital losses.

Fundamental policy: The value of loaned securities may not exceed 33 1/3% of a fund's total assets.

Portfolio Transactions. The fund 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. The Fund's portfolio turnover rates for the years 1994, 1993, and 1992 were 1.3%, 0.80%, and 0.10%, respectively.

Standard & Poor's. Although S&P obtains information for inclusion in or for use in the calculation of the S&P 500 Index from sources which S&P considers reliable, S&P does not guarantee the accuracy and/or the completeness of the S&P 500 Index or any data included therein. S&P makes no warranty, express or implied, as to results to be obtained by the fund, or any other person or entity from the use of the S&P 500 Index or any data included therein. S&P makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose with respect to the S&P 500 Index or any data included therein. Standard & Poor's, S&P, S&P 500, Standard & Poor's 500, and 500 are servicemarks of Standard & Poor's Corporation and have been licensed for use by the fund.

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The Generic Service Section 4 for the T. Rowe Price Equity Index Fund, should be inserted here.

PAGE 1

4 Investing with T. Rowe Price

#### Meeting Requirements for New Accounts

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Always verify your transactions by carefully reviewing the confirmation we send you. Please report any discrepancies to Shareholder Services.

#### Tax Identification Number

We must have your correct social security or corporate tax identification number on a signed New Account Form or W-9 Form. Otherwise, federal law requires the funds to withhold a percentage (currently 31%) 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, priced at the NAV on the date of redemption.

Unless you request otherwise, one shareholder report will be mailed to multiple account owners with the same tax identification number and same zip code and to shareholders who have requested that their account be combined with someone else's for financial reporting.

Opening a New Account: \$2,500 minimum initial investment; \$1,000 for retirement or gifts or transfers to minors (UGMA/UTMA) accounts

#### 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.)

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Regular Mail  
T. Rowe Price  
Account Services  
P.O. Box 17300  
Baltimore, MD  
21298-9353

Mailgram, Express,  
Registered, or Certified

PAGE 2

Mail  
T. Rowe Price  
Account Services  
10090 Red Run Blvd.  
Owings Mills, MD 21117

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 address at

left. We do not accept third party checks, except for IRA Rollover checks, to open new accounts.

#### By Wire

o Call Investor Services for an account number and give the following wire address to your bank: Morgan Guaranty Trust Co. of New York, ABA# 021000238, T. Rowe Price [fund name], AC-00153938, account name(s), and account number.

o Complete a New Account Form and mail it to one of the appropriate addresses listed at left.

Note: No services will be established and IRS penalty withholding may occur until a signed New Account Form is received. Also, retirement plans cannot be opened by wire.

#### By Exchange

Call Shareholder Services or use Tele\*Access (registered trademark) or PC\*Access (registered trademark) (see "Automated Services" under "Shareholder 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 preauthorized on the existing account. (See explanation of "Excessive Trading" under "Transaction Procedures.")

#### In Person

Drop off your New Account Form at any of the locations listed below and obtain a receipt.

PAGE 3

Drop-off locations:

101 East Lombard St. T. Rowe Price  
Baltimore, MD Financial Center  
10090 Red Run Blvd.  
Owings Mills, MD

Farragut Square ARCO Tower  
900 17th St., N.W. 31st Floor  
Washington, DC 515 South Flower St.  
Los Angeles, CA

Note: The fund and its agents reserve the right to waive or lower investment minimums; to accept initial purchases by telephone or mailgram; cancel or rescind any purchase or exchange (for example, if an account has been restricted due to excessive trading or fraud) upon notice to the shareholder within five business days of the trade or if the written confirmation has not been received by the shareholder, whichever is sooner; to otherwise modify the conditions of purchase and any services at any time; to act on instructions believed to be genuine; or to freeze any account and temporarily suspend services on the account 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.

Purchasing Additional Shares: \$100 minimum purchase; \$50 minimum for retirement plans and Automatic Asset Builder.

By ACH Transfer  
Use Tele\*Access(registered trademark),  
PC\*Access(registered trademark) or call  
Investor Services if you have established  
electronic transfers using the ACH network.

By Wire

Call Shareholder Services or use the wire address in "Opening a New Account."

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Regular Mail  
T. Rowe Price Funds  
Account Services  
P.O. Box 89000

PAGE 4  
Baltimore, MD  
21289-1500

By Mail

- o Provide your account number and the fund name on your check.
- o Mail the check to us at the address shown at left either with a fund reinvestment slip or a note indicating the fund and account number in which you wish to purchase shares.

By Automatic Asset Builder

Fill out the Automatic Asset Builder section on the New Account or Shareholder Services Form (\$50 minimum).

Exchanging and Redeeming Shares

By Phone

Call Shareholder Services. If you find our phones busy during unusually volatile markets, please consider placing your order by Tele\*Access (registered trademark), PC\*Access (registered trademark) (if you have previously authorized telephone services), mailgram or by express mail. For exchange policies, please see "Transaction Procedures and Special Requirements-- Excessive Trading."

Redemption proceeds can be mailed to your account address, sent by ACH transfer, or wired to your bank (provided your bank information is already on file). For charges, see "Electronic Transfers--By Wire" under "Shareholder Services".

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Mailgram, Express,  
Registered, or  
Certified Mail  
(See "Opening a New  
Account".)

By Mail

Provide account name(s) and numbers, fund name(s), and exchange or redemption amount. For exchanges, mail to the appropriate address below or at left, indicate the fund you are exchanging from and the fund(s) you are exchanging into. T. Rowe Price requires the signatures of all owners exactly as registered, and possibly a signature guarantee (see "Transaction Procedures and Special Requirements--Signature Guarantees").

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Regular Mail

For nonretirement and IRA accounts:	For employer-sponsored retirement accounts:
T. Rowe Price Account Services	T. Rowe Price Trust Company
P.O. Box 89000	P.O. Box 89000
Baltimore, MD	Baltimore, MD
21289-0220	21289-0300

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T. Rowe Price Trust  
Company  
1-800-492-7670  
1-410-625-6585

Note: Redemptions from retirement accounts,

including IRAs, must be in writing. Please call Shareholder Services to obtain an IRA Distribution Request Form. For employer-sponsored retirement accounts, call T. Rowe Price Trust Company or your plan administrator for instructions.

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Shareholder Services

1-800-225-5132

1-410-625-6500

Shareholder Services

Many services are available to you as a T. Rowe Price shareholder; some you receive automatically and others you must authorize on the New Account Form. By signing up for services on the New Account Form rather than later, you avoid having to complete a separate form and obtain a signature guarantee. This section reviews some of the principal services currently offered. Our Services Guide contains detailed descriptions of these and other services. If you are a new T. Rowe Price investor, you will receive a Services Guide with our Welcome Kit. Note: Corporate and other institutional accounts require an original or certified resolution to establish services and to redeem by mail. For more information, call Investor Services.

Retirement Plans

We offer a wide range of plans for individuals and institutions, including large and small businesses: IRAs, SEP-IRAs, Keoghs (profit sharing, money purchase pension), 401(k), and 403(b)(7). For information on IRAs, call Investor Services. For information on all other



retirement plans, please call our Trust Company at 1-800-492-7670.

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#### Investor Services

1-800-638-5660

1-410-547-2308

#### 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 funds are registered.) Some of the T. Rowe Price funds may impose a redemption fee of .50% to 2%, payable to such funds, on shares held for less than one year, or in some funds, six months.

#### Automated Services

Tele\*Access(registered trademark). 24-hour service via toll-free number provides information on fund yields and prices, dividends, account balances, and your latest transaction as well as the ability to request prospectuses, account and tax forms, duplicate statements, checks, and to initiate purchase, redemption and exchange orders in your accounts (see "Electronic Transfers" below).

PC\*Access(registered trademark). 24-hour service via dial-up modem provides the same information as Tele\*Access, but on a personal computer. Please call Investor Services for an information guide.

#### Telephone and Walk-In Services

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

#### Electronic Transfers

By ACH. With no charges to pay, you can initiate a purchase or redemption for as little as \$100 or as much as \$100,000

between your bank account and fund account using the ACH network. Enter instructions

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via Tele\*Access (registered trademark), PC\*Access (registered trademark) or call Shareholder Services.

By Wire. Electronic transfers can also be conducted via bank wire. There is currently 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, High Yield or Emerging Markets Bond 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 (\$50 minimum)

You can invest automatically in several different ways, including:

- o Automatic Asset Builder. You instruct us to move \$50 or more once a month or less often 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.
- o Automatic Exchange. You can set up systematic investments from one fund account into another, such as from a

money fund into a stock fund.

#### Discount Brokerage

You can trade stocks, bonds, options, precious metals, and other securities at a savings over regular commission rates. Call Investor Services for information.

Note: If you buy or sell T. Rowe Price Funds through anyone other than T. Rowe Price, such as broker-dealers or banks, you may be charged transaction or service fees by those institutions. No such fees are charged by T. Rowe Price Investment Services or the fund for transactions conducted directly with the fund.

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To Open an Account  
Investor Services  
1-800-638-5660  
1-410-547-2308

For Existing Accounts  
Shareholder Services  
1-800-225-5132  
1-410-625-6500

For Yields & Prices  
Tele\*Access (registered  
trademark)  
1-800-638-2587  
1-410-625-7676  
24 hours, 7 days

Investor Centers

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

Prospectus

T. Rowe Price  
Equity Index  
Fund

T. Rowe Price  
Index Trust,  
Inc.  
May 1,  
1995

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A fund seeking  
long-term  
capital growth  
through  
investment in  
stocks  
composing the  
Standard &  
Poor's 500  
Composite  
Stock Index.

101 East Lombard St.  
Baltimore, MD

timely,  
informative  
reports.

T. Rowe Price  
Financial Center  
10090 Red Run Blvd.  
Owings Mills, MD

Farragut Square  
900 17th Street, N.W.  
Washington, DC

ARCO Tower  
31st Floor  
515 South Flower St.  
Los Angeles, CA

T. Rowe Price  
Invest With  
Confidence  
(registered  
trademark)

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The Statement of Additional Information for the T. Rowe Price  
Equity Index Fund, dated May 1, 1995, should be inserted here.

STATEMENT OF ADDITIONAL INFORMATION

T. ROWE PRICE BALANCED FUND, INC.  
T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.  
T. ROWE PRICE CAPITAL APPRECIATION FUND  
T. ROWE PRICE CAPITAL OPPORTUNITY FUND, INC.  
T. ROWE PRICE DIVIDEND GROWTH FUND, INC.  
T. ROWE PRICE EQUITY INCOME FUND  
T. ROWE PRICE GROWTH & INCOME FUND, INC.  
T. ROWE PRICE GROWTH STOCK FUND, INC.  
T. ROWE PRICE INDEX TRUST, INC.  
T. ROWE PRICE MID-CAP GROWTH FUND, INC.  
T. ROWE PRICE NEW AMERICA GROWTH FUND  
T. ROWE PRICE NEW ERA FUND, INC.  
T. ROWE PRICE NEW HORIZONS FUND, INC.  
T. ROWE PRICE OTC FUND, INC.  
T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.  
T. ROWE PRICE SMALL-CAP VALUE FUND, INC.  
T. ROWE PRICE VALUE FUND, INC.

(collectively the "Funds" and individually the "Fund")

This Statement of Additional Information is not a prospectus but should be read in conjunction with the appropriate Fund prospectus dated May 1, 1995, which may be obtained from T. Rowe Price Investment Services, Inc., 100 East Pratt Street, Baltimore, Maryland 21202.

If you would like a prospectus for a Fund of which you are not a shareholder, please call 1-800-638-5660. A prospectus with more complete information, including management fees and expenses will be sent to you. Please read it carefully.

The date of this Statement of Additional Information is May 1, 1995.

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## INVESTMENT OBJECTIVES AND POLICIES

The following information supplements the discussion of each Fund's investment objectives and policies discussed in each Fund's prospectus. The Funds will not make a material change in their investment objectives without obtaining shareholder approval. Unless otherwise specified, the investment programs and restrictions of the Funds are not fundamental policies. Each Fund's operating policies are subject to change by each Board of Directors/Trustees without shareholder approval. However, shareholders will be notified of a material change in an operating policy. Each Fund's fundamental policies may not be changed without the approval of at least a majority of the outstanding shares of the Fund or, if it is less, 67% of the

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shares represented at a meeting of shareholders at which the holders of 50% or more of the shares are represented.

Throughout this Statement of Additional Information, "the Fund" is intended to refer to each Fund listed on the cover page, unless otherwise indicated.

## RISK FACTORS

### General

Because of its investment policy, the Fund may or may not be suitable or appropriate for all investors. The Fund is not a



money market fund and is not an appropriate investment for those whose primary objective is principal stability. The Fund will normally have substantially all (for the Balanced Fund 50-70%) of its assets in equity securities (e.g., common stocks). This portion of the Fund's assets will be subject to all of the risks of investing in the stock market. There is risk in all investment. The value of the portfolio securities of the Fund will fluctuate based upon market conditions. Although the Fund seeks to reduce risk by investing in a diversified portfolio, such diversification does not eliminate all risk. There can, of course, be no assurance that the Fund will achieve its investment objective. Reference is also made to the sections entitled "Types of Securities" and "Portfolio Management Practices" for discussions of the risks associated with the investments and practices described therein as they apply to the Fund.

Foreign Securities (All Funds other than Equity Index Fund)

The Fund may invest in U.S. dollar-denominated and non U.S. dollar-denominated securities of foreign issuers.

#### Risk Factors of Foreign Investing

There are special risks in foreign investing. Many of the risks are more pronounced for investments in developing or emerging countries, such as many of the countries of Southeast Asia, Latin America, Eastern Europe and the Middle East. Although there is no universally accepted definition, a developing country is generally considered to be a country which is in the initial stages of its industrialization cycle with a per capita gross national product of less than \$8,000.

Political and Economic Factors. Individual foreign economies of certain countries may differ favorably or unfavorably from the United States' economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. The internal politics of certain foreign countries are not as stable as in the United States. For example, in 1991, the existing government in Thailand was overthrown in a military coup. In 1992, there were two military coup attempts in Venezuela and in 1992 the President of Brazil was impeached. In addition, significant external political risks currently affect some foreign countries. Both Taiwan and China still claim sovereignty of one another and there is a demilitarized border between North and South Korea.

Governments in certain foreign countries continue to participate to a significant degree, through ownership interest or regulation, in their respective economies. Action by these governments could have a significant effect on market prices of securities and payment of dividends. The economies of many foreign countries are heavily dependent upon international trade and are accordingly affected by protective trade barriers and economic conditions of their trading partners. The enactment by these trading partners of protectionist trade legislation could have a significant adverse effect upon the securities markets of such countries.

Currency Fluctuations. The Fund may invest in securities denominated in various currencies. Accordingly, a change in the value of any such currency against the U.S. dollar will result in a corresponding change in the U.S. dollar value of the Funds' assets denominated in that currency. Such changes will also affect the Funds' income. Generally, when a given currency appreciates against the dollar (the dollar weakens) the value of the Fund's securities denominated in that currency will rise. When a given currency depreciates against the dollar (the dollar strengthens) the value of the Funds' securities denominated in that currency would be expected to decline.

Investment and Repatriation of Restrictions. Foreign investment in the securities markets of certain foreign countries is restricted or controlled in varying degrees. These restrictions may limit at times and preclude investment in certain of such countries and may increase the cost and expenses of the Funds. Investments by foreign investors are subject to a variety of restrictions in many developing countries. These restrictions may take the form of prior governmental approval,

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limits on the amount or type of securities held by foreigners, and limits on the types of companies in which foreigners may invest. Additional or different restrictions may be imposed at any time by these or other countries in which the Funds invest. In addition, the repatriation of both investment income and capital from several foreign countries is restricted and controlled under certain regulations, including in some cases the need for certain government consents. For example, capital invested in Chile normally cannot be repatriated for one year.

Market Characteristics. It is contemplated that most foreign securities, other than Latin American securities, will be purchased in over-the-counter markets or on stock exchanges located in the countries in which the respective principal offices of the issuers of the various securities are located, if that is the best available market. Currently, it is anticipated that many Latin American investments will be made through ADRs traded in the United States. Foreign stock markets are generally not as developed or efficient as, and may be more volatile than, those in the United States. While growing in volume, they usually have substantially less volume than U.S. markets and the Funds' portfolio securities may be less liquid and subject to more rapid and erratic price movements than securities of comparable U.S. companies. Equity securities may trade at price/earnings multiples higher than comparable United States securities and such levels may not be sustainable. Fixed commissions on foreign stock exchanges are generally higher than negotiated commissions on United States exchanges, although the Funds will endeavor to achieve the most favorable net results on their portfolio transactions. There is generally less government supervision and regulation of foreign stock exchanges, brokers and listed companies than in the United States. Moreover, settlement practices for transactions in foreign markets may differ from those in United States markets. Such differences may include delays beyond periods customary in the United States and

practices, such as delivery of securities prior to receipt of payment, which increase the likelihood of a "failed settlement." Failed settlements can result in losses to a Fund.

Investment Funds. The Fund may invest in investment funds which have been authorized by the governments of certain countries specifically to permit foreign investment in securities of companies listed and traded on the stock exchanges in these respective countries. If the Fund invest in such investment funds, the Fund's shareholders will bear not only their proportionate share of the expenses of the Fund (including operating expenses and the fees of the investment manager), but

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also will bear indirectly similar expenses of the underlying investment funds. In addition, the securities of these investment funds may trade at a premium over their net asset value.

Information and Supervision. There is generally less publicly available information about foreign companies comparable to reports and ratings that are published about companies in the United States. Foreign companies are also generally not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to United States companies. It also may be more difficult to keep currently informed of corporate actions which affect the prices of portfolio securities.

Taxes. The dividends and interest payable on certain of the Fund's foreign portfolio securities may be subject to foreign withholding taxes, thus reducing the net amount of income available for distribution to the Funds' shareholders.

Other. With respect to certain foreign countries, especially developing and emerging ones, there is the possibility of adverse changes in investment or exchange control regulations, expropriation or confiscatory taxation, limitations on the removal of funds or other assets of the Funds, political or social instability, or diplomatic developments which could affect investments by U.S. persons in those countries.

Eastern Europe and Russia. Changes occurring in Eastern Europe and Russia today could have long-term potential consequences. As restrictions fall, this could result in rising standards of living, lower manufacturing costs, growing consumer spending, and substantial economic growth. However, investment in the countries of Eastern Europe and Russia is highly speculative at this time. Political and economic reforms are too recent to establish a definite trend away from centrally-planned economies and state owned industries. In many of the countries of Eastern Europe and Russia, there is no stock exchange or formal market for securities. Such countries may also have government exchange controls, currencies with no recognizable market value relative to the established currencies of western market economies, little or no experience in trading in securities, no financial reporting standards, a lack of a banking and securities infrastructure to handle such trading, and a legal tradition which does not recognize rights in private property. In addition, these countries may have national policies which restrict investments in companies deemed sensitive to the

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country's national interest. Further, the governments in such countries may require governmental or quasi-governmental authorities to act as custodian of the Fund's assets invested in such countries and these authorities may not qualify as a foreign custodian under the Investment Company Act of 1940 and exemptive

relief from such Act may be required. All of these considerations are among the factors which could cause significant risks and uncertainties to investment in Eastern Europe and Russia. Each Fund will only invest in a company located in, or a government of, Eastern Europe and Russia, if it believes the potential return justifies the risk. To the extent any securities issued by companies in Eastern Europe and Russia are considered illiquid, each Fund will be required to include such securities within its 15% restriction on investing in illiquid securities.

#### Latin America

**Inflation.** Most Latin American countries have experienced, at one time or another, severe and persistent levels of inflation, including, in some cases, hyperinflation. This has, in turn, led to high interest rates, extreme measures by governments to keep inflation in check and a generally debilitating effect on economic growth. Although inflation in many countries has lessened, there is no guarantee it will remain at lower levels.

**Political Instability.** The political history of certain Latin American countries has been characterized by political uncertainty, intervention by the military in civilian and economic spheres, and political corruption. Such developments, if they were to reoccur, could reverse favorable trends toward market and economic reform, privatization and removal of trade barriers and result in significant disruption in securities markets.

**Foreign Currency.** Certain Latin American countries may have managed currencies which are maintained at artificial levels to the U.S. dollar rather than at levels determined by the market. This type of system can lead to sudden and large adjustments in the currency which, in turn, can have a disruptive and negative effect on foreign investors. For example, in late 1994 the value of the Mexican peso lost more than one-third of its value relative to the dollar. Certain Latin American countries also may restrict the free conversion of their currency into foreign currencies, including the U.S. dollar. There is no significant

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foreign exchange market for certain currencies and it would, as a result, be difficult for the Fund to engage in foreign currency transactions designed to protect the value of the Fund's interests in securities denominated in such currencies.

Sovereign Debt. A number of Latin American countries are among the largest debtors of developing countries. There have been moratoria on, and reschedulings of, repayment with respect to these debts. Such events can restrict the flexibility of these debtor nations in the international markets and result in the imposition of onerous conditions on their economies.

## INVESTMENT PROGRAM

### Types of Securities

Set forth below is additional information about certain of the investments described in the Fund's prospectus.

#### Illiquid or Restricted Securities

Restricted securities may be sold only in privately negotiated transactions or in a public offering with respect to which a registration statement is in effect under the Securities Act of 1933 (the "1933 Act"). Where registration is required, the Fund may be obligated to pay all or part of the registration expenses and a considerable period may elapse between the time of the decision to sell and the time the Fund may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the Fund might obtain a less favorable price than prevailed when it decided to sell. Restricted securities will be priced at fair value as determined in accordance with procedures prescribed by the Fund's Board of Directors/Trustees. If through the appreciation of illiquid securities or the depreciation of liquid securities, the Fund should be in a position where more than 15% of the value of its net assets is invested in illiquid assets, including restricted securities, the Fund will take appropriate steps to protect liquidity.

Notwithstanding the above, the Fund may purchase securities which, while privately placed, are eligible for purchase and sale under Rule 144A under the 1933 Act. This rule permits certain qualified institutional buyers, such as the Fund, to trade in privately placed securities even though such securities are not registered under the 1933 Act. T. Rowe Price under the

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supervision of the Fund's Board of Directors/Trustees, will consider whether securities purchased under Rule 144A are illiquid and thus subject to the Fund's restriction of investing no more than 15% of its net assets in illiquid securities. A determination of whether a Rule 144A security is liquid or not is a question of fact. In making this determination, T. Rowe Price will consider the trading markets for the specific security taking into account the unregistered nature of a Rule 144A security. In addition, T. Rowe Price could consider the (1) frequency of trades and quotes, (2) number of dealers and potential purchases, (3) dealer undertakings to make a market, and (4) the nature of the security and of marketplace trades (e.g., the time needed to dispose of the security, the method of soliciting offers and the mechanics of transfer). The liquidity of Rule 144A securities would be monitored, and if as a result of changed conditions it is determined that a Rule 144A security is no longer liquid, the Fund's holdings of illiquid securities would be reviewed to determine what, if any, steps are required to assure that the Fund does not invest more than 15% of its net assets in illiquid securities. Investing in Rule 144A securities could have the effect of increasing the amount of the Fund's assets invested in illiquid securities if qualified institutional buyers are unwilling to purchase such securities.

Hybrid Instruments



Hybrid Instruments have recently been developed and combine the elements of futures contracts or options with those of debt, preferred equity or a depository instrument (hereinafter "Hybrid Instruments"). Often these Hybrid Instruments are indexed to the price of a commodity, particular currency, or a domestic or foreign debt or equity securities index. Hybrid Instruments may take a variety of forms, including, but not limited to, debt instruments with interest or principal payments or redemption terms determined by reference to the value of a currency or commodity or securities index at a future point in time, preferred stock with dividend rates determined by reference to the value of a currency, or convertible securities with the conversion terms related to a particular commodity.

The risks of investing in Hybrid Instruments reflect a combination of the risks from investing in securities, options, futures and currencies, including volatility and lack of liquidity. Reference is made to the discussion of futures, options, and forward contracts herein for a discussion of these risks. Further, the prices of the Hybrid Instrument and the related commodity or currency may not move in the same direction

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or at the same time. Hybrid Instruments may bear interest or pay preferred dividends at below market (or even relatively nominal) rates. Alternatively, Hybrid Instruments may bear interest at above market rates but bear an increased risk of principal loss (or gain). In addition, because the purchase and sale of Hybrid Instruments could take place in an over-the-counter market or in a private transaction between the Fund and the seller of the Hybrid Instrument, the creditworthiness of the contra party to the transaction would be a risk factor which the Fund would have to consider. Hybrid Instruments also may not be subject to regulation of the Commodities Futures Trading Commission

("CFTC"), which generally regulates the trading of commodity futures by U.S. persons, the SEC, which regulates the offer and sale of securities by and to U.S. persons, or any other governmental regulatory authority.

### Warrants

The Fund may acquire in warrants. Warrants are pure speculation in that they have no voting rights, pay no dividends and have no rights with respect to the assets of the corporation issuing them. Warrants basically are options to purchase equity securities at a specific price valid for a specific period of time. They do not represent ownership of the securities, but only the right to buy them. Warrants differ from call options in that warrants are issued by the issuer of the security which may be purchased on their exercise, whereas call options may be written or issued by anyone. The prices of warrants do not necessarily move parallel to the prices of the underlying securities.

### Debt Securities

Balanced, Blue Chip Growth, Capital Appreciation, Capital Opportunity, Dividend Growth, Equity Income, Growth & Income, New Era, OTC, Small-Cap Value and Value Funds

### Debt Obligations

Although substantially all of the Fund's assets are invested in common stocks (for the Balanced Fund 50-70%), the Fund may invest in convertible securities, corporate debt securities and preferred stocks which hold the prospect of contributing to the achievement of the Fund's objectives. Yields on short, intermediate, and long-term securities are dependent on a variety of factors, including the general conditions of the money and bond markets, the size of a particular offering, the maturity of

the obligation, and the credit quality and rating of the issue. Debt securities with longer maturities tend to have higher yields and are generally subject to potentially greater capital appreciation and depreciation than obligations with shorter maturities and lower yields. The market prices of debt securities usually vary, depending upon available yields. An increase in interest rates will generally reduce the value of portfolio investments, and a decline in interest rates will generally increase the value of portfolio investments. The ability of the Fund to achieve its investment objective is also dependent on the continuing ability of the issuers of the debt securities in which the Fund invests to meet their obligations for the payment of interest and principal when due. The Fund's investment program permits it to purchase below investment grade securities. Since investors generally perceive that there are greater risks associated with investment in lower quality securities, the yields from such securities normally exceed those obtainable from higher quality securities. However, the principal value of lower-rated securities generally will fluctuate more widely than higher quality securities. Lower quality investments entail a higher risk of default--that is, the nonpayment of interest and principal by the issuer than higher quality investments. Such securities are also subject to special risks, discussed below. Although the Fund seeks to reduce risk by portfolio diversification, credit analysis, and attention to trends in the economy, industries and financial markets, such efforts will not eliminate all risk. There can, of course, be no assurance that the Fund will achieve its investment objective.

After purchase by the Fund, a debt security may cease to be rated or its rating may be reduced below the minimum required for purchase by the Fund. Neither event will require a sale of such security by the Fund. However, T. Rowe Price will consider such event in its determination of whether the Fund should continue to hold the security. To the extent that the ratings given by Moody's or S&P may change as a result of changes in such organizations or their rating systems, the Fund will attempt to use comparable ratings as standards for investments in accordance with the investment policies contained in the prospectus.

Special Risks of High Yield Investing (Balanced, Blue Chip, Capital Appreciation, Capital Opportunity, Dividend Growth, Equity Income, Growth & Income, New Era, OTC, Small-Cap Value, and Value Funds)

The Fund may invest in low quality bonds commonly referred to as "junk bonds." Junk bonds are regarded as predominantly

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speculative with respect to the issuer's continuing ability to meet principal and interest payments. Because investment in low and lower-medium quality bonds involves greater investment risk, to the extent the Fund invests in such bonds, achievement of its investment objective will be more dependent on T. Rowe Price's credit analysis than would be the case if the Fund was investing in higher quality bonds. High yield bonds may be more susceptible to real or perceived adverse economic conditions than investment grade bonds. A projection of an economic downturn, or higher interest rates, for example, could cause a decline in high yield bond prices because the advent of such events could lessen the ability of highly leverage issuers to make principal and interest payments on their debt securities. In addition, the secondary trading market for high yield bonds may be less liquid than the market for higher grade bonds, which can adversely affect the ability of a Fund to dispose of its portfolio securities. Bonds for which there is only a "thin" market can be more difficult to value inasmuch as objective pricing data may be less available and judgment may play a greater role in the valuation process.

Fixed income securities in which the Fund may invest include, but are not limited to, those described below.

U.S. Government Obligations. Bills, notes, bonds and other debt securities issued by the U.S. Treasury. These are direct obligations of the U.S. Government and differ mainly in the length of their maturities.

U.S. Government Agency Securities. Issued or guaranteed by U.S. Government sponsored enterprises and federal agencies. These include securities issued by the Federal National Mortgage

Association, Government National Mortgage Association, Federal Home Loan Bank, Federal Land Banks, Farmers Home Administration, Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Farm Credit Banks, the Small Business Association, and the Tennessee Valley Authority. Some of these securities are supported by the full faith and credit of the U.S. Treasury; and the remainder are supported only by the credit of the instrumentality, which may or may not include the right of the issuer to borrow from the Treasury.

Bank Obligations. Certificates of deposit, bankers' acceptances, and other short-term debt obligations. Certificates of deposit are short-term obligations of commercial banks. A bankers' acceptance is a time draft drawn on a commercial bank by a borrower, usually in connection with international commercial

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transactions. Certificates of deposit may have fixed or variable rates. The Fund may invest in U.S. banks, foreign branches of U.S. banks, U.S. branches of foreign banks, and foreign branches of foreign banks.

Short-Term Corporate Debt Securities. Outstanding nonconvertible corporate debt securities (e.g., bonds and debentures) which have one year or less remaining to maturity. Corporate notes may have fixed, variable, or floating rates.

Commercial Paper. Short-term promissory notes issued by corporations primarily to finance short-term credit needs. Certain notes may have floating or variable rates.

Foreign Government Securities. Issued or guaranteed by a foreign government, province, instrumentality, political subdivision or similar unit thereof.

Savings and Loan Obligations. Negotiable certificates of deposit and other short-term debt obligations of savings and loan associations.

Supranational Agencies. Securities of certain supranational entities, such as the International Development Bank.

#### When-Issued Securities and Forward Commitment Contracts

The Fund may purchase securities on a "when-issued" or delayed delivery basis ("When-Issueds") and may purchase securities on a forward commitment basis ("Forwards"). Any or all of the Fund's investments in debt securities may be in the form of When-Issueds and Forwards. The price of such securities, which may be expressed in yield terms, is fixed at the time the commitment to purchase is made, but delivery and payment take place at a later date. Normally, the settlement date occurs within 90 days of the purchase for When-Issueds, but may be substantially longer for Forwards. During the period between purchase and settlement, no payment is made by the Fund to the issuer and no interest accrues to the Fund. The purchase of these securities will result in a loss if their value declines prior to the settlement date. This could occur, for example, if interest rates increase prior to settlement. The longer the period between purchase and settlement, the greater the risks are. At the time the Fund makes the commitment to purchase these securities, it will record the transaction and reflect the value of the security in determining its net asset value. The Fund will cover these securities by maintaining cash and/or liquid,

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high-grade debt securities with its custodian bank equal in value to commitments for them during the time between the purchase and

the settlement. Therefore, the longer this period, the longer the period during which alternative investment options are not available to the Fund (to the extent of the securities used for cover). Such securities either will mature or, if necessary, be sold on or before the settlement date.

To the extent the Fund remains fully or almost fully invested (in securities with a remaining maturity or more than one year) at the same time it purchases these securities, there will be greater fluctuations in the Fund's net asset value than if the Fund did not purchase them.

#### Collateralized Mortgage Obligations (CMOs)

CMOs are bonds that are collateralized by whole loan mortgages or mortgage pass-through securities. The bonds issued in a CMO deal are divided into groups, and each group of bonds is referred to as a "tranche." Under the traditional CMO structure, the cash flows generated by the mortgages or mortgage pass-through securities in the collateral pool are used to first pay interest and then pay principal to the CMO bondholders. The bonds issued under a CMO structure are retired sequentially as opposed to the pro rata return of principal found in traditional pass-through obligations. Subject to the various provisions of individual CMO issues, the cash flow generated by the underlying collateral (to the extent it exceeds the amount required to pay the stated interest) is used to retire the bonds. Under the CMO structure, the repayment of principal among the different tranches is prioritized in accordance with the terms of the particular CMO issuance. The "fastest-pay" tranche of bonds, as specified in the prospectus for the issuance, would initially receive all principal payments. When that tranche of bonds is retired, the next tranche, or tranches, in the sequence, as specified in the prospectus, receive all of the principal payments until they are retired. The sequential retirement of bond groups continues until the last tranche, or group of bonds, is retired. Accordingly, the CMO structure allows the issuer to use cash flows of long maturity, monthly-pay collateral to formulate securities with short, intermediate and long final maturities and expected average lives.

In recent years, new types of CMO structures have evolved. These include floating rate CMOs, planned amortization classes, accrual bonds and CMO residuals. These newer structures affect the amount and timing of principal and interest received by each

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tranche from the underlying collateral. Under certain of these new structures, given classes of CMOs have priority over others with respect to the receipt of prepayments on the mortgages. Therefore, depending on the type of CMOs in which the Fund invests, the investment may be subject to a greater or lesser risk of prepayment than other types of mortgage-related securities.

The primary risk of any mortgage security is the uncertainty of the timing of cash flows. For CMOs, the primary risk results from the rate of prepayments on the underlying mortgages serving as collateral. An increase or decrease in prepayment rates (resulting from a decrease or increase in mortgage interest rates) will affect the yield, average life and price of CMOs. The prices of certain CMOs, depending on their structure and the rate of prepayments, can be volatile. Some CMOs may also not be as liquid as other securities.

#### Stripped Agency Mortgage-Backed Securities

Stripped Agency Mortgage-Backed securities represent interests in a pool of mortgages, the cash flow of which has been separated into its interest and principal components. "IOs" (interest only securities) receive the interest portion of the cash flow while "POs" (principal only securities) receive the principal portion. Stripped Agency Mortgage-Backed Securities may be issued by U.S. Government Agencies or by private issuers similar to those described above with respect to CMOs and privately-issued mortgage-backed certificates. As interest rates rise and fall, the value of IOs tends to move in the same direction as interest rates. The value of the other mortgage-backed securities described herein, like other debt instruments, will tend to move in the opposite direction compared to interest rates. Under the Internal Revenue Code of 1986, as amended (the "Code"), POs may generate taxable income from the current accrual of original issue discount, without a corresponding distribution of cash to the Fund.



The cash flows and yields on IO and PO classes are extremely sensitive to the rate of principal payments (including prepayments) on the related underlying mortgage assets. For example, a rapid or slow rate of principal payments may have a material adverse effect on the prices of IOs or POs, respectively. If the underlying mortgage assets experience greater than anticipated prepayments of principal, an investor may fail to recoup fully its initial investment in an IO class of a stripped mortgage-backed security, even if the IO class is

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rated AAA or Aaa or is derived from a full faith and credit obligation. Conversely, if the underlying mortgage assets experience slower than anticipated prepayments of principal, the price on a PO class will be affected more severely than would be the case with a traditional mortgage-backed security.

The staff of the Securities and Exchange Commission has advised the Fund that it believes the Fund should treat IOs and POs, other than government-issued IOs or POs backed by fixed rate mortgages, as illiquid securities and, accordingly, limit its investments in such securities, together with all other illiquid securities, to 15% of the Fund's net assets. Under the Staff's position, the determination of whether a particular government-issued IO and PO backed by fixed rate mortgages may be made on a case by case basis under guidelines and standards established by the Fund's Board of Directors/Trustees. The Fund's Board of Directors/Trustees has delegated to T. Rowe Price the authority to determine the liquidity of these investments based on the following guidelines: the type of issuer; type of collateral, including age and prepayment characteristics; rate of interest on coupon relative to current market rates and the effect of the rate on the potential for prepayments; complexity of the issue's structure, including the number of tranches; size

of the issue and the number of dealers who make a market in the IO or PO. The Fund will treat non-government-issued IOs and POs not backed by fixed or adjustable rate mortgages as illiquid unless and until the Securities and Exchange Commission modifies its position.

### Asset-Backed Securities

The credit quality of most asset-backed securities depends primarily on the credit quality of the assets underlying such securities, how well the entity issuing the security is insulated from the credit risk of the originator or any other affiliated entities and the amount and quality of any credit support provided to the securities. The rate of principal payment on asset-backed securities generally depends on the rate of principal payments received on the underlying assets which in turn may be affected by a variety of economic and other factors. As a result, the yield on any asset-backed security is difficult to predict with precision and actual yield to maturity may be more or less than the anticipated yield to maturity. Asset-backed securities may be classified as pass-through certificates or collateralized obligations.

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Pass-through certificates are asset-backed securities which represent an undivided fractional ownership interest in an underlying pool of assets. Pass-through certificates usually provide for payments of principal and interest received to be passed through to their holders, usually after deduction for certain costs and expenses incurred in administering the pool.

Because pass-through certificates represent an ownership interest

in the underlying assets, the holders thereof bear directly the risk of any defaults by the obligors on the underlying assets not covered by any credit support. See "Types of Credit Support".

Asset-backed securities issued in the form of debt instruments, also known as collateralized obligations, are generally issued as the debt of a special purpose entity organized solely for the purpose of owning such assets and issuing such debt. Such assets are most often trade, credit card or automobile receivables. The assets collateralizing such asset-backed securities are pledged to a trustee or custodian for the benefit of the holders thereof. Such issuers generally hold no assets other than those underlying the asset-backed securities and any credit support provided. As a result, although payments on such asset-backed securities are obligations of the issuers, in the event of defaults on the underlying assets not covered by any credit support (see "Types of Credit Support"), the issuing entities are unlikely to have sufficient assets to satisfy their obligations on the related asset-backed securities.

Methods of Allocating Cash Flows. While many asset-backed securities are issued with only one class of security, many asset-backed securities are issued in more than one class, each with different payment terms. Multiple class asset-backed securities are issued for two main reasons. First, multiple classes may be used as a method of providing credit support. This is accomplished typically through creation of one or more classes whose right to payments on the asset-backed security is made subordinate to the right to such payments of the remaining class or classes. See "Types of Credit Support". Second, multiple classes may permit the issuance of securities with payment terms, interest rates or other characteristics differing both from those of each other and from those of the underlying assets. Examples include so-called "strips" (asset-backed securities entitling the holder to disproportionate interests with respect to the allocation of interest and principal of the assets backing the security), and securities with class or classes having characteristics which mimic the characteristics of non-asset-backed securities, such as floating interest rates

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(i.e., interest rates which adjust as a specified benchmark changes) or scheduled amortization of principal.

Asset-backed securities in which the payment streams on the underlying assets are allocated in a manner different than those described above may be issued in the future. The Fund may invest in such asset-backed securities if such investment is otherwise consistent with its investment objectives and policies and with the investment restrictions of the Fund.

Types of Credit Support. Asset-backed securities are often backed by a pool of assets representing the obligations of a number of different parties. To lessen the effect of failures by obligors on underlying assets to make payments, such securities may contain elements of credit support. Such credit support falls into two classes: liquidity protection and protection against ultimate default by an obligor on the underlying assets. Liquidity protection refers to the provision of advances, generally by the entity administering the pool of assets, to ensure that scheduled payments on the underlying pool are made in a timely fashion. Protection against ultimate default ensures ultimate payment of the obligations on at least a portion of the assets in the pool. Such protection may be provided through guarantees, insurance policies or letters of credit obtained from third parties, through various means of structuring the transaction or through a combination of such approaches. Examples of asset-backed securities with credit support arising out of the structure of the transaction include "senior-subordinated securities" (multiple class asset-backed securities with certain classes subordinate to other classes as to the payment of principal thereon, with the result that defaults on the underlying assets are borne first by the holders of the subordinated class) and asset-backed securities that have "reserve funds" (where cash or investments, sometimes funded from a portion of the initial payments on the underlying assets, are held in reserve against future losses) or that have been "over collateralized" (where the scheduled payments on, or the principal amount of, the underlying assets substantially exceeds that required to make payment of the asset-backed securities and pay any servicing or other fees). The degree of credit support provided on each issue is based generally on historical information respecting the level of credit risk associated with such payments. Delinquency or loss in excess of that anticipated could adversely affect the return on an investment in an asset-

backed security.

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Automobile Receivable Securities. The Fund may invest in Asset Backed Securities which are backed by receivables from motor vehicle installment sales contracts or installment loans secured by motor vehicles ("Automobile Receivable Securities"). Since installment sales contracts for motor vehicles or installment loans related thereto ("Automobile Contracts") typically have shorter durations and lower incidences of prepayment, Automobile Receivable Securities generally will exhibit a shorter average life and are less susceptible to prepayment risk.

Most entities that issue Automobile Receivable Securities create an enforceable interest in their respective Automobile Contracts only by filing a financing statement and by having the servicer of the Automobile Contracts, which is usually the originator of the Automobile Contracts, take custody thereof. In such circumstances, if the servicer of the Automobile Contracts were to sell the same Automobile Contracts to another party, in violation of its obligation not to do so, there is a risk that such party could acquire an interest in the Automobile Contracts superior to that of the holders of Automobile Receivable Securities. Also although most Automobile Contracts grant a security interest in the motor vehicle being financed, in most states the security interest in a motor vehicle must be noted on the certificate of title to create an enforceable security interest against competing claims of other parties. Due to the large number of vehicles involved, however, the certificate of title to each vehicle financed, pursuant to the Automobile Contracts underlying the Automobile Receivable Security, usually

is not amended to reflect the assignment of the seller's security interest for the benefit of the holders of the Automobile Receivable Securities. Therefore, there is the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on the securities. In addition, various state and federal securities laws give the motor vehicle owner the right to assert against the holder of the owner's Automobile Contract certain defenses such owner would have against the seller of the motor vehicle. The assertion of such defenses could reduce payments on the Automobile Receivable Securities.

Credit Card Receivable Securities. The Fund may invest in Asset Backed Securities backed by receivables from revolving credit card agreements ("Credit Card Receivable Securities"). Credit balances on revolving credit card agreements ("Accounts") are generally paid down more rapidly than are Automobile Contracts. Most of the Credit Card Receivable Securities issued

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publicly to date have been Pass-Through Certificates. In order to lengthen the maturity of Credit Card Receivable Securities, most such securities provide for a fixed period during which only interest payments on the underlying Accounts are passed through to the security holder and principal payments received on such Accounts are used to fund the transfer to the pool of assets supporting the related Credit Card Receivable Securities of additional credit card charges made on an Account. The initial fixed period usually may be shortened upon the occurrence of specified events which signal a potential deterioration in the quality of the assets backing the security, such as the imposition of a cap on interest rates. The ability of the issuer to extend the life of an issue of Credit Card Receivable Securities thus depends upon the continued generation of

additional principal amounts in the underlying accounts during the initial period and the non-occurrence of specified events. An acceleration in cardholders' payment rates or any other event which shortens the period during which additional credit card charges on an Account may be transferred to the pool of assets supporting the related Credit Card Receivable Security could shorten the weighted average life and yield of the Credit Card Receivable Security.

Credit cardholders are entitled to the protection of a number of state and federal consumer credit laws, many of which give such holder the right to set off certain amounts against balances owed on the credit card, thereby reducing amounts paid on Accounts. In addition, unlike most other Asset Backed Securities, Accounts are unsecured obligations of the cardholder.

Other Assets. T. Rowe Price anticipates that Asset Backed Securities backed by assets other than those described above will be issued in the future. The Fund may invest in such securities in the future if such investment is otherwise consistent with its investment objective and policies.

There are, of course, other types of securities that are, or may become available, which are similar to the foregoing and the Fund reserves the right to invest in these securities.

## PORTFOLIO MANAGEMENT PRACTICES

## Lending of Portfolio Securities

Securities loans are made to broker-dealers or institutional investors or other persons, pursuant to agreements requiring that the loans be continuously secured by collateral at least equal at all times to the value of the securities lent marked to market on a daily basis. The collateral received will consist of cash, U.S. government securities, letters of credit or such other collateral as may be permitted under its investment program. While the securities are being lent, the Fund will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The Fund has a right to call each loan and obtain the securities on five business days' notice or, in connection with securities trading on foreign markets, within such longer period of time which coincides with the normal settlement period for purchases and sales of such securities in such foreign markets. The Fund will not have the right to vote securities while they are being lent, but it will call a loan in anticipation of any important vote. The risks in lending portfolio securities, as with other extensions of secured credit, consist of possible delay in receiving additional collateral or in the recovery of the securities or possible loss of rights in the collateral should the borrower fail financially. Loans will only be made to firms deemed by T. Rowe Price to be of good standing and will not be made unless, in the judgment of T. Rowe Price, the consideration to be earned from such loans would justify the risk.

## Other Lending/Borrowing

Subject to approval by the Securities and Exchange Commission and certain state regulatory agencies, the Fund may make loans to, or borrow funds from, other mutual funds sponsored or advised by T. Rowe Price or Rowe Price-Fleming International, Inc. ("Price-Fleming") (collectively, "Price Funds"). The Fund has no current intention of engaging in these practices at this time.

## Repurchase Agreements

The Fund may enter into a repurchase agreement through which an investor (such as the Fund) purchases a security (known as the "underlying security") from a well-established securities dealer or a bank that is a member of the Federal Reserve System. Any



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such dealer or bank will be on T. Rowe Price's approved list and have a credit rating with respect to its short-term debt of at least A1 by Standard & Poor's Corporation, P1 by Moody's Investors Service, Inc., or the equivalent rating by T. Rowe Price. At that time, the bank or securities dealer agrees to repurchase the underlying security at the same price, plus specified interest. Repurchase agreements are generally for a short period of time, often less than a week. Repurchase agreements which do not provide for payment within seven days will be treated as illiquid securities. The Fund will only enter into repurchase agreements where (i) the underlying securities are of the type (excluding maturity limitations) which the Fund's investment guidelines would allow it to purchase directly, (ii) the market value of the underlying security, including interest accrued, will be at all times equal to or exceed the value of the repurchase agreement, and (iii) payment for the underlying security is made only upon physical delivery or evidence of book-entry transfer to the account of the custodian or a bank acting as agent. In the event of a bankruptcy or other default of a seller of a repurchase agreement, the Fund could experience both delays in liquidating the underlying security and losses, including: (a) possible decline in the value of the underlying security during the period while the Fund seeks to enforce its rights thereto; (b) possible subnormal levels of income and lack of access to income during this period; and (c) expenses of enforcing its rights.

#### Reverse Repurchase Agreements

Although the Fund has no current intention, in the foreseeable future, of engaging in reverse repurchase agreements, the Fund reserves the right to do so. Reverse repurchase agreements are ordinary repurchase agreements in which a Fund is the seller of, rather than the investor in, securities, and agrees to repurchase them at an agreed upon time and price. Use

of a reverse repurchase agreement may be preferable to a regular sale and later repurchase of the securities because it avoids certain market risks and transaction costs. A reverse repurchase agreement may be viewed as a type of borrowing by the Fund, subject to Investment Restriction (1). (See "Investment Restrictions," page \_\_.)

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All Funds, Except Equity Index Fund

### Options

Options are a type of potentially high risk derivative.

#### Writing Covered Call Options

The Fund may write (sell) American or European style "covered" call options and purchase options to close out options previously written by a Fund. In writing covered call options, the Fund expects to generate additional premium income which should serve to enhance the Fund's total return and reduce the effect of any price decline of the security or currency involved in the option. Covered call options will generally be written on securities or currencies which, in T. Rowe Price's opinion, are not expected to have any major price increases or moves in the near future but which, over the long term, are deemed to be attractive investments for the Fund.

A call option gives the holder (buyer) the "right to purchase" a security or currency at a specified price (the exercise price) at expiration of the option (European style) or at any time until a certain date (the expiration date) (American style). So long as the obligation of the writer of a call option continues, he may be assigned an exercise notice by the broker-dealer through whom such option was sold, requiring him to deliver the underlying security or currency against payment of the exercise price. This obligation terminates upon the expiration of the call option, or such earlier time at which the writer effects a closing purchase transaction by repurchasing an option identical to that previously sold. To secure his obligation to deliver the underlying security or currency in the case of a call option, a writer is required to deposit in escrow the underlying security or currency or other assets in accordance with the rules of a clearing corporation.

The Fund will write only covered call options. This means that the Fund will own the security or currency subject to the option or an option to purchase the same underlying security or currency, having an exercise price equal to or less than the exercise price of the "covered" option, or will establish and maintain with its custodian for the term of the option, an account consisting of cash, U.S. government securities or other liquid high-grade debt obligations having a value equal to the fluctuating market value of the optioned securities or currencies.

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Portfolio securities or currencies on which call options may be written will be purchased solely on the basis of investment considerations consistent with the Fund's investment objective. The writing of covered call options is a conservative investment technique believed to involve relatively little risk (in contrast

to the writing of naked or uncovered options, which the Fund will not do), but capable of enhancing the Fund's total return. When writing a covered call option, a Fund, in return for the premium, gives up the opportunity for profit from a price increase in the underlying security or currency above the exercise price, but conversely retains the risk of loss should the price of the security or currency decline. Unlike one who owns securities or currencies not subject to an option, the Fund has no control over when it may be required to sell the underlying securities or currencies, since it may be assigned an exercise notice at any time prior to the expiration of its obligation as a writer. If a call option which the Fund has written expires, the Fund will realize a gain in the amount of the premium; however, such gain may be offset by a decline in the market value of the underlying security or currency during the option period. If the call option is exercised, the Fund will realize a gain or loss from the sale of the underlying security or currency. The Fund does not consider a security or currency covered by a call to be "pledged" as that term is used in the Fund's policy which limits the pledging or mortgaging of its assets.

The premium received is the market value of an option. The premium the Fund will receive from writing a call option will reflect, among other things, the current market price of the underlying security or currency, the relationship of the exercise price to such market price, the historical price volatility of the underlying security or currency, and the length of the option period. Once the decision to write a call option has been made, T. Rowe Price, in determining whether a particular call option should be written on a particular security or currency, will consider the reasonableness of the anticipated premium and the likelihood that a liquid secondary market will exist for those options. The premium received by the Fund for writing covered call options will be recorded as a liability of the Fund. This liability will be adjusted daily to the option's current market value, which will be the latest sale price at the time at which the net asset value per share of the Fund is computed (close of the New York Stock Exchange), or, in the absence of such sale, the latest asked price. The option will be terminated upon expiration of the option, the purchase of an identical option in a closing transaction, or delivery of the underlying security or currency upon the exercise of the option.

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Closing transactions will be effected in order to realize a profit on an outstanding call option, to prevent an underlying security or currency from being called, or, to permit the sale of the underlying security or currency. Furthermore, effecting a closing transaction will permit the Fund to write another call option on the underlying security or currency with either a different exercise price or expiration date or both. If the Fund desires to sell a particular security or currency from its portfolio on which it has written a call option, or purchased a put option, it will seek to effect a closing transaction prior to, or concurrently with, the sale of the security or currency. There is, of course, no assurance that the Fund will be able to effect such closing transactions at favorable prices. If the Fund cannot enter into such a transaction, it may be required to hold a security or currency that it might otherwise have sold. When the Fund writes a covered call option, it runs the risk of not being able to participate in the appreciation of the underlying securities or currencies above the exercise price, as well as the risk of being required to hold on to securities or currencies that are depreciating in value. This could result in higher transaction costs. The Fund will pay transaction costs in connection with the writing of options to close out previously written options. Such transaction costs are normally higher than those applicable to purchases and sales of portfolio securities.

Call options written by the Fund will normally have expiration dates of less than nine months from the date written. The exercise price of the options may be below, equal to, or above the current market values of the underlying securities or currencies at the time the options are written. From time to time, the Fund may purchase an underlying security or currency for delivery in accordance with an exercise notice of a call option assigned to it, rather than delivering such security or currency from its portfolio. In such cases, additional costs may be incurred.

The Fund will realize a profit or loss from a closing purchase transaction if the cost of the transaction is less or more than the premium received from the writing of the option. Because increases in the market price of a call option will generally reflect increases in the market price of the underlying

security or currency, any loss resulting from the repurchase of a call option is likely to be offset in whole or in part by appreciation of the underlying security or currency owned by the Fund.

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In order to comply with the requirements of several states, the Fund will not write a covered call option if, as a result, the aggregate market value of all portfolio securities or currencies covering call or put options exceeds 25% of the market value of the Fund's net assets. Should these state laws change or should the Fund obtain a waiver of its application, the Fund reserves the right to increase this percentage. In calculating the 25% limit, the Fund will offset, against the value of assets covering written calls and puts, the value of purchased calls and puts on identical securities or currencies with identical maturity dates.

#### Writing Covered Put Options

The Fund may write American or European style covered put options and purchase options to close out options previously written by the Fund. A put option gives the purchaser of the option the right to sell, and the writer (seller) has the obligation to buy, the underlying security or currency at the exercise price during the option period (American style) or at the expiration of the option (European style). So long as the obligation of the writer continues, he may be assigned an exercise notice by the broker-dealer through whom such option was sold, requiring him to make payment of the exercise price against delivery of the underlying security or currency. The operation of put options in other respects, including their related risks

and rewards, is substantially identical to that of call options.

The Fund would write put options only on a covered basis, which means that the Fund would maintain in a segregated account cash, U.S. government securities or other liquid high-grade debt obligations in an amount not less than the exercise price or the Fund will own an option to sell the underlying security or currency subject to the option having an exercise price equal to or greater than the exercise price of the "covered" option at all times while the put option is outstanding. (The rules of a clearing corporation currently require that such assets be deposited in escrow to secure payment of the exercise price.)

The Fund would generally write covered put options in circumstances where T. Rowe Price wishes to purchase the underlying security or currency for the Fund's portfolio at a price lower than the current market price of the security or currency. In such event the Fund would write a put option at an exercise price which, reduced by the premium received on the option, reflects the lower price it is willing to pay. Since the

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Fund would also receive interest on debt securities or currencies maintained to cover the exercise price of the option, this technique could be used to enhance current return during periods of market uncertainty. The risk in such a transaction would be that the market price of the underlying security or currency would decline below the exercise price less the premiums received. Such a decline could be substantial and result in a significant loss to the Fund. In addition, the Fund, because it does not own the specific securities or currencies which it may be required to purchase in exercise of the put, cannot benefit from appreciation, if any, with respect to such specific

securities or currencies.

In order to comply with the requirements of several states, the Fund will not write a covered put option if, as a result, the aggregate market value of all portfolio securities or currencies covering put or call options exceeds 25% of the market value of the Fund's net assets. Should these state laws change or should the Fund obtain a waiver of its application, the Fund reserves the right to increase this percentage. In calculating the 25% limit, the Fund will offset, against the value of assets covering written puts and calls, the value of purchased puts and calls on identical securities or currencies with identical maturity dates.

#### Purchasing Put Options

The Fund may purchase American or European style put options. As the holder of a put option, the Fund has the right to sell the underlying security or currency at the exercise price at any time during the option period (American style) or at the expiration of the option (European style). The Fund may enter into closing sale transactions with respect to such options, exercise them or permit them to expire. The Fund may purchase put options for defensive purposes in order to protect against an anticipated decline in the value of its securities or currencies. An example of such use of put options is provided below.

The Fund may purchase a put option on an underlying security or currency (a "protective put") owned by the Fund as a defensive technique in order to protect against an anticipated decline in the value of the security or currency. Such hedge protection is provided only during the life of the put option when the Fund, as the holder of the put option, is able to sell the underlying security or currency at the put exercise price regardless of any decline in the underlying security's market price or currency's exchange value. For example, a put option may be purchased in order to protect unrealized appreciation of a security or



currency where T. Rowe Price deems it desirable to continue to hold the security or currency because of tax considerations. The premium paid for the put option and any transaction costs would reduce any capital gain otherwise available for distribution when the security or currency is eventually sold.

The Fund may also purchase put options at a time when the Fund does not own the underlying security or currency. By purchasing put options on a security or currency it does not own, the Fund seeks to benefit from a decline in the market price of the underlying security or currency. If the put option is not sold when it has remaining value, and if the market price of the underlying security or currency remains equal to or greater than the exercise price during the life of the put option, the Fund will lose its entire investment in the put option. In order for the purchase of a put option to be profitable, the market price of the underlying security or currency must decline sufficiently below the exercise price to cover the premium and transaction costs, unless the put option is sold in a closing sale transaction.

To the extent required by the laws of certain states, the Fund may not be permitted to commit more than 5% of its assets to premiums when purchasing put and call options. Should these state laws change or should the Fund obtain a waiver of its application, the Fund may commit more than 5% of its assets to premiums when purchasing call and put options. The premium paid by the Fund when purchasing a put option will be recorded as an asset of the Fund. This asset will be adjusted daily to the option's current market value, which will be the latest sale price at the time at which the net asset value per share of the Fund is computed (close of New York Stock Exchange), or, in the absence of such sale, the latest bid price. This asset will be terminated upon expiration of the option, the selling (writing) of an identical option in a closing transaction, or the delivery of the underlying security or currency upon the exercise of the option.

#### Purchasing Call Options

The Fund may purchase American or European style call options. As the holder of a call option, the Fund has the right to purchase the underlying security or currency at the exercise price at any time during the option period (American style) or at the expiration of the option (European style). The Fund may enter into closing sale transactions with respect to such options, exercise them or permit them to expire. The Fund may

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purchase call options for the purpose of increasing its current return or avoiding tax consequences which could reduce its current return. The Fund may also purchase call options in order to acquire the underlying securities or currencies. Examples of such uses of call options are provided below.

Call options may be purchased by the Fund for the purpose of acquiring the underlying securities or currencies for its portfolio. Utilized in this fashion, the purchase of call options enables the Fund to acquire the securities or currencies at the exercise price of the call option plus the premium paid. At times the net cost of acquiring securities or currencies in this manner may be less than the cost of acquiring the securities or currencies directly. This technique may also be useful to the Fund in purchasing a large block of securities or currencies that would be more difficult to acquire by direct market purchases. So long as it holds such a call option rather than the underlying security or currency itself, the Fund is partially protected from any unexpected decline in the market price of the underlying security or currency and in such event could allow the call option to expire, incurring a loss only to the extent of the premium paid for the option.

To the extent required by the laws of certain states, the Fund may not be permitted to commit more than 5% of its assets to premiums when purchasing call and put options. Should these state laws change or should the Fund obtain a waiver of its application, the Fund may commit more than 5% of its assets to premiums when purchasing call and put options. The Fund may also purchase call options on underlying securities or currencies it owns in order to protect unrealized gains on call options previously written by it. A call option would be purchased for

this purpose where tax considerations make it inadvisable to realize such gains through a closing purchase transaction. Call options may also be purchased at times to avoid realizing losses.

### Dealer (Over-the-Counter) Options

The Fund may engage in transactions involving dealer options. Certain risks are specific to dealer options. While the Fund would look to a clearing corporation to exercise exchange-traded options, if the Fund were to purchase a dealer option, it would rely on the dealer from whom it purchased the option to perform if the option were exercised. Failure by the dealer to do so would result in the loss of the premium paid by the Fund as well as loss of the expected benefit of the transaction.

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Exchange-traded options generally have a continuous liquid market while dealer options have none. Consequently, the Fund will generally be able to realize the value of a dealer option it has purchased only by exercising it or reselling it to the dealer who issued it. Similarly, when the Fund writes a dealer option, it generally will be able to close out the option prior to its expiration only by entering into a closing purchase transaction with the dealer to which the Fund originally wrote the option. While the Fund will seek to enter into dealer options only with dealers who will agree to and which are expected to be capable of entering into closing transactions with the Fund, there can be no assurance that the Fund will be able to liquidate a dealer option at a favorable price at any time prior to expiration. Until the Fund, as a covered dealer call option writer, is able to effect a closing purchase transaction, it will not be able to liquidate securities (or other assets) or currencies used as cover until

the option expires or is exercised. In the event of insolvency of the contra party, the Fund may be unable to liquidate a dealer option. With respect to options written by the Fund, the inability to enter into a closing transaction may result in material losses to the Fund. For example, since the Fund must maintain a secured position with respect to any call option on a security it writes, the Fund may not sell the assets which it has segregated to secure the position while it is obligated under the option. This requirement may impair a Fund's ability to sell portfolio securities or currencies at a time when such sale might be advantageous.

The Staff of the SEC has taken the position that purchased dealer options and the assets used to secure the written dealer options are illiquid securities. The Fund may treat the cover used for written OTC options as liquid if the dealer agrees that the Fund may repurchase the OTC option it has written for a maximum price to be calculated by a predetermined formula. In such cases, the OTC option would be considered illiquid only to the extent the maximum repurchase price under the formula exceeds the intrinsic value of the option. Accordingly, the Fund will treat dealer options as subject to the Fund's limitation on illiquid securities. If the SEC changes its position on the liquidity of dealer options, the Fund will change its treatment of such instrument accordingly.

#### Equity Index Fund

The only option activity the Fund currently may engage in is the purchase of S&P 500 call options. Such activity is subject

activity, however.

All Funds

## Futures Contracts

### Transactions in Futures

The Fund may enter into futures contracts (a type of potentially high risk derivative), including stock index, interest rate and currency futures ("futures or futures contracts"). The New Era Fund may also enter into futures on commodities related to the types of companies in which it invests, such as oil and gold futures. The Equity Index Fund may only enter into stock index futures, such as the S&P 500 stock index, to provide an efficient means of maintaining liquidity while being invested in the market, to facilitate trading or to reduce transaction costs. It will not use futures for hedging purposes. Otherwise the nature of such futures and the regulatory limitations and risks to which they are subject are the same as those described below.

Stock index futures contracts may be used to provide a hedge for a portion of the Fund's portfolio, as a cash management tool, or as an efficient way for T. Rowe Price to implement either an increase or decrease in portfolio market exposure in response to changing market conditions. The Fund may purchase or sell futures contracts with respect to any stock index. Nevertheless, to hedge the Fund's portfolio successfully, the Fund must sell futures contracts with respect to indices or subindices whose movements will have a significant correlation with movements in the prices of the Fund's portfolio securities.

Interest rate or currency futures contracts may be used as a hedge against changes in prevailing levels of interest rates or currency exchange rates in order to establish more definitely the effective return on securities or currencies held or intended to be acquired by the Fund. In this regard, the Fund could sell interest rate or currency futures as an offset against the effect of expected increases in interest rates or currency exchange rates and purchase such futures as an offset against the effect of expected declines in interest rates or currency exchange rates.

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The Fund will enter into futures contracts which are traded on national or foreign futures exchanges, and are standardized as to maturity date and underlying financial instrument. Futures exchanges and trading in the United States are regulated under the Commodity Exchange Act by the CFTC. Futures are traded in London, at the London International Financial Futures Exchange, in Paris, at the MATIF, and in Tokyo, at the Tokyo Stock Exchange. Although techniques other than the sale and purchase of futures contracts could be used for the above-referenced purposes, futures contracts offer an effective and relatively low cost means of implementing the Fund's objectives in these areas.

#### Regulatory Limitations

The Fund will engage in futures contracts and options thereon only for bona fide hedging, yield enhancement, and risk management purposes, in each case in accordance with rules and regulations of the CFTC and applicable state law.

The Fund may not purchase or sell futures contracts or related options if, with respect to positions which do not qualify as bona fide hedging under applicable CFTC rules, the sum of the amounts of initial margin deposits and premiums paid on those positions would exceed 5% of the net asset value of the Fund after taking into account unrealized profits and unrealized losses on any such contracts it has entered into; provided, however, that in the case of an option that is in-the-money at the time of purchase, the in-the-money amount may be excluded in calculating the 5% limitation. For purposes of this policy options on futures contracts and foreign currency options traded on a commodities exchange will be considered "related options". This policy may be modified by the Board of Directors/Trustees without a shareholder vote and does not limit the percentage of the Fund's assets at risk to 5%.

In accordance with the rules of the State of California, the Fund may have to apply the above 5% test without excluding the value of initial margin and premiums paid for bona fide hedging

positions.

The Fund's use of futures contracts will not result in leverage. Therefore, to the extent necessary, in instances involving the purchase of futures contracts or the writing of call or put options thereon by the Fund, an amount of cash, U.S. government securities or other liquid, high-grade debt obligations, equal to the market value of the futures contracts and options thereon (less any related margin deposits), will be

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identified in an account with the Fund's custodian to cover the position, or alternative cover (such as owning an offsetting position) will be employed. Assets used as cover or held in an identified account cannot be sold while the position in the corresponding option or future is open, unless they are replaced with similar assets. As a result, the commitment of a large portion of a Fund's assets to cover or identified accounts could impede portfolio management or the fund's ability to meet redemption requests or other current obligations.

If the CFTC or other regulatory authorities adopt different (including less stringent) or additional restrictions, the Fund would comply with such new restrictions.

#### Trading in Futures Contracts

A futures contract provides for the future sale by one party and purchase by another party of a specified amount of a specific financial instrument (e.g., units of a stock index) for a specified price, date, time and place designated at the time the contract is made. Brokerage fees are incurred when a futures contract is bought or sold and margin deposits must be maintained. Entering into a contract to buy is commonly referred

to as buying or purchasing a contract or holding a long position. Entering into a contract to sell is commonly referred to as selling a contract or holding a short position.

Unlike when the Fund purchases or sells a security, no price would be paid or received by the Fund upon the purchase or sale of a futures contract. Upon entering into a futures contract, and to maintain the Fund's open positions in futures contracts, the Fund would be required to deposit with its custodian in a segregated account in the name of the futures broker an amount of cash, U.S. government securities, suitable money market instruments, or liquid, high-grade debt securities, known as "initial margin." The margin required for a particular futures contract is set by the exchange on which the contract is traded, and may be significantly modified from time to time by the exchange during the term of the contract. Futures contracts are customarily purchased and sold on margins that may range upward from less than 5% of the value of the contract being traded.

If the price of an open futures contract changes (by increase in the case of a sale or by decrease in the case of a purchase) so that the loss on the futures contract reaches a point at which the margin on deposit does not satisfy margin

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requirements, the broker will require an increase in the margin. However, if the value of a position increases because of favorable price changes in the futures contract so that the margin deposit exceeds the required margin, the broker will pay the excess to the Fund.

These subsequent payments, called "variation margin," to and from the futures broker, are made on a daily basis as the price



of the underlying assets fluctuate making the long and short positions in the futures contract more or less valuable, a process known as "marking to the market." The Fund expects to earn interest income on its margin deposits.

Although certain futures contracts, by their terms, require actual future delivery of and payment for the underlying instruments, in practice most futures contracts are usually closed out before the delivery date. Closing out an open futures contract purchase or sale is effected by entering into an offsetting futures contract sale or purchase, respectively, for the same aggregate amount of the identical securities and the same delivery date. If the offsetting purchase price is less than the original sale price, the Fund realizes a gain; if it is more, the Fund realizes a loss. Conversely, if the offsetting sale price is more than the original purchase price, the Fund realizes a gain; if it is less, the Fund realizes a loss. The transaction costs must also be included in these calculations. There can be no assurance, however, that the Fund will be able to enter into an offsetting transaction with respect to a particular futures contract at a particular time. If the Fund is not able to enter into an offsetting transaction, the Fund will continue to be required to maintain the margin deposits on the futures contract.

For example, the Standard & Poor's 500 Stock Index is composed of 500 selected common stocks, most of which are listed on the New York Stock Exchange. The S&P 500 Index assigns relative weightings to the common stocks included in the Index, and the Index fluctuates with changes in the market values of those common stocks. In the case of the S&P 500 Index, contracts are to buy or sell 500 units. Thus, if the value of the S&P 500 Index were \$150, one contract would be worth \$75,000 (500 units x \$150). The stock index futures contract specifies that no delivery of the actual stock making up the index will take place. Instead, settlement in cash occurs. Over the life of the contract, the gain or loss realized by the Fund will equal the difference between the purchase (or sale) price of the contract and the price at which the contract is terminated. For example,

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if the Fund enters into a futures contract to buy 500 units of the S&P 500 Index at a specified future date at a contract price of \$150 and the S&P 500 Index is at \$154 on that future date, the Fund will gain \$2,000 (500 units x gain of \$4). If the Fund enters into a futures contract to sell 500 units of the stock index at a specified future date at a contract price of \$150 and the S&P 500 Index is at \$152 on that future date, the Fund will lose \$1,000 (500 units x loss of \$2).

### Special Risks of Transactions in Futures Contracts

**Volatility and Leverage.** The prices of futures contracts are volatile and are influenced, among other things, by actual and anticipated changes in the market and interest rates, which in turn are affected by fiscal and monetary policies and national and international political and economic events.

Most United States futures exchanges limit the amount of fluctuation permitted in futures contract prices during a single trading day. The daily limit establishes the maximum amount that the price of a futures contract may vary either up or down from the previous day's settlement price at the end of a trading session. Once the daily limit has been reached in a particular type of futures contract, no trades may be made on that day at a price beyond that limit. The daily limit governs only price movement during a particular trading day and therefore does not limit potential losses, because the limit may prevent the liquidation of unfavorable positions. Futures contract prices have occasionally moved to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and subjecting some futures traders to substantial losses.

Because of the low margin deposits required, futures trading involves an extremely high degree of leverage. As a result, a relatively small price movement in a futures contract may result in immediate and substantial loss, as well as gain, to the investor. For example, if at the time of purchase, 10% of the value of the futures contract is deposited as margin, a subsequent 10% decrease in the value of the futures contract would result in a total loss of the margin deposit, before any deduction for the transaction costs, if the account were then closed out. A 15% decrease would result in a loss equal to 150% of the original margin deposit, if the contract were closed out.

Thus, a purchase or sale of a futures contract may result in losses in excess of the amount invested in the futures contract. However, the Fund would presumably have sustained comparable

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losses if, instead of the futures contract, it had invested in the underlying financial instrument and sold it after the decline. Furthermore, in the case of a futures contract purchase, in order to be certain that the Fund has sufficient assets to satisfy its obligations under a futures contract, the Fund earmarks to the futures contract money market instruments equal in value to the current value of the underlying instrument less the margin deposit.

Liquidity. The Fund may elect to close some or all of its futures positions at any time prior to their expiration. The Fund would do so to reduce exposure represented by long futures positions or short futures positions. The Fund may close its positions by taking opposite positions which would operate to terminate the Fund's position in the futures contracts. Final determinations of variation margin would then be made, additional cash would be required to be paid by or released to the Fund, and the Fund would realize a loss or a gain.

Futures contracts may be closed out only on the exchange or board of trade where the contracts were initially traded. Although the Fund intends to purchase or sell futures contracts only on exchanges or boards of trade where there appears to be an active market, there is no assurance that a liquid market on an exchange or board of trade will exist for any particular contract at any particular time. In such event, it might not be possible to close a futures contract, and in the event of adverse price movements, the Fund would continue to be required to make daily cash payments of variation margin. However, in the event futures

contracts have been used to hedge the underlying instruments, the Fund would continue to hold the underlying instruments subject to the hedge until the futures contracts could be terminated. In such circumstances, an increase in the price of underlying instruments, if any, might partially or completely offset losses on the futures contract. However, as described below, there is no guarantee that the price of the underlying instruments will, in fact, correlate with the price movements in the futures contract and thus provide an offset to losses on a futures contract.

Hedging Risk. A decision of whether, when, and how to hedge involves skill and judgment, and even a well-conceived hedge may be unsuccessful to some degree because of unexpected market behavior, market or interest rate trends. There are several risks in connection with the use by the Fund of futures contracts as a hedging device. One risk arises because of the imperfect correlation between movements in the prices of the futures

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contracts and movements in the prices of the underlying instruments which are the subject of the hedge. T. Rowe Price will, however, attempt to reduce this risk by entering into futures contracts whose movements, in its judgment, will have a significant correlation with movements in the prices of the Fund's underlying instruments sought to be hedged.

Successful use of futures contracts by the Fund for hedging purposes is also subject to T. Rowe Price's ability to correctly predict movements in the direction of the market. It is possible that, when the Fund has sold futures to hedge its portfolio against a decline in the market, the index, indices, or instruments underlying futures might advance and the value of the underlying instruments held in the Fund's portfolio might

decline. If this were to occur, the Fund would lose money on the futures and also would experience a decline in value in its underlying instruments. However, while this might occur to a certain degree, T. Rowe Price believes that over time the value of the Fund's portfolio will tend to move in the same direction as the market indices used to hedge the portfolio. It is also possible that if the Fund were to hedge against the possibility of a decline in the market (adversely affecting the underlying instruments held in its portfolio) and prices instead increased, the Fund would lose part or all of the benefit of increased value of those underlying instruments that it has hedged, because it would have offsetting losses in its futures positions. In addition, in such situations, if the Fund had insufficient cash, it might have to sell underlying instruments to meet daily variation margin requirements. Such sales of underlying instruments might be, but would not necessarily be, at increased prices (which would reflect the rising market). The Fund might have to sell underlying instruments at a time when it would be disadvantageous to do so.

In addition to the possibility that there might be an imperfect correlation, or no correlation at all, between price movements in the futures contracts and the portion of the portfolio being hedged, the price movements of futures contracts might not correlate perfectly with price movements in the underlying instruments due to certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors might close futures contracts through offsetting transactions, which could distort the normal relationship between the underlying instruments and futures markets. Second, the margin requirements in the futures market are less onerous than margin requirements

in the securities markets, and as a result the futures market might attract more speculators than the securities markets do. Increased participation by speculators in the futures market might also cause temporary price distortions. Due to the possibility of price distortion in the futures market and also because of the imperfect correlation between price movements in the underlying instruments and movements in the prices of futures contracts, even a correct forecast of general market trends by T. Rowe Price might not result in a successful hedging transaction over a very short time period.

#### Options on Futures Contracts

The Fund may purchase and sell options on the same types of futures in which it may invest.

Options (another type of potentially high risk derivative) on futures are similar to options on underlying instruments except that options on futures give the purchaser the right, in return for the premium paid, to assume a position in a futures contract (a long position if the option is a call and a short position if the option is a put), rather than to purchase or sell the futures contract, at a specified exercise price at any time during the period of the option. Upon exercise of the option, the delivery of the futures position by the writer of the option to the holder of the option will be accompanied by the delivery of the accumulated balance in the writer's futures margin account which represents the amount by which the market price of the futures contract, at exercise, exceeds (in the case of a call) or is less than (in the case of a put) the exercise price of the option on the futures contract. Purchasers of options who fail to exercise their options prior to the exercise date suffer a loss of the premium paid.

As an alternative to writing or purchasing call and put options on stock index futures, the Fund may write or purchase call and put options on stock indices. Such options would be used in a manner similar to the use of options on futures contracts. From time to time, a single order to purchase or sell futures contracts (or options thereon) may be made on behalf of the Fund and other T. Rowe Price Funds. Such aggregated orders would be allocated among the Funds and the other T. Rowe Price Funds in a fair and non-discriminatory manner.

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### Special Risks of Transactions in Options on Futures Contracts

The risks described under "Special Risks of Transactions on Futures Contracts" are substantially the same as the risks of using options on futures. In addition, where the Fund seeks to close out an option position by writing or buying an offsetting option covering the same index, underlying instrument or contract and having the same exercise price and expiration date, its ability to establish and close out positions on such options will be subject to the maintenance of a liquid secondary market. Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options, or underlying instruments; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or a clearing corporation may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that exchange (or in the class or series of options) would cease to exist, although outstanding options on the exchange that had been issued by a clearing corporation as a result of trades on that exchange would continue to be exercisable in accordance with their terms. There is no assurance that higher than anticipated trading activity or other unforeseen events might not, at times, render certain of the facilities of any of the clearing corporations inadequate, and thereby result in the institution by an exchange of special procedures which may interfere with the timely execution of customers' orders.

Although the Fund has no current intention of engaging in futures or options transactions other than those described above, it reserves the right to do so. Such futures and options trading might involve risks which differ from those involved in the futures and options described above.

#### Foreign Futures and Options

Participation in foreign futures and foreign options transactions involves the execution and clearing of trades on or

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subject to the rules of a foreign board of trade. Neither the National Futures Association nor any domestic exchange regulates activities of any foreign boards of trade, including the execution, delivery and clearing of transactions, or has the power to compel enforcement of the rules of a foreign board of trade or any applicable foreign law. This is true even if the exchange is formally linked to a domestic market so that a position taken on the market may be liquidated by a transaction on another market. Moreover, such laws or regulations will vary depending on the foreign country in which the foreign futures or foreign options transaction occurs. For these reasons, when the Fund trades foreign futures or foreign options contracts, it may not be afforded certain of the protective measures provided by the Commodity Exchange Act, the CFTC's regulations and the rules of the National Futures Association and any domestic exchange, including the right to use reparations proceedings before the Commission and arbitration proceedings provided by the National Futures Association or any domestic futures exchange. In particular, funds received from the Fund for foreign futures or foreign options transactions may not be provided the same



protections as funds received in respect of transactions on United States futures exchanges. In addition, the price of any foreign futures or foreign options contract and, therefore, the potential profit and loss thereon may be affected by any variance in the foreign exchange rate between the time the Fund's order is placed and the time it is liquidated, offset or exercised.

All Funds, Except Equity Index Fund

#### Foreign Currency Transactions

A forward foreign currency exchange contract involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. These contracts are principally traded in the interbank market conducted directly between currency traders (usually large, commercial banks) and their customers. A forward contract generally has no deposit requirement, and no commissions are charged at any stage for trades.

The Fund may enter into forward contracts for a variety of purposes in connection with the management of the foreign securities portion of its portfolio. The Fund's use of such contracts would include, but not be limited to, the following:

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First, when the Fund enters into a contract for the purchase or sale of a security denominated in a foreign currency, it may desire to "lock in" the U.S. dollar price of the security. By entering into a forward contract for the purchase or sale, for a fixed amount of dollars, of the amount of foreign currency

involved in the underlying security transactions, the Fund will be able to protect itself against a possible loss resulting from an adverse change in the relationship between the U.S. dollar and the subject foreign currency during the period between the date the security is purchased or sold and the date on which payment is made or received.

Second, when T. Rowe Price believes that one currency may experience a substantial movement against another currency, including the U.S. dollar, it may enter into a forward contract to sell or buy the amount of the former foreign currency, approximating the value of some or all of the Fund's portfolio securities denominated in such foreign currency. Alternatively, where appropriate, the Fund may hedge all or part of its foreign currency exposure through the use of a basket of currencies or a proxy currency where such currency or currencies act as an effective proxy for other currencies. In such a case, the Fund may enter into a forward contract where the amount of the foreign currency to be sold exceeds the value of the securities denominated in such currency. The use of this basket hedging technique may be more efficient and economical than entering into separate forward contracts for each currency held in the Fund. The precise matching of the forward contract amounts and the value of the securities involved will not generally be possible since the future value of such securities in foreign currencies will change as a consequence of market movements in the value of those securities between the date the forward contract is entered into and the date it matures. The projection of short-term currency market movement is extremely difficult, and the successful execution of a short-term hedging strategy is highly uncertain. Under normal circumstances, consideration of the prospect for currency parities will be incorporated into the longer term investment decisions made with regard to overall diversification strategies. However, T. Rowe Price believes that it is important to have the flexibility to enter into such forward contracts when it determines that the best interests of the Fund will be served.

The Fund may enter into forward contracts for any other purpose consistent with the Fund's investment objective and program. However, the Fund will not enter into a forward contract, or maintain exposure to any such contract(s), if the

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amount of foreign currency required to be delivered thereunder would exceed the Fund's holdings of liquid, high-grade debt securities and currency available for cover of the forward contract(s). In determining the amount to be delivered under a contract, the Fund may net offsetting positions.

At the maturity of a forward contract, the Fund may sell the portfolio security and make delivery of the foreign currency, or it may retain the security and either extend the maturity of the forward contract (by "rolling" that contract forward) or may initiate a new forward contract.

If the Fund retains the portfolio security and engages in an offsetting transaction, the Fund will incur a gain or a loss (as described below) to the extent that there has been movement in forward contract prices. If the Fund engages in an offsetting transaction, it may subsequently enter into a new forward contract to sell the foreign currency. Should forward prices decline during the period between the Fund's entering into a forward contract for the sale of a foreign currency and the date it enters into an offsetting contract for the purchase of the foreign currency, the Fund will realize a gain to the extent the price of the currency it has agreed to sell exceeds the price of the currency it has agreed to purchase. Should forward prices increase, the Fund will suffer a loss to the extent of the price of the currency it has agreed to purchase exceeds the price of the currency it has agreed to sell.

The Fund's dealing in forward foreign currency exchange contracts will generally be limited to the transactions described above. However, the Fund reserves the right to enter into forward foreign currency contracts for different purposes and under different circumstances. Of course, the Fund is not required to enter into forward contracts with regard to its foreign currency-denominated securities and will not do so unless deemed appropriate by T. Rowe Price. It also should be realized that this method of hedging against a decline in the value of a currency does not eliminate fluctuations in the underlying prices of the securities. It simply establishes a rate of exchange at a future date. Additionally, although such contracts tend to minimize the risk of loss due to a decline in the value of the

hedged currency, at the same time, they tend to limit any potential gain which might result from an increase in the value of that currency.

Although the Fund values its assets daily in terms of U.S. dollars, it does not intend to convert its holdings of foreign

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currencies into U.S. dollars on a daily basis. It will do so from time to time, and investors should be aware of the costs of currency conversion. Although foreign exchange dealers do not charge a fee for conversion, they do realize a profit based on the difference (the "spread") between the prices at which they are buying and selling various currencies. Thus, a dealer may offer to sell a foreign currency to the Fund at one rate, while offering a lesser rate of exchange should the Fund desire to resell that currency to the dealer.

Federal Tax Treatment of Options, Futures Contracts and Forward Foreign Exchange Contracts

The Fund may enter into certain option, futures, and forward foreign exchange contracts, including options and futures on currencies, which will be treated as Section 1256 contracts or straddles.

Transactions which are considered Section 1256 contracts will be considered to have been closed at the end of the Fund's fiscal year and any gains or losses will be recognized for tax purposes at that time. Such gains or losses from the normal closing or settlement of such transactions will be characterized as 60% long-term capital gain or loss and 40% short-term capital gain or loss regardless of the holding period of the instrument. The Fund will be required to distribute net gains on such

transactions to shareholders even though it may not have closed the transaction and received cash to pay such distributions.

Options, futures and forward foreign exchange contracts, including options and futures on currencies, which offset a foreign dollar denominated bond or currency position may be considered straddles for tax purposes, in which case a loss on any position in a straddle will be subject to deferral to the extent of unrealized gain in an offsetting position. The holding period of the securities or currencies comprising the straddle will be deemed not to begin until the straddle is terminated. For securities offsetting a purchased put, this adjustment of the holding period may increase the gain from sales of securities held less than three months. The holding period of the security offsetting an "in-the-money qualified covered call" option on an equity security will not include the period of time the option is outstanding.

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Losses on written covered calls and purchased puts on securities, excluding certain "qualified covered call" options on equity securities, may be long-term capital loss, if the security covering the option was held for more than twelve months prior to the writing of the option.

In order for the Fund to continue to qualify for federal income tax treatment as a regulated investment company, at least 90% of its gross income for a taxable year must be derived from qualifying income; i.e., dividends, interest, income derived from loans of securities, and gains from the sale of securities or

currencies. Pending tax regulations could limit the extent that net gain realized from option, futures or foreign forward exchange contracts on currencies is qualifying income for purposes of the 90% requirement. In addition, gains realized on the sale or other disposition of securities, including option, futures or foreign forward exchange contracts on securities or securities indexes and, in some cases, currencies, held for less than three months, must be limited to less than 30% of the Fund's annual gross income. In order to avoid realizing excessive gains on securities or currencies held less than three months, the Fund may be required to defer the closing out of option, futures or foreign forward exchange contracts) beyond the time when it would otherwise be advantageous to do so. It is anticipated that unrealized gains on Section 1256 option, futures and foreign forward exchange contracts, which have been open for less than three months as of the end of the Fund's fiscal year and which are recognized for tax purposes, will not be considered gains on securities or currencies held less than three months for purposes of the 30% test.

#### INVESTMENT RESTRICTIONS

Fundamental policies may not be changed without the approval of the lesser of (1) 67% of the Fund's shares present at a meeting of shareholders if the holders of more than 50% of the outstanding shares are present in person or by proxy or (2) more than 50% of the Fund's outstanding shares. Other restrictions in the form of operating policies are subject to change by the Fund's Board of Directors/Trustees without shareholder approval. Any investment restriction which involves a maximum percentage of securities or assets shall not be considered to be violated unless an excess over the percentage occurs immediately after, and is caused by, an acquisition of securities or assets of, or borrowings by, the Fund.

## Fundamental Policies

As a matter of fundamental policy, the Fund may not:

- (1) Borrowing. Borrow money except that the Fund may (i) borrow for non-leveraging, temporary or emergency purposes and (ii) engage in reverse repurchase agreements and make other investments or engage in other transactions, which may involve a borrowing, in a manner consistent with the Fund's investment objective and program, provided that the combination of (i) and (ii) shall not exceed 33 1/3% of the value of the Fund's total assets (including the amount borrowed) less liabilities (other than borrowings) or such other percentage permitted by law. Any borrowings which come to exceed this amount will be reduced in accordance with applicable law. The Fund may borrow from banks, other Price Funds or other persons to the extent permitted by applicable law;
- (2) Commodities. Purchase or sell physical commodities; except that it may enter into futures contracts and options thereon;
- (3) Industry Concentration. Purchase the securities of any issuer if, as a result, more than 25% of the value of the Fund's total assets would be invested in the securities of issuers having their principal business activities in the same industry;
- (4) Loans. Make loans, although the Fund may (i) lend portfolio securities and participate in an interfund lending program with other Price Funds provided that no such loan may be made if, as a result, the aggregate of such loans would exceed 33 1/3% of the value of the Fund's total assets; (ii) purchase money market securities and enter into repurchase agreements; and (iii) acquire publicly-distributed or privately-placed debt securities and purchase debt;

- (5) Percent Limit on Assets Invested in Any One Issuer (All Funds, except Capital Opportunity). Purchase a security if, as a result, with respect to 75% of the value of its total assets, more than 5% of the value of the Fund's total assets would be invested in the securities of a single issuer, except securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities;
- (6) Percent Limit on Share Ownership of Any One Issuer (All Funds, except Capital Opportunity). Purchase a security if, as a result, with respect to 75% of the value of the Fund's total assets, more than 10% of the outstanding voting securities of any issuer would be held by the Fund (other than obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities);
- (7) Real Estate. Purchase or sell real estate unless acquired as a result of ownership of securities or other instruments (but this shall not prevent the Fund from investing in securities or other instruments backed by real estate or in securities of companies engaged in the real estate business);
- (8) Senior Securities. Issue senior securities except in compliance with the Investment Company Act of 1940; or
- (9) Underwriting. Underwrite securities issued by other persons, except to the extent that the Fund



may be deemed to be an underwriter within the meaning of the Securities Act of 1933 in connection with the purchase and sale of its portfolio securities in the ordinary course of pursuing its investment program.

#### NOTES

The following notes should be read in connection with the above-described fundamental policies. The notes are not fundamental policies.

With respect to investment restrictions (1) and (4), the Fund will not borrow from or lend to any other Price Fund unless each Fund applies for and receives an

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exemptive order from the SEC or the SEC issues rules permitting such transactions. The Fund has no current intention of engaging in any such activity and there is no assurance the SEC would grant any order requested by the Fund or promulgate any rules allowing the transactions.

With respect to investment restriction (2), the Fund does not consider currency contracts or hybrid investments to be commodities.

For purposes of investment restriction (3), U.S., state or local governments, or related agencies or instrumentalities, are not considered an industry. Industries are determined by reference to the classifications of industries set forth in the Fund's semi-annual and annual reports.

For purposes of investment restriction (4), the Fund will consider the acquisition of a debt security to include the execution of a note or other evidence of an extension of credit with a term of more than nine months.

#### Operating Policies

As a matter of operating policy, the Fund may not:

- (1) Borrowing. The Fund will not purchase additional securities when money borrowed exceeds 5% of its total assets;
- (2) Control of Portfolio Companies. Invest in companies for the purpose of exercising management or control;
- (3) Futures Contracts. Purchase a futures contract or an option thereon if, with respect to positions in futures or options on futures which do not represent bona fide hedging, the aggregate initial margin and premiums on such options would exceed 5% of the Fund's net asset value;
- (4) Illiquid Securities. Purchase illiquid securities and securities of unseasoned issuers if, as a result, more than 15% of its net assets would be invested in such securities, provided that the

5% in securities of unseasoned issuers. Securities eligible for resale under Rule 144A of the Securities Act of 1933 are not included in the 10% limitation but are subject to the 15% limitation;

- (5) Investment Companies. Purchase securities of open-end or closed-end investment companies except in compliance with the Investment Company Act of 1940 and applicable state law. Duplicate fees may result from such purchases;
- (6) Margin. Purchase securities on margin, except (i) for use of short-term credit necessary for clearance of purchases of portfolio securities and (ii) it may make margin deposits in connection with futures contracts or other permissible investments;
- (7) Mortgaging. Mortgage, pledge, hypothecate or, in any manner, transfer any security owned by the Fund as security for indebtedness except as may be necessary in connection with permissible borrowings or investments and then such mortgaging, pledging or hypothecating may not exceed 33 1/3% of the Fund's total assets at the time of borrowing or investment;
- (8) Oil and Gas Programs. Purchase participations or other direct interests in or enter into leases with respect to, oil, gas, or other mineral exploration or development programs;
- (9) Options, Etc. Invest in puts, calls, straddles, spreads, or any combination thereof, except to the extent permitted by the prospectus and Statement of Additional Information;
- (10) Ownership of Portfolio Securities by Officers and Directors/Trustees. Purchase or retain the securities of any issuer if those officers and directors of the Fund, and of its investment manager, who each owns beneficially more than .5% of the outstanding securities of such issuer,

together own beneficially more than 5% of such securities;

- (11) Short Sales. Effect short sales of securities;
- (12) Unseasoned Issuers. Purchase a security (other than obligations issued or guaranteed by the U.S., any foreign, state or local government, their agencies or instrumentalities) if, as a result, more than 5% of the value of the Fund's total assets would be invested in the securities of issuers which at the time of purchase had been in operation for less than three years (for this purpose, the period of operation of any issuer shall include the period of operation of any predecessor or unconditional guarantor of such issuer). This restriction does not apply to securities of pooled investment vehicles or mortgage or asset-backed securities;
- (13) Warrants. Invest in warrants if, as a result thereof, more than 2% of the value of the net assets of the Fund would be invested in warrants which are not listed on the New York Stock Exchange, the American Stock Exchange, or a recognized foreign exchange, or more than 5% of the value of the net assets of the Fund would be invested in warrants whether or not so listed. For purposes of these percentage limitations, the warrants will be valued at the lower of cost or market and warrants acquired by the Fund in units or attached to securities may be deemed to be without value; or
- (14) Percent Limit on Share Ownership of Any One Issuer. (Capital Opportunity Fund) Purchase a security if, as a result, more than 10% of the outstanding voting securities of any issuer would

be held by the Fund (other than obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities).

Blue Chip Growth, Capital Opportunity, and Value Funds

Notwithstanding anything in the above fundamental and operating restrictions to the contrary, the Fund may invest all of its assets in a single investment company or a series thereof

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in connection with a "master-feeder" arrangement. Such an investment would be made where the Fund (a "Feeder"), and one or more other Funds with the same investment objective and program as the Fund, sought to accomplish its investment objective and program by investing all of its assets in the shares of another investment company (the "Master"). The Master would, in turn, have the same investment objective and program as the Fund. The Fund would invest in this manner in an effort to achieve the economies of scale associated with having a Master fund make investments in portfolio companies on behalf of a number of Feeder funds. In the event that the Fund exercises its right to convert to a Master Fund/Feeder Fund structure, it will do so in compliance with the Guidelines for Registration of a Master Fund/Feeder Fund as established by the North American Securities Administrators Association, Inc. ("NASAA").

#### MANAGEMENT OF FUND

The officers and directors of the Fund are listed below. Unless otherwise noted, the address of each is 100 East Pratt Street, Baltimore, Maryland 21202. Except as indicated, each has been an employee of T. Rowe Price for more than five years. In

the list below, the Fund's directors who are considered "interested persons" of T. Rowe Price as defined under Section 2(a)(19) of the Investment Company Act of 1940 are noted with an asterisk (\*). These directors are referred to as inside directors by virtue of their officership, directorship, and/or employment with T. Rowe Price.

All Funds

Independent Directors/Trustees

LEO C. BAILEY, Retired; Address: 3396 South Placita Fabula, Green Valley, Arizona 85614

DONALD W. DICK, JR., Principal, Overseas Partners, Inc., a financial investment firm; formerly (6/65-3/89) Director and Vice President-Consumer Products Division, McCormick & Company, Inc., international food processors; Director, Waverly, Inc., Baltimore, Maryland; Address: 111 Pavonia Avenue, Suite 334, Jersey City, New Jersey 07310

DAVID K. FAGIN, Chairman, Chief Executive Officer and Director, Golden Star Resources, Ltd.; formerly (1986-7/91) President, Chief Operating Officer and Director, Homestake Mining Company; Address: One Norwest Center, 1700 Lincoln Street, Suite 1950, Denver, Colorado 80203

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ADDISON LANIER, Financial management; President and Director, Thomas Emery's Sons, Inc., and Emery Group, Inc.; Director, Scinet Development and Holdings, Inc.; Address: 441 Vine Street, #2310, Cincinnati, Ohio 45202-2913

JOHN K. MAJOR, Chairman of the Board and President, KCMA Incorporated, Tulsa, Oklahoma; Address: 126 E. 26 Place, Tulsa, Oklahoma 74114-2422

HANNE M. MERRIMAN, Retail business consultant; formerly President

and Chief Operating Officer (1991-92), Nan Duskin, Inc., a women's specialty store, Director (1984-1990) and Chairman (1989-90) Federal Reserve Bank of Richmond, and President and Chief Executive Officer (1988-89), Honeybee, Inc., a division of Spiegel, Inc.; Director, Central Illinois Public Service Company, CIPSCO Incorporated, The Rouse Company, State Farm Mutual Automobile Insurance Company and USAir Group, Inc.

HUBERT D. VOS, President, Stonington Capital Corporation, a private investment company; Address: 1231 State Street, Suite 210, Santa Barbara, California 93190-0409

PAUL M. WYTHES, Founding General Partner, Sutter Hill Ventures, a venture capital limited partnership, providing equity capital to young high technology companies throughout the United States; Director, Teltone Corporation, Interventional Technologies Inc. and Stuart Medical, Inc.; Address: 755 Page Mill Road, Suite A200, Palo Alto, California 94304

#### Officers

HENRY H. HOPKINS, Vice President--Managing Director, T. Rowe Price; Vice President and Director, T. Rowe Price Investment Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; Vice President, Rowe Price-Fleming International, Inc. and T. Rowe Price Retirement Plan Services, Inc.

LENORA V. HORNING, Secretary--Vice President, T. Rowe Price

PATRICIA S. BUTCHER, Assistant Secretary--Assistant Vice President, T. Rowe Price; Assistant Vice President, T. Rowe Price Investment Services, Inc.

CARMEN F. DEYESU, Treasurer--Vice President, T. Rowe Price, T. Rowe Price Services, Inc., and T. Rowe Price Trust Company

DAVID S. MIDDLETON, Controller--Vice President, T. Rowe Price, T. Rowe Price Services, Inc., and T. Rowe Price Trust Company

EDWARD T. SCHNEIDER, Assistant Vice President--Assistant Vice President, T. Rowe Price and Vice President, T. Rowe Price Services, Inc.

INGRID I. VORDEMBERGE, Assistant Vice President--Employee, T. Rowe Price

\*JAMES S. RIEPE, Chairman of the Board--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc.; President and Director, T. Rowe Price Investment Services, Inc; President and Trust Officer, T. Rowe Price Trust Company; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.

\*M. DAVID TESTA, Vice President and Director--Chairman of the Board, Price-Fleming; Managing Director, T. Rowe Price; Vice President and Director, T. Rowe Price Trust Company; Chartered Financial Analyst; Chartered Investment Counselor

RICHARD T. WHITNEY, President--Vice President of T. Rowe Price and T. Rowe Price Trust Company

STEPHEN W. BOESEL, Vice President--Managing Director, T. Rowe Price

ANDREW M. BROOKS, Vice President--Vice President, T. Rowe Price

JONATHAN M. GREENE, Vice President--Vice President of T. Rowe Price and T. Rowe Price Trust Company

JAMES A. C. KENNEDY, III, Vice President--Managing Director of T. Rowe Price

EDMUND M. NOTZON, Vice President--Vice President, T. Rowe Price and T. Rowe Price Trust Company

DONALD J. PETERS, Vice President--Vice President, T. Rowe Price; formerly portfolio manager, Geewax Terker and Company

PETER VAN DYKE, Vice President--Managing Director, T. Rowe Price; Vice President of Rowe Price-Fleming International, Inc. and T. Rowe Price Trust Company

ROGER L. FIERY, III, Assistant Vice President--Vice President, Price-Fleming and Vice President, T. Rowe Price

COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund Expenses <sup>a</sup>	Pension or Retirement Benefits Accrued as Part of Fund <sup>b</sup>	Total Compensation from Fund and Fund Group Paid to Directors <sup>c</sup>
Leo C. Bailey, Director	\$1,487	N/A	\$64,583



Donald W. Dick, Jr., Director	1,487	N/A	64,833
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David K. Fagin, Director	1,487	N/A	53,833
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Addison Lanier, Director	1,487	N/A	64,583
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John K. Major, Director	1,487	N/A	54,583
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Hanne M. Merriman, Director	1,487	N/A	42,083
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Hubert D. Vos, Director	1,487	N/A	54,583
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Paul M. Wythes, Director	1,487	N/A	54,333
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James S. Riepe, Directord	--	N/A	--
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M. David Testa, Directord	--	N/A	--
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a Amounts in this Column are for the period January 1, 1994 through December 31, 1994.

b Not applicable. The Fund does not pay pension or retirement benefits to officers or directors/trustees of the Fund.

c Amounts in this column are for calendar year 1994, included

64 funds at December 31, 1994.

- d Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.

Blue Chip Growth Fund

\*THOMAS H. BROADUS, JR., President and Director--Managing Director, T. Rowe Price; Chartered Financial Analyst and Chartered Investment Counselor

\*JAMES S. RIEPE, Vice President and Director--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc., President and Trust Officer, T. Rowe Price Trust Company; President and Director, T. Rowe Price Investment Services, Inc; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.

\*M. DAVID TESTA, Director--Chairman of the Board, Price-Fleming; Managing Director, T. Rowe Price; Vice President

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and Director, T. Rowe Price Trust Company; Chartered Financial Analyst; Chartered Investment Counselor

LARRY J. PUGLIA, Vice President--Vice President, T. Rowe Price

STEPHANIE C. CLANCY, Assistant Vice President--Employee, T. Rowe Price

ROGER L. FIERY, III, Assistant Vice President--Vice President, Price-Fleming and Vice President, T. Rowe Price

COMPENSATION TABLE

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Name of	Aggregate Compensation	Pension or Retirement Benefits	Total Compensation from Fund and Fund Group
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Person, Position	from Fund Expensesa	Accrued as Part of Fundb	Paid to Directorsc
Leo C. Bailey, Director	\$724	N/A	\$64,583
Donald W. Dick, Jr., Director	724	N/A	64,833
David K. Fagin, Director	724	N/A	53,833
Addison Lanier, Director	724	N/A	64,583
John K. Major, Director	724	N/A	54,583
Hanne M. Merriman, Director	724	N/A	42,083
Hubert D. Vos, Director	724	N/A	54,583
Paul M. Wythes, Director	724	N/A	54,333
Thomas H. Broadus, Jr., Directord	--	N/A	--
James S. Riepe, Directord	--	N/A	--

M. David Testa,                      --                      N/A                      --  
Directord

- a    Amounts in this Column are for the period January 1, 1994 through December 31, 1994.
- b    Not applicable. The Fund does not pay pension or retirement benefits to officers or directors/trustees of the Fund.
- c    Amounts in this column are for calendar year 1994, included 64 funds at December 31, 1994.
- d    Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.

Capital Appreciation Fund

\*GEORGE J. COLLINS, Chairman of the Board--President, Chief Executive Officer and Managing Director, T. Rowe Price; Director, Rowe Price-Fleming International, Inc., T. Rowe Price Retirement Plan Services, Inc. and T. Rowe Price Trust Company; Chartered Investment Counselor

\*JAMES S. RIEPE, Vice President and Director--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc., President and Trust Officer, T. Rowe Price Trust Company; President and Director, T. Rowe Price Investment Services, Inc; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.

\*GEORGE A. ROCHE, Director--Managing Director and Chief Financial Officer, T. Rowe Price; Vice President and Director, Rowe Price-Fleming International, Inc.

RICHARD P. HOWARD, President--Vice President of T. Rowe Price; Chartered Financial Analyst

ARTHUR B. CECIL, III, Vice President--Vice President of T. Rowe Price

CHARLES A. MORRIS, Vice President--Vice President of T. Rowe Price

DAVID A. REA, Vice President--Vice President, T. Rowe Price

ALAN R. STUART, Vice President--Vice President of T. Rowe Price

ROGER L. FIERY, III, Assistant Vice President--Vice President, Price-Fleming and Vice President, T. Rowe Price

## COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund Expenses <sup>a</sup>	Pension or Retirement Benefits Accrued as Part of Fund <sup>b</sup>	Total Compensation from Fund and Fund Group Paid to Directors <sup>c</sup>
Leo C. Bailey, Director	\$1,986	N/A	\$64,583
Donald W. Dick, Jr., Director	1,986	N/A	64,833
David K. Fagin, Director	1,986	N/A	53,833
Addison Lanier, Director	1,986	N/A	64,583
John K. Major, Director	1,986	N/A	54,583
Hanne M. Merriman, Director	1,986	N/A	42,083
Hubert D. Vos, Director	1,986	N/A	54,583
Paul M. Wythes, Director	1,986	N/A	54,333
George J. Collins,	--	N/A	--

Directord

James S. Riepe,                    --                    N/A                    --  
Directord

George A. Roche,                    --                    N/A                    --  
Directord

- a    Amounts in this Column are for the period January 1, 1994 through December 31, 1994.
- b    Not applicable. The Fund does not pay pension or retirement benefits to officers or directors/trustees of the Fund.

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- c    Amounts in this column are for calendar year 1994, included 64 funds at December 31, 1994.
- d    Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.

Capital Opportunity Fund

\*JOHN H. LAPORTE, JR., President and Director--Managing Director, T. Rowe Price; Chartered Financial Analyst  
\*JAMES S. RIEPE, Vice President and Director--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc., President and Trust Officer, T. Rowe Price Trust Company; President and Director, T. Rowe Price Investment Services, Inc; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.  
JOHN F. WAKEMAN, Executive Vice President--Vice President, T. Rowe Price  
BRENT W. CLUM, Vice President--Vice President, T. Rowe Price  
DAVID J. WALLACK, Vice President--Vice President, T. Rowe

Price; formerly (9/89-7/90) attended Carnegie Mellon Graduate School of Industrial Administration

JOSEPH A. CRUMBLING, Assistant Vice President--Employee, T. Rowe Price

COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund Expenses <sup>a</sup>	Pension or Retirement Benefits Accrued as Part of Fund <sup>b</sup>	Total Compensation from Fund and Fund Group Paid to Directors <sup>c</sup>
Leo C. Bailey, Director	\$630	N/A	\$64,583
Donald W. Dick, Jr., Director	630	N/A	64,833
David K. Fagin, Director	630	N/A	53,833
Addison Lanier, Director	630	N/A	64,583

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John K. Major, Director	630	N/A	54,583
Hanne M. Merriman,	630	N/A	42,083

Director

Hubert D. Vos, Director	630	N/A	54,583
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Paul M. Wythes, Director	630	N/A	54,333
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John H. Laporte, Directord	--	N/A	--
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James S. Riepe, Directord	--	N/A	--
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a Amounts in this Column are for the period January 1, 1994 through December 31, 1994.

b Not applicable. The Fund does not pay pension or retirement benefits to officers or directors/trustees of the Fund.

c Amounts in this column are for calendar year 1994, included 64 funds at December 31, 1994.

d Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.

e Includes estimated future payments.

#### Dividend Growth Fund

\*JAMES S. RIEPE, Vice President and Director--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc., President and Trust Officer, T. Rowe Price Trust Company; President and Director, T. Rowe Price Investment Services, Inc; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.

\*M. DAVID TESTA, Director--Chairman of the Board, Price-Fleming; Managing Director, T. Rowe Price; Vice President and Director, T. Rowe Price Trust Company; Chartered Financial Analyst; Chartered Investment Counselor

BRIAN C. ROGERS, President--Managing Director, T. Rowe Price

WILLIAM J. STROMBERG, Executive Vice President--Vice President, T. Rowe Price

LARRY J. PUGLIA, Vice President--Vice President, T. Rowe Price



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DAVID J. WALLACK, Vice President--Vice President, T. Rowe Price; formerly (9/89-7/90) attended Carnegie Mellon Graduate School of Industrial Administration

STEPHANIE C. CLANCY, Assistant Vice President--Employee, T. Rowe Price

ROGER L. FIERY, III, Assistant Vice President--Vice President, Price-Fleming and Vice President, T. Rowe Price

COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund Expensesa	Pension or Retirement Benefits Accrued as Part of Fundb	Total Compensation from Fund and Fund Group Paid to Directorsc
Leo C. Bailey, Director	\$762	N/A	\$64,583
Donald W. Dick, Jr., Director	762	N/A	64,833
David K. Fagin, Director	762	N/A	53,833
Addison Lanier, Director	762	N/A	64,583
John K. Major, Director	762	N/A	54,583
Hanne M. Merriman, Director	762	N/A	42,083
Hubert D. Vos, Director	762	N/A	54,583
Paul M. Wythes, Director	762	N/A	54,333

James S. Riepe, Directord	--	N/A	--
M. David Testa, Directord	--	N/A	--

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- a Amounts in this Column are for the period January 1, 1994 through December 31, 1994.
- b Not applicable. The Fund does not pay pension or retirement benefits to officers or directors/trustees of the Fund.
- c Amounts in this column are for calendar year 1994, included 64 funds at December 31, 1994.
- d Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.

#### Equity Income Fund

\*THOMAS H. BROADUS, JR., Vice President and Trustee--Managing Director, T. Rowe Price; Chartered Financial Analyst and Chartered Investment Counselor

\*JAMES S. RIEPE, Vice President and Director--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc., President and Trust Officer, T. Rowe Price Trust Company; President and Director, T. Rowe Price Investment Services, Inc; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.

\*M. DAVID TESTA, Trustee--Chairman of the Board, Price-Fleming; Managing Director, T. Rowe Price; Vice President and Director, T. Rowe Price Trust Company; Chartered Financial Analyst; Chartered Investment Counselor

BRIAN C. ROGERS, President--Managing Director, T. Rowe Price  
 ANDREW M. BROOKS, Vice President--Vice President, T. Rowe Price  
 RICHARD P. HOWARD, Vice President--Vice President, T. Rowe Price;  
 Chartered Financial Analyst

ROBERT W. SMITH, Vice President--Vice President, T. Rowe Price;  
 formerly (1987-1992) Investment Analyst, Massachusetts Financial  
 Services, Inc., Boston, Massachusetts

WILLIAM J. STROMBERG, Vice President--Vice President, T. Rowe  
 Price

MARK J. VASELKIV, Vice President--Vice President, T. Rowe Price

ROGER L. FIERY, III, Assistant Vice President--Vice President,  
 Price-Fleming and Vice President, T. Rowe Price

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COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund Expenses <sup>a</sup>	Pension or Retirement Benefits Accrued as Part of Fund <sup>b</sup>	Total Compensation from Fund and Fund Group Paid to Trustees <sup>c</sup>
Leo C. Bailey,	\$5,642	N/A	\$64,583

Trustee			
Donald W. Dick, Jr., Trustee	5,642	N/A	64,833
David K. Fagin, Trustee	5,642	N/A	53,833
Addison Lanier, Trustee	5,642	N/A	64,583
John K. Major, Trustee	5,642	N/A	54,583
Hanne M. Merriman, Trustee	5,642	N/A	42,083
Hubert D. Vos, Trustee	5,642	N/A	54,583
Paul M. Wythes, Trustee	5,642	N/A	54,333
Thomas H. Broadus, Jr., Trusteed	--	N/A	--
James S. Riepe, Trusteed	--	N/A	--
M. David Testa, Trusteed	--	N/A	--

a Amounts in this Column are for the period January 1, 1994 through December 31, 1994.

b Not applicable. The Fund does not pay pension or retirement benefits to officers or directors/trustees of the Fund.

c Amounts in this column are for calendar year 1994, included 64 funds at December 31, 1994.

d Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.

Growth & Income Fund

\*STEPHEN W. BOESEL, President and Director--Vice President, T. Rowe Price

\*JAMES S. RIEPE, Vice President and Director--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc., President and Trust Officer, T. Rowe Price Trust Company; President and Director, T. Rowe Price Investment Services, Inc; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.

\*M. DAVID TESTA, Director--Chairman of the Board, Price-Fleming; Managing Director, T. Rowe Price; Vice President and Director, T. Rowe Price Trust Company; Chartered Financial Analyst; Chartered Investment Counselor

ANDREW M. BROOKS, Vice President--Vice President, T. Rowe Price

ARTHUR B. CECIL, III, Vice President--Vice President, T. Rowe Price; Chartered Financial Analyst

BRENT W. CLUM, Vice President--Vice President, T. Rowe Price

GREGORY A. MCCRICKARD, Vice President--Vice President, T. Rowe Price

LARRY J. PUGLIA, Vice President--Vice President, T. Rowe Price

RICHARD T. WHITNEY, Vice President--Vice President, T. Rowe Price; Chartered Financial Analyst

ROGER L. FIERY, III, Assistant Vice President--Vice President, Price-Fleming and Vice President, T. Rowe Price

COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund Expenses <sup>a</sup>	Pension or Retirement Benefits Accrued as Part of Fund <sup>b</sup>	Total Compensation from Fund and Fund Group Paid to Directors <sup>c</sup>
Leo C. Bailey, Director	\$3,429	N/A	\$64,583

Donald W. Dick, Jr., Director	3,429	N/A	64,833
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David K. Fagin, Director	3,429	N/A	53,833
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Addison Lanier, Director	3,429	N/A	64,583
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John K. Major, Director	3,429	N/A	54,583
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Hanne M. Merriman, Director	3,429	N/A	42,083
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Hubert D. Vos, Director	3,429	N/A	54,583
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Paul M. Wythes, Director	3,429	N/A	54,333
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Stephen W. Boesel, Directord	--	N/A	--
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James S. Riepe, Directord	--	N/A	--
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M. David Testa, Directord	--	N/A	--
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a Amounts in this Column are for the period January 1, 1994 through December 31, 1994.

- b Not applicable. The Fund does not pay pension or retirement benefits to officers or directors/trustees of the Fund.
- c Amounts in this column are for calendar year 1994, included 64 funds at December 31, 1994.
- d Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.

Growth Stock Fund

\*JAMES S. RIEPE, Vice President and Director--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc., President and Trust Officer, T. Rowe Price Trust Company; President and Director, T. Rowe Price Investment Services, Inc; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.

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\*M. DAVID TESTA, Chairman of the Board--Chairman of the Board, Price-Fleming; Managing Director, T. Rowe Price; Vice President and Director, T. Rowe Price Trust Company; Chartered Financial Analyst; Chartered Investment Counselor

JOHN D. GILLESPIE, President--Vice President, T. Rowe Price

CARTER O. HOFFMAN, Vice President--Managing Director, T. Rowe Price; Chartered Investment Counselor

JAMES A. C. KENNEDY, Vice President--Managing Director, T. Rowe Price

CHARLES A. MORRIS, Vice President--Vice President, T. Rowe Price

BRIAN C. ROGERS, Vice President--Managing Director, T. Rowe Price

ROBERT W. SMITH, Vice President--Vice President, T. Rowe Price; formerly (1987-1992) Investment Analyst, Massachusetts Financial Services, Inc.; Boston, Massachusetts

ALAN R. STUART, Vice President--Vice President, T. Rowe Price  
 CAROL G. BARTHA, Assistant Vice President--Employee, T. Rowe Price  
 ROGER L. FIERY, III, Assistant Vice President--Vice President, Price-Fleming and Vice President, T. Rowe Price  
 RANDI E. KITT, Assistant Vice President--Employee, T. Rowe Price

COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund Expensesa	Pension or Retirement Benefits Accrued as Part of Fundb	Total Compensation from Fund and Fund Group Paid to Directorsc
Leo C. Bailey, Director	\$5,254	N/A	\$64,583
Donald W. Dick, Jr., Director	5,254	N/A	64,833
David K. Fagin, Director	5,254	N/A	53,833
Addison Lanier, Director	5,254	N/A	64,583
John K. Major, Director	5,254	N/A	54,583



Hanne M. Merriman, Director	5,254	N/A	42,083
Hubert D. Vos, Director	5,254	N/A	54,583
Paul M. Wythes, Director	5,254	N/A	54,333
James S. Riepe, Directord	--	N/A	--
M. David Testa, Directord	--	N/A	--

a Amounts in this Column are for the period January 1, 1994 through December 31, 1994.

b Not applicable. The Fund does not pay pension or retirement benefits to officers or directors/trustees of the Fund.

c Amounts in this column are for calendar year 1994, included 64 funds at December 31, 1994.

d Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.

#### Equity Index Fund

\*JAMES S. RIEPE, Vice President and Director--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc., President and Trust Officer, T. Rowe Price Trust Company; President and Director, T. Rowe Price Investment Services, Inc; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.

\*M. DAVID TESTA, Director--Chairman of the Board, Price-Fleming; Managing Director, T. Rowe Price; Vice President and Director, T. Rowe Price Trust Company; Chartered Financial Analyst; Chartered Investment Counselor

RICHARD T. WHITNEY, President--Vice President, T. Rowe Price

KRISTEN D. FARROW, Vice President--Assistant Vice President, T. Rowe Price; formerly (9/84-6/89) Teacher at Wilbraham & Monson Academy, Springfield, Massachusetts and The Bryn Mawr School, Baltimore, Maryland

JONATHAN M. GREENE, Vice President--Vice President, T. Rowe Price

ALAN R. STUART, Vice President--Vice President, T. Rowe Price

ROGER L. FIERY, III, Assistant Vice President--Vice President, Price-Fleming and Vice President, T. Rowe Price

## COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund Expenses <sup>a</sup>	Pension or Retirement Benefits Accrued as Part of Fund <sup>b</sup>	Total Compensation from Fund and Fund Group Paid to Directors <sup>c</sup>
Leo C. Bailey, Director	\$1,086	N/A	\$64,583
Donald W. Dick, Jr., Director	1,086	N/A	64,833
David K. Fagin, Director	1,086	N/A	53,833
Addison Lanier, Director	1,086	N/A	64,583
John K. Major, Director	1,086	N/A	54,583
Hanne M. Merriman, Director	1,086	N/A	42,083
Hubert D. Vos, Director	1,086	N/A	54,583
Paul M. Wythes, Director	1,086	N/A	54,333
James S. Riepe,	--	N/A	--

Directord

M. David Testa,                      --                      N/A                      --  
Directord

- a    Amounts in this Column are for the period January 1, 1994 through December 31, 1994.
- b    Not applicable. The Fund does not pay pension or retirement benefits to officers or directors/trustees of the Fund.
- c    Amounts in this column are for calendar year 1994, included 64 funds at December 31, 1994.

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- d    Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.

Mid-Cap Growth Fund

\*JAMES A. C. KENNEDY, III, Director--Managing Director, T. Rowe Price  
\*JOHN H. LAPORTE, JR., Director--Managing Director, T. Rowe Price; Chartered Financial Analyst  
\*JAMES S. RIEPE, Vice President and Director--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc., President and Trust Officer, T. Rowe Price Trust Company; President and Director, T. Rowe Price Investment Services, Inc; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.  
BRIAN W. H. BERGHUIS, Executive Vice President--Vice President, T. Rowe Price  
BRENT W. CLUM, Vice President--Vice President, T. Rowe Price  
MARCY L. FISHER, Vice President--Assistant Vice President, T. Rowe Price

JOSEPH KLEIN, III, Vice President--Vice President, T. Rowe Price  
 JOHN F. WAKEMAN, Vice President--Vice President, T. Rowe Price  
 RICHARD T. WHITNEY, Vice President--Vice President, T. Rowe Price  
 ROGER L. FIERY, III, Assistant Vice President--Vice President,  
 Price-Fleming and Vice President, T. Rowe Price

COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund Expensesa	Pension or Retirement Benefits Accrued as Part of Fundb	Total Compensation from Fund and Fund Group Paid to Directorsc
Leo C. Bailey, Director	\$851	N/A	\$64,583
Donald W. Dick, Jr., Director	851	N/A	64,833
David K. Fagin, Director	851	N/A	53,833
PAGE 68 Addison Lanier, Director	851	N/A	64,583
John K. Major, Director	851	N/A	54,583

Hanne M. Merriman, Director	851	N/A	42,083
Hubert D. Vos, Director	851	N/A	54,583
Paul M. Wythes, Director	851	N/A	54,333
James A. C. Kennedy, Directord	--	N/A	--
John H. Laporte, Directord	--	N/A	--
James S. Riepe, Directord	--	N/A	--

- a Amounts in this Column are for the period January 1, 1994 through December 31, 1994.
- b Not applicable. The Fund does not pay pension or retirement benefits to officers or directors/trustees of the Fund.
- c Amounts in this column are for calendar year 1994, included 64 funds at December 31, 1994.
- d Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.

#### New America Growth Fund

\*JOHN H. LAPORTE, JR., President and Trustee--Managing Director of T. Rowe Price; Chartered Financial Analyst

\*JAMES S. RIEPE, Vice President and Director--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc., President and Trust Officer, T. Rowe Price Trust Company; President and Director, T. Rowe Price Investment Services, Inc; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.

BRIAN W. H. BERGHUIS, Executive Vice President--Vice President, T. Rowe Price

GREGORY V. DONOVAN, Vice President--Vice President, T. Rowe Price

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JOHN WAKEMAN, Vice President--Vice President, T. Rowe Price  
ROGER L. FIERY, III, Assistant Vice President--Vice President,  
Price-Fleming and Vice President, T. Rowe Price

COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund Expenses <sup>a</sup>	Pension or Retirement Benefits Accrued as Part of Fund <sup>b</sup>	Total Compensation from Fund and Fund Group Paid to Trustees <sup>c</sup>
Leo C. Bailey, Trustee	\$2,084	N/A	\$64,583
Donald W. Dick, Jr., Trustee	2,084	N/A	64,833
David K. Fagin, Trustee	2,084	N/A	53,833
Addison Lanier, Trustee	2,084	N/A	64,583
John K. Major, Trustee	2,084	N/A	54,583
Hanne M. Merriman, Trustee	2,084	N/A	42,083
Hubert D. Vos, Trustee	2,084	N/A	54,583
Paul M. Wythes, Trustee	2,084	N/A	54,333
John H. Laporte, Trusteed	--	N/A	--
James S. Riepe,	--	N/A	--

Trusteed

- a Amounts in this Column are for the period January 1, 1994 through December 31, 1994.

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- b Not applicable. The Fund does not pay pension or retirement benefits to officers or directors/trustees of the Fund.
- c Amounts in this column are for calendar year 1994, included 64 funds at December 31, 1994.
- d Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.

New Era Fund

\*GEORGE J. COLLINS, Director--President, Managing Director, and Chief Executive Officer, T. Rowe Price; Director, Rowe Price-Fleming International, Inc., T. Rowe Price Trust Company, and T. Rowe Price Retirement Plan Services, Inc.; Chartered Investment Counselor

\*CARTER O. HOFFMAN, Director--Managing Director, T. Rowe Price; Chartered Investment Counselor

\*JAMES S. RIEPE, Vice President and Director--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc., President and Trust Officer, T. Rowe Price Trust Company; President and Director, T. Rowe Price Investment Services, Inc; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.

\*GEORGE A. ROCHE, President and Director--Managing Director and Chief Financial Officer, T. Rowe Price; Vice President and Director, Rowe Price-Fleming International, Inc.

STEPHEN W. BOESEL, Vice President--Vice President, T. Rowe Price

HUGH M. EVANS, III, Vice President--Employee, T. Rowe Price; formerly (7/1/88-7/1/90) Analyst, Morgan Stanley & Co., Inc. (Mergers and Acquisitions Department), New York, New York  
 RICHARD P. HOWARD, Vice President--Vice President, T. Rowe Price; Chartered Financial Analyst  
 JAMES A. C. KENNEDY, III, Vice President--Managing Director, T. Rowe Price  
 CHARLES M. OBER, Vice President--Vice President, T. Rowe Price; Chartered Financial Analyst  
 DAVID L. REA, Vice President--Vice President, T. Rowe Price  
 ALAN R. STUART, Vice President--Vice President, T. Rowe Price  
 DAVID J. WALLACK, Vice President--Vice President, T. Rowe Price; formerly (9/89-7/90) attended Carnegie Mellon Graduate School of Industrial Administration  
 ROGER L. FIERY, III, Assistant Vice President--Vice President, Price-Fleming and Vice President, T. Rowe Price

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COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund Expensesa	Pension or Retirement Benefits Accrued as Part of Fundb	Total Compensation from Fund and Fund Group Paid to Directorsc
Leo C. Bailey, Director	\$2,684	N/A	\$64,583



Donald W. Dick, Jr., Director	2,684	N/A	64,833
David K. Fagin, Director	2,684	N/A	53,833
Addison Lanier, Director	2,684	N/A	64,583
John K. Major, Director	2,684	N/A	54,583
Hanne M. Merriman, Director	2,684	N/A	42,083
Hubert D. Vos, Director	2,684	N/A	54,583
Paul M. Wythes, Director	2,684	N/A	54,333
George J. Collins, Directord	--	N/A	--
Carter O. Hoffman, Directord	--	N/A	--
James S. Riepe, Directord	--	N/A	--
George A. Roche, Directord	--	N/A	--

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- a Amounts in this Column are for the period January 1, 1994 through December 31, 1994.
- b Not applicable. The Fund does not pay pension or retirement benefits to officers or directors/trustees of the Fund.
- c Amounts in this column are for calendar year 1994, included 64 funds at December 31, 1994.
- d Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.

New Horizons Fund

\*JOHN H. LAPORTE, President and Director--Managing Director of T. Rowe Price; Chartered Financial Analyst

\*JAMES S. RIEPE, Vice President and Director--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc., President and Trust Officer, T. Rowe Price Trust Company; President and Director, T. Rowe Price Investment Services, Inc; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.

\*M. DAVID TESTA, Director--Chairman of the Board, Price-Fleming; Managing Director, T. Rowe Price; Vice President and Director, T. Rowe Price Trust Company; Chartered Financial Analyst; Chartered Investment Counselor

PRESTON G. ATHEY, Vice President--Vice President of T. Rowe Price  
BRIAN W. H. BERGHUIS, Vice President--Vice President of T. Rowe Price

LISE J. BUYER, Vice President--Vice President, T. Rowe Price; formerly (4/91-4/92) PC Analyst, Cowen & Co., (2/90-4/92) PC Analyst, Needham & Co., and (2/87-1/90) Analyst, Prudential Bache Securities

BRENT W. CLUM, Vice President--Vice President, T. Rowe Price

GREGORY V. DONOVAN, Vice President--Vice President, T. Rowe Price

MARCY L. FISHER, Vice President--Assistant Vice President, T. Rowe Price

JILL L. HAUSER, Vice President--Vice President, T. Rowe Price

JOSEPH KLEIN, III, Vice President--Vice President, T. Rowe Price

CHARLES A. MORRIS, Vice President--Vice President, T. Rowe Price

ROBERT W. SMITH, Vice President--Vice President, T. Rowe Price; formerly (1987-1992) Investment Analyst, Massachusetts Financial Services, Inc., Boston, Massachusetts

BRIAN D. STANSKY, Vice President--Vice President, T. Rowe Price

JOHN F. WAKEMAN, Vice President--Vice President, T. Rowe Price

ROGER L. FIERY, III, Assistant Vice President--Vice President, Price-Fleming and Vice President, T. Rowe Price

## COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund Expensesa	Pension or Retirement Benefits Accrued as Part of Fundb	Total Compensation from Fund and Fund Group Paid to Directorsc
Leo C. Bailey, Director	\$4,381	N/A	\$64,583
Donald W. Dick, Jr., Director	4,381	N/A	64,833
David K. Fagin, Director	4,381	N/A	53,833
Addison Lanier, Director	4,381	N/A	64,583
John K. Major, Director	4,381	N/A	54,583
Hanne M. Merriman, Director	4,381	N/A	42,083
Hubert D. Vos, Director	4,381	N/A	54,583
Paul M. Wythes, Director	4,381	N/A	54,333

John H. Laporte, Directord	--	N/A	--
James S. Riepe, Directord	--	N/A	--
M. David Testa, Directord	--	N/A	--

- a Amounts in this Column are for the period January 1, 1994 through December 31, 1994.
- b Not applicable. The Fund does not pay pension or retirement benefits to officers or directors/trustees of the Fund.

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- c Amounts in this column are for calendar year 1994, included 64 funds at December 31, 1994.
- d Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.

OTC Fund

\*JOHN H. LAPORTE, JR., Chairman of the Board--Managing Director of T. Rowe Price; Chartered Financial Analyst

\*JAMES S. RIEPE, Vice President and Director--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc., President and Trust Officer, T. Rowe Price Trust Company; President and Director, T. Rowe Price Investment Services, Inc; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.

GREGORY A. McCRICKARD, President--Vice President, T. Rowe Price

MARCY L. FISHER, Vice President--Assistant Vice President, T.

Rowe Price

JAMES A. C. KENNEDY, III, Vice President--Managing Director of T. Rowe Price

BRIAN D. STANSKY, Vice President--Vice President, T. Rowe Price

RICHARD T. WHITNEY, Vice President--Vice President, T. Rowe Price; Chartered Financial Analyst

ROGER L. FIERY, III, Assistant Vice President--Vice President, Price-Fleming and Vice President, T. Rowe Price

COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund Expensesa	Pension or Retirement Benefits Accrued as Part of Fundb	Total Compensation from Fund and Fund Group Paid to Directorsc
Leo C. Bailey, Director	\$1,148	N/A	\$64,583
Donald W. Dick, Jr., Director	1,148	N/A	64,833
David K. Fagin, Director	1,148	N/A	53,833

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Addison Lanier, Director

1,148

N/A

64,583

John K. Major, Director	1,148	N/A	54,583
Hanne M. Merriman, Director	1,148	N/A	42,083
Hubert D. Vos, Director	1,148	N/A	54,583
Paul M. Wythes, Director	1,148	N/A	54,333
John H. Laporte, Directord	--	N/A	--
James S. Riepe, Directord	--	N/A	--

- a Amounts in this Column are for the period January 1, 1994 through December 31, 1994.
- b Not applicable. The Fund does not pay pension or retirement benefits to officers or directors/trustees of the Fund.
- c Amounts in this column are for calendar year 1994, included 64 funds at December 31, 1994.
- d Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.

#### Science & Technology Fund

\*JOHN H. LAPORTE, JR., Chairman of the Board--Managing Director, T. Rowe Price; Chartered Financial Analyst

\*JAMES S. RIEPE, Vice President and Director--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc., President and Trust Officer, T. Rowe Price Trust Company; President and Director, T. Rowe Price Investment Services, Inc; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.

CHARLES A. MORRIS, President--Vice President, T. Rowe Price

LISE J. BUYER, Vice President--Vice President, T. Rowe Price; formerly (4/91-4/92) PC Analyst, Cowen & Co., (2/90-4/92) PC Analyst, Needham & Co., and (2/87-1/90) Analyst, Prudential Bache Securities

GREGORY V. DONOVAN, Vice President--Vice President, T. Rowe Price

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MARCY L. FISHER, Vice President--Assistant Vice President, T. Rowe Price

JILL L. HAUSER, Vice President--Vice President, T. Rowe Price

JOSEPH KLEIN, III, Vice President--Vice President, T. Rowe Price

BRIAN D. STANSKY, Vice President--Vice President, T. Rowe Price

ROGER L. FIERY, III, Assistant Vice President--Vice President, Price-Fleming and Vice President, T. Rowe Price

COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund Expensesa	Pension or Retirement Benefits Accrued as Part of Fundb	Total Compensation from Fund and Fund Group Paid to Directorsc
Leo C. Bailey, Director	\$2,007	N/A	\$64,583
Donald W. Dick, Jr., Director	2,007	N/A	64,833
David K. Fagin, Director	2,007	N/A	53,833
Addison Lanier, Director	2,007	N/A	64,583
John K. Major, Director	2,007	N/A	54,583
Hanne M. Merriman, Director	2,007	N/A	42,083
Hubert D. Vos, Director	2,007	N/A	54,583

Paul M. Wythes, Director	2,007	N/A	54,333
John H. Laporte, Directord	--	N/A	--
James S. Riepe, Directord	--	N/A	--

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- a Amounts in this Column are for the period January 1, 1994 through December 31, 1994.
- b Not applicable. The Fund does not pay pension or retirement benefits to officers or directors/trustees of the Fund.
- c Amounts in this column are for calendar year 1994, included 64 funds at December 31, 1994.
- d Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.

#### Small-Cap Value Fund

\*JOHN H. LAPORTE, JR., Chairman of the Board--Managing Director of T. Rowe Price; Chartered Financial Analyst  
 \*JAMES S. RIEPE, Vice President and Director--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc., President and Trust Officer, T. Rowe Price Trust Company; President and Director, T. Rowe Price Investment Services, Inc; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.  
 \*GEORGE A. ROCHE, Director--Managing Director and Chief Financial Officer, T. Rowe Price; Vice President and Director, Rowe Price-Fleming International, Inc.



PRESTON G. ATHEY, President--Vice President, T. Rowe Price  
 HUGH M. EVANS, III, Vice President--Employee, T. Rowe Price;  
 formerly (7/1/88-7/1/90) Analyst, Morgan Stanley & Co., Inc.  
 (Mergers and Acquisitions Department), New York, New York  
 MARCY L. FISHER, Vice President--Assistant Vice President, T.  
 Rowe Price  
 JONATHAN M. GREENE, Vice President--Vice President of T. Rowe  
 Price and T. Rowe Price Trust Company  
 GREGORY A. MCCRICKARD, Vice President--Vice President, T. Rowe  
 Price  
 RICHARD T. WHITNEY, Vice President--Vice President, T. Rowe Price  
 and T. Rowe Price Trust Company; Chartered Financial Analyst  
 ROGER L. FIERY, III, Assistant Vice President--Vice President,  
 Price-Fleming and Vice President, T. Rowe Price

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COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund Expenses <sup>a</sup>	Pension or Retirement Benefits Accrued as Part of Fund <sup>b</sup>	Total Compensation from Fund and Fund Group Paid to Directors <sup>c</sup>
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Leo C. Bailey, Director	\$1,678	N/A	\$64,583
Donald W. Dick, Jr., Director	1,678	N/A	64,833
David K. Fagin, Director	1,678	N/A	53,833
Addison Lanier, Director	1,678	N/A	64,583
John K. Major, Director	1,678	N/A	54,583
Hanne M. Merriman, Director	1,678	N/A	42,083
Hubert D. Vos, Director	1,678	N/A	54,583
Paul M. Wythes, Director	1,678	N/A	54,333
John H. Laporte, Directord	--	N/A	--
James S. Riepe, Directord	--	N/A	--
George A. Roche, Directord	--	N/A	--

a Amounts in this Column are for the period January 1, 1994 through December 31, 1994.

b Not applicable. The Fund does not pay pension or retirement benefits to officers or directors/trustees of the Fund.

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- c Amounts in this column are for calendar year 1994, included 64 funds at December 31, 1994.
- d Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.

Value Fund

\*JAMES S. RIEPE, Vice President and Director--Managing Director, T. Rowe Price; Chairman of the Board, T. Rowe Price Services, Inc., and T. Rowe Price Retirement Plan Services, Inc.; President and Director, T. Rowe Price Investment Services, Inc; President and Trust Officer, T. Rowe Price Trust Company; Director, Rowe Price-Fleming International, Inc. and Rhone-Poulenc Rorer, Inc.

\*M. DAVID TESTA, Vice President and Director--Chairman of the Board, Price-Fleming; Managing Director, T. Rowe Price; Vice President and Director, T. Rowe Price Trust Company; Chartered Financial Analyst; Chartered Investment Counselor

BRIAN C. ROGERS, President--Managing Director, T. Rowe Price

STEPHEN W. BOESEL, Vice President--Vice President, T. Rowe Price

ANDREW M. BROOKS, Vice President--Vice President, T. Rowe Price

RICHARD P. HOWARD, Vice President--Vice President, T. Rowe Price; Chartered Financial Analyst

JOSEPH KLEIN, III, Vice President--Vice President, T. Rowe Price

NATHANIEL S. LEVY, Vice President--Vice President, T. Rowe Price

ROBERT W. SMITH, Vice President--Vice President, T. Rowe Price; formerly (1987-1992) Investment Analyst, Massachusetts Financial Services, Inc., Boston, Massachusetts

DAVID J. WALLACK, Vice President--Vice President, T. Rowe Price; formerly (9/89-7/90) attended Carnegie Mellon Graduate School of Industrial Administration

JOSEPH A. CRUMBLING, Assistant Vice President--Employee, T. Rowe Price

COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from Fund Expenses <sup>a</sup>	Pension or Retirement Benefits Accrued as Part of Fund <sup>b</sup>	Total Compensation from Fund and Fund Group Paid to Directors <sup>c</sup>
Leo C. Bailey,	\$639	N/A	\$64,583

Director

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Donald W. Dick, Jr., Director	639	N/A	64,833
David K. Fagin, Director	639	N/A	53,833
Addison Lanier, Director	639	N/A	64,583
John K. Major, Director	639	N/A	54,583
Hanne M. Merriman, Director	639	N/A	42,083
Hubert D. Vos, Director	639	N/A	54,583
Paul M. Wythes, Director	639	N/A	54,333
James S. Riepe, Directord	--	N/A	--
M. David Testa, Directord	--	N/A	--

a Amounts in this Column are for the period January 1, 1994 through December 31, 1994.

b Not applicable. The Fund does not pay pension or retirement

- c benefits to officers or directors/trustees of the Fund.
- c Amounts in this column are for calendar year 1994, included 64 funds at December 31, 1994.
- d Any director/trustee of the Fund who is an officer or employee of T. Rowe Price receives no remuneration from the Fund.
- e Includes estimated future payments.

#### All Funds

The Fund's Executive Committee, consisting of the Fund's interested directors/trustees, has been authorized by its respective Board of Directors/Trustees to exercise all powers of the Board to manage the Fund in the intervals between meetings of the Board, except the powers prohibited by statute from being delegated.

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#### PRINCIPAL HOLDERS OF SECURITIES

As of the date of the prospectus, the officers and directors of the Fund, as a group, owned less than 1% of the outstanding shares of the Fund.

As of January 31, 1995, the following shareholders beneficially owned more than 5% of the outstanding shares of the Growth Stock, New Era, New Horizons and Growth & Income Funds, respectively: Pirateline & Co., FBO Spectrum Growth Fund Acct., Attn.: Mark White, State Street Bank & Trust Co., 1776 Heritage Drive - 4W, North Quincy, Massachusetts 02171-2197; Small Cap Value and Science & Technology Funds, respectively: Charles Schwab & Co. Inc., Reinvest. Account, Attn.: Mutual Fund Dept., 101 Montgomery Street, San Francisco, California 94104-4122;

Equity Index Fund: Northern Trust Co. Tr., Intermountain Healthcare, Savings Plan Trust, P.O. Box 92956, Chicago, Illinois 60690-9209; and the OTC Fund, Sigler & Co. of Smithsonian Inst., Wellington Trust Co., Hanover Trust Co., Attn.: Voila Diacumakos, 4 New York Plaza, 4th Floor, New York, New York 10004-2413.

## INVESTMENT MANAGEMENT SERVICES

### Services

Under the Management Agreement, T. Rowe Price provides the Fund with discretionary investment services. Specifically, T. Rowe Price is responsible for supervising and directing the investments of the Fund in accordance with the Fund's investment objectives, program, and restrictions as provided in its prospectus and this Statement of Additional Information. T. Rowe Price is also responsible for effecting all security transactions on behalf of the Fund, including the negotiation of commissions and the allocation of principal business and portfolio brokerage. In addition to these services, T. Rowe Price provides the Fund with certain corporate administrative services, including: maintaining the Fund's corporate existence and corporate records; registering and qualifying Fund shares under federal and state laws; monitoring the financial, accounting, and administrative functions of the Fund; maintaining liaison with the agents employed by the Fund such as the Fund's custodian and transfer agent; assisting the Fund in the coordination of such agents' activities; and permitting T. Rowe Price's employees to serve as officers, directors, and committee members of the Fund without cost to the Fund.

The Management Agreement also provides that T. Rowe Price, its directors, officers, employees, and certain other persons performing specific functions for the Fund will only be liable to the Fund for losses resulting from willful misfeasance, bad faith, gross negligence, or reckless disregard of duty.

#### All Funds, Except Equity Index Fund

#### Management Fee

The Fund pays T. Rowe Price a fee ("Fee") which consists of two components: a Group Management Fee ("Group Fee") and an Individual Fund Fee ("Fund Fee"). The Fee is paid monthly to T. Rowe Price on the first business day of the next succeeding calendar month and is calculated as described below.

The monthly Group Fee ("Monthly Group Fee") is the sum of the daily Group Fee accruals ("Daily Group Fee Accruals") for each month. The Daily Group Fee Accrual for any particular day is computed by multiplying the Price Funds' group fee accrual as determined below ("Daily Price Funds' Group Fee Accrual") by the ratio of the Fund's net assets for that day to the sum of the aggregate net assets of the Price Funds for that day. The Daily Price Funds' Group Fee Accrual for any particular day is calculated by multiplying the fraction of one (1) over the number of calendar days in the year by the annualized Daily Price Funds' Group Fee Accrual for that day as determined in accordance with the following schedule:

Price Funds'	
Annual Group Base Fee	
Rate for Each Level of Assets	
0.480%	First \$1 billion
0.450%	Next \$1 billion
0.420%	Next \$1 billion
0.390%	Next \$1 billion
0.370%	Next \$1 billion
0.360%	Next \$2 billion
0.350%	Next \$2 billion
0.340%	Next \$5 billion
0.330%	Next \$10 billion
0.320%	Next \$10 billion
0.310%	Next \$20 billion
0.305%	Thereafter

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For the purpose of calculating the Group Fee, the Price Funds include all the mutual funds distributed by T. Rowe Price Investment Services, Inc., (excluding T. Rowe Price Spectrum Fund, Inc. and any institutional or private label mutual funds). For the purpose of calculating the Daily Price Funds' Group Fee Accrual for any particular day, the net assets of each Price Fund are determined in accordance with the Fund's prospectus as of the close of business on the previous business day on which the Fund was open for business.

The monthly Fund Fee ("Monthly Fund Fee") is the sum of the daily Fund Fee accruals ("Daily Fund Fee Accruals") for each month. The Daily Fund Fee Accrual for any particular day is computed by multiplying the fraction of one (1) over the number of calendar days in the year by the individual Fund Fee Rate and multiplying this product by the net assets of the Fund for that day, as determined in accordance with the Fund's prospectus as of the close of business on the previous business day on which the Fund was open for business. The individual fund fees for each Fund are listed in the chart below:

Individual Fund Fees

Balanced Fund	0.15%
Blue Chip Growth Fund	0.30%
Capital Appreciation Fund	0.30%
Capital Opportunity Fund	0.45%
Dividend Growth Fund	0.20%
Equity Income Fund	0.25%
Growth & Income Fund	0.25%
Growth Stock Fund	0.25%
Equity Index Fund	0.20%
Mid-Cap Growth Fund	0.35%
New America Growth Fund	0.35%
New Era Fund	0.25%
New Horizons Fund	0.35%



OTC Fund	0.45%
Science & Technology Fund	0.35%
Small-Cap Value Fund	0.35%
Value Fund	0.35%

The following chart sets forth the total management fees, if any, paid to T. Rowe Price by each Fund, during the last three years:

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Fund	1994	1993	1992
Balanced	\$1,969,227	\$ 1,169,038	\$ 158,000
Blue Chip Growth	76,000	**	*
Capital Appreciation	4,161,612	2,740,545	1,539,000
Capital Opportunity	**	*	*
Dividend Growth	107,000	**	*
Equity Income	17,847,000	15,155,000	10,430,000
Equity Index	156,349		
Growth & Income	5,984,000	5,209,000	3,693,000
Growth Stock	11,981,872	11,117,706	11,217,000
Mid-Cap Growth	545,000	153,000	**
New America Growth	4,395,000	3,989,000	2,385,000
New Era	5,272,000	4,366,000	4,337,000
New Horizons	11,402,554	10,367,727	9,589,000
OTC	1,534,235	1,547,061	1,858,000
Science & Technology	4,467,208	2,841,791	1,479,000
Small-Cap Value	3,047,508	2,963,580	1,165,000
Value	**	*	*

\* Prior to commencement of operations.

\*\* Due to each Fund's expense limitation in effect at that time, no management fees were paid by the Funds to T. Rowe Price.

#### Limitation on Fund Expenses

The Management Agreement between the Fund and T. Rowe Price provides that the Fund will bear all expenses of its operations not specifically assumed by T. Rowe Price. However, in compliance with certain state regulations, T. Rowe Price will reimburse the Fund for certain expenses which in any year exceed the limits prescribed by any state in which the Fund's shares are qualified for sale. Presently, the most restrictive expense ratio limitation imposed by any state is 2.5% of the first \$30 million of the Fund's average daily net assets, 2% of the next \$70 million of the Fund's assets, and 1.5% of net assets in excess of \$100 million. Reimbursement by the Fund to T. Rowe Price of any expenses paid or assumed under a state expense limitation may not be made more than two years after the end of the fiscal year in which the expenses were paid or assumed.

Balanced, Blue Chip Growth, Capital Appreciation, Capital Opportunity, Dividend Growth, Equity Index, Mid-Cap Growth, New America Growth, Science & Technology, Small-Cap Value, Value Fund

The following chart sets forth expense ratio limitations and the periods for which they are effective. For each, T. Rowe

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Price has agreed to bear any Fund expenses which would cause the Fund's ratio of expenses to average net assets to exceed the indicated percentage limitations. The expenses borne by T. Rowe Price are subject to reimbursement by the Fund through the indicated reimbursement date, provided no reimbursement will be made if it would result in the Fund's expense ratio exceeding its

applicable limitation.

Fund	Limitation Period	Expense Ratio Limitation	Reimbursement Date
Balanced	January 1, 1993- December 31, 1994	1.00%	December 31, 1996
Blue Chip Growth <sup>a</sup>	January 1, 1995- December 31, 1996	1.25%	December 31, 1998
Capital Appreciation	January 1, 1990- December 31, 1993	1.25%	December 31, 1995
Capital Opportunity	November 29, 1994- December 31, 1996	1.35%	December 31, 1998
Dividend Growth <sup>b</sup>	January 1, 1995- December 31, 1996	1.10%	December 31, 1998
Equity Index <sup>d</sup>	January 1, 1994- December 31, 1995	0.45%	December 31, 1997
Mid-Cap Growth <sup>d</sup>	January 1, 1994- December 31, 1995	1.25%	December 31, 1997
New America Growth	January 1, 1990- December 31, 1993	1.25%	December 31, 1995
Science & Technology	January 1, 1992- December 31, 1993	1.25%	December 31, 1995
Small-Cap Value	January 1, 1992- December 31, 1993	1.25%	December 31, 1995
Value	September 29, 1994- December 31, 1996	1.10%	December 31, 1998

a The Blue Chip Growth Fund previously operated under a 1.25% limitation that expired December 31, 1994. The reimbursement period for this limitation extends through December 31, 1998.

b The Dividend Growth Fund previously operated under a 1.00% limitation that expired December 31, 1994. The reimbursement period for this limitation extends through December 31, 1998.

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- c The Equity Index Fund previously operated under a 0.45% limitation that expired December 31, 1993. The reimbursement period for this limitation extends through December 31, 1995.
- d The Mid-Cap Growth Fund previously operated under a 1.25% limitation that expired December 31, 1993. The reimbursement period for this limitation extends through December 31, 1995.

Each of the above-referenced Fund's Management Agreement also provides that one or more additional expense limitation periods (of the same or different time periods) may be implemented after the expiration of the current expense limitation, and that with respect to any such additional limitation period, the Fund may reimburse T. Rowe Price, provided the reimbursement does not result in the Fund's aggregate expenses exceeding the additional expense limitation.

Pursuant to the Balanced Fund's current and past expense limitation, \$280,000 of management fees were not accrued by the Fund for the year ended December 31, 1993. Pursuant to the previous expense limitation, \$280,000 remains subject to reimbursement through December 31, 1996.

Pursuant to the Blue Chip Growth Fund's current expense limitation, \$130,000 of management fees for the year ended December 31, 1994 and \$83,000 of 1993 management fees and expenses were not accrued by the Fund and subject to future reimbursement.

Pursuant to the Dividend Growth Fund's current expense limitation, \$151,000 of management fees were not accrued by the Fund for the period ended December 31, 1994. Additionally, \$229,000 of unaccrued fees and expenses from the prior period are subject to reimbursement through December 31, 1996.

Pursuant to the Equity Index Fund's current expense limitation, \$264,000 of management fees were not accrued by the Fund for the year ended December 31, 1994. Additionally, \$651,000 of unaccrued fees and expenses related to a previous expense limitation are subject to reimbursement through December 31, 1995.

Pursuant to Mid-Cap Growth Fund's current expense limitation,

\$66,000 of management fees were not accrued by the Fund for the year ended December 31, 1994. Additionally, \$228,000 of unaccrued fees and expenses from 1992 and 1993 related to a previous agreement are subject to reimbursement through December 31, 1995.

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Pursuant to Capital Opportunity Fund's current expense limitation, \$1,443 of management fees were not accrued by the fund for the period ended December 31, 1994, and \$6,224 other expenses were borne by T. Rowe Price.

Pursuant to the Value Fund's current expense limitation, \$9,926 of management fees were not accrued by the fund for the period ended December 31, 1994, and \$35,300 of other expenses were borne by T. Rowe Price.

Capital Appreciation Fund

Management Fee

The Fund pays T. Rowe Price a fee ("Fee") which consists of three components: a Group Management Fee ("Group Fee"), an Individual Fund Fee ("Fund Fee") and a performance fee adjustment ("Performance Fee Adjustment") based on the performance of the Fund relative to the Standard & Poor's 500 Stock Index (the "Index"). The Fee is paid monthly to T. Rowe Price on the first business day of the next succeeding calendar month and is calculated as described below. The performance adjustment for the year ended December 31, 1994, increased management fees by \$333,000.

The Monthly Group Fee and Monthly Fund Fee are combined (the "Combined Fee") and are subject to a Performance Fee Adjustment, depending on the total return investment performance of the Fund relative to the total return performance of the Standard & Poor's 500 Stock Composite Index (the "Index") during the previous thirty-six (36) months. The Performance Fee Adjustment is computed as of the end of each month and if an adjustment results, is added to, or subtracted from the Combined Fee. No Performance Fee Adjustment is made to the Combined Fee unless the investment performance ("Investment Performance") of the Fund (stated as a percent) exceeds, or is exceeded by, the investment record ("Investment Record") of the Index (stated as a percent) by at least one full point. (The difference between the Investment Performance and Investment Record will be referred to as the Investment Performance Differential.) The Performance Fee Adjustment for any month is calculated by multiplying the rate of the Performance Fee Adjustment ("Performance Fee Adjustment") (as determined below) achieved for the 36-month period, times the

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average daily net assets of the Fund for such 36-month period and dividing the product by 12. The Performance Fee Adjustment Rate is calculated by multiplying the Investment Performance Differential (rounded downward to the nearest full point) times a factor of .02%. Regardless of the Investment Performance Differential, the Performance Fee Adjustment Rate shall not exceed .30% the same period.

#### Example

For example, if the Investment Performance Differential was 11.6, it would be rounded to 11. The Investment

Performance Differential of 11 would be multiplied by .02% to arrive at the Performance Fee Adjustment Rate of .22%. The .22% Performance Fee Adjustment Rate would be multiplied by the fraction of 1/12 and that product would be multiplied by the Fund's average daily net assets for the 36-month period to arrive at the Performance Fee Adjustment.

The computation of the Investment Performance of the Fund and the Investment Record of the Index will be made in accordance with Rule 205-1 under the Investment Advisers Act of 1940 or any other applicable rule as, from time to time, may be adopted or amended. These terms are currently defined as follows:

The Investment Performance of the Fund is the sum of: (i) the change in the Fund's net asset value per share during the period; (ii) the value of the Fund's cash distributions per share having an exdividend date occurring within the period; and (iii) the per share amount of any capital gains taxes paid or accrued during such period by the Fund for undistributed, realized long-term capital gains.

The Investment Record of the Index is the sum of: (i) the change in the level of the Index during the period; and (ii) the value, computed consistently with the Index, of cash distributions having an exdividend date occurring within the period made by companies whose securities comprise the Index.

Equity Index Fund

Management Fee

The Fund pays T. Rowe Price an annual investment management fee in monthly installments of .20% of the average daily net

asset value of the Fund. Due to the effect of the Fund's expense limitation, for the years ended December 31, 1994, December 31, 1993, and December 31, 1992, the Fund did not pay T. Rowe Price an investment management fee.

Equity Income, Growth & Income, Growth Stock, New Era, and New Horizons Funds

T. Rowe Price Spectrum Fund, Inc.

The Fund is a party to a Special Servicing Agreement ("Agreement") between and among T. Rowe Price Spectrum Fund, Inc. ("Spectrum Fund"), T. Rowe Price, T. Rowe Price Services, Inc. and various other T. Rowe Price funds which, along with the Fund, are funds in which Spectrum Fund invests (collectively all such funds "Underlying Price Funds").

The Agreement provides that, if the Board of Directors/Trustees of any Underlying Price Fund determines that such Underlying Fund's share of the aggregate expenses of Spectrum Fund is less than the estimated savings to the Underlying Price Fund from the operation of Spectrum Fund, the Underlying Price Fund will bear those expenses in proportion to the average daily value of its shares owned by Spectrum Fund, provided further that no Underlying Price Fund will bear such expenses in excess of the estimated savings to it. Such savings are expected to result primarily from the elimination of numerous separate shareholder accounts which are or would have been invested directly in the Underlying Price Funds and the resulting reduction in shareholder servicing costs. Although such cost savings are not certain, the estimated savings to the Underlying Price Funds generated by the operation of Spectrum Fund are expected to be sufficient to offset most, if not all, of the expenses incurred by Spectrum Fund.

All Funds

#### DISTRIBUTOR FOR FUND

T. Rowe Price Investment Services, Inc. ("Investment Services"), a Maryland corporation formed in 1980 as a wholly-owned subsidiary of T. Rowe Price, serves as the Fund's distributor. Investment Services is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. The offering of the Fund's shares is continuous.



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Investment Services is located at the same address as the Fund and T. Rowe Price -- 100 East Pratt Street, Baltimore, Maryland 21202.

Investment Services serves as distributor to the Fund pursuant to an Underwriting Agreement ("Underwriting Agreement"), which provides that the Fund will pay all fees and expenses in connection with: registering and qualifying its shares under the various state "blue sky" laws; preparing, setting in type, printing, and mailing its prospectuses and reports to shareholders; and issuing its shares, including expenses of confirming purchase orders.

The Underwriting Agreement provides that Investment Services will pay all fees and expenses in connection with: printing and distributing prospectuses and reports for use in offering and selling Fund shares; preparing, setting in type, printing, and mailing all sales literature and advertising; Investment Services' federal and state registrations as a broker-dealer; and offering and selling Fund shares, except for those fees and expenses specifically assumed by the Fund. Investment Services' expenses are paid by T. Rowe Price.

Investment Services acts as the agent of the Fund in connection with the sale of its shares in all states in which the shares are qualified and in which Investment Services is qualified as a broker-dealer. Under the Underwriting Agreement, Investment Services accepts orders for Fund shares at net asset value. No sales charges are paid by investors or the Fund.

All Funds

CUSTODIAN

State Street Bank and Trust Company is the custodian for the Fund's securities and cash, but it does not participate in the Fund's investment decisions. Portfolio securities purchased in the U.S. are maintained in the custody of the Bank and may be entered into the Federal Reserve Book Entry System, or the security depository system of the Depository Trust Corporation. The Fund (other than Equity Index Fund) has entered into a Custodian Agreement with The Chase Manhattan Bank, N.A., London, pursuant to which portfolio securities which are purchased outside the United States are maintained in the custody of various foreign branches of The Chase Manhattan Bank and such other custodians, including foreign banks and foreign securities depositories as are approved by the Fund's Board of

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Directors/Trustees in accordance with regulations under the Investment Company Act of 1940. The Bank's main office is at 225 Franklin Street, Boston, Massachusetts 02110. The address for The Chase Manhattan Bank, N.A., London is Woolgate House, Coleman Street, London, EC2P 2HD, England.

#### CODE OF ETHICS

The Fund's investment adviser (T. Rowe Price) has a written Code of Ethics which requires all employees to obtain prior clearance before engaging in any personal securities transactions. In addition, all employees must report their personal securities transactions within ten days of their execution. Employees will not be permitted to effect transactions in a security: If there are pending client orders in the security; the security has been purchased or sold by a client within seven calendar days; the security is being considered for

purchase for a client; a change has occurred in T. Rowe Price's rating of the security within five days; or the security is subject to internal trading restrictions. In addition, employees are prohibited from engaging in short-term trading (e.g., purchases and sales involving the same security within 60 days). Any material violation of the Code of Ethics is reported to the Board of the Fund. The Board also reviews the administration of the Code of Ethics on an annual basis.

## PORTFOLIO TRANSACTIONS

### Investment or Brokerage Discretion

Decisions with respect to the purchase and sale of portfolio securities on behalf of the Fund are made by T. Rowe Price. T. Rowe Price is also responsible for implementing these decisions, including the negotiation of commissions and the allocation of portfolio brokerage and principal business.

### How Brokers and Dealers are Selected

#### Equity Securities

In purchasing and selling the Fund's portfolio securities, it is T. Rowe Price's policy to obtain quality execution at the most favorable prices through responsible brokers and dealers and, in the case of agency transactions, at competitive commission rates. However, under certain conditions, the Fund may pay higher

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brokerage commissions in return for brokerage and research services. As a general practice, over-the-counter orders are executed with market-makers. In selecting among market-makers,

T. Rowe Price generally seeks to select those it believes to be actively and effectively trading the security being purchased or sold. In selecting broker-dealers to execute the Fund's portfolio transactions, consideration is given to such factors as the price of the security, the rate of the commission, the size and difficulty of the order, the reliability, integrity, financial condition, general execution and operational capabilities of competing brokers and dealers, and brokerage and research services provided by them. It is not the policy of T. Rowe Price to seek the lowest available commission rate where it is believed that a broker or dealer charging a higher commission rate would offer greater reliability or provide better price or execution.

#### Fixed Income Securities

Fixed income securities are generally purchased from the issuer or a primary market-maker acting as principal for the securities on a net basis, with no brokerage commission being paid by the client although the price usually includes an undisclosed compensation. Transactions placed through dealers serving as primary market-makers reflect the spread between the bid and asked prices. Securities may also be purchased from underwriters at prices which include underwriting fees.

With respect to equity and fixed income securities, T. Rowe Price may effect principal transactions on behalf of the Fund with a broker or dealer who furnishes brokerage and/or research services, designate any such broker or dealer to receive selling concessions, discounts or other allowances, or otherwise deal with any such broker or dealer in connection with the acquisition of securities in underwritings. T. Rowe Price may receive research services in connection with brokerage transactions, including designations in fixed price offerings.

#### How Evaluations are Made of the Overall Reasonableness of Brokerage Commissions Paid

On a continuing basis, T. Rowe Price seeks to determine what levels of commission rates are reasonable in the marketplace for transactions executed on behalf of the Fund. In evaluating the reasonableness of commission rates, T. Rowe Price considers: (a) historical commission rates, both before and since rates have been fully negotiable; (b) rates which other institutional

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investors are paying, based on available public information; (c) rates quoted by brokers and dealers; (d) the size of a particular transaction, in terms of the number of shares, dollar amount, and number of clients involved; (e) the complexity of a particular transaction in terms of both execution and settlement; (f) the level and type of business done with a particular firm over a period of time; and (g) the extent to which the broker or dealer has capital at risk in the transaction.

#### Description of Research Services Received from Brokers and Dealers

T. Rowe Price receives a wide range of research services from brokers and dealers. These services include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and analysis of corporate responsibility issues. These services provide both domestic and international perspective. Research services are received primarily in the form of written reports, computer generated services, telephone contacts and personal meetings with security analysts. In addition, such services may be provided in the form of meetings arranged with corporate and industry spokespersons, economists, academicians and government representatives. In some cases, research services are generated by third parties but are provided to T. Rowe Price by or through broker-dealers.

Research services received from brokers and dealers are supplemental to T. Rowe Price's own research effort and, when utilized, are subject to internal analysis before being incorporated by T. Rowe Price into its investment process. As a practical matter, it would not be possible for T. Rowe Price's Equity Research Division to generate all of the information presently provided by brokers and dealers. T. Rowe Price pays cash for certain research services received from external sources. T. Rowe Price also allocates brokerage for research

services which are available for cash. While receipt of research services from brokerage firms has not reduced T. Rowe Price's normal research activities, the expenses of T. Rowe Price could be materially increased if it attempted to generate such additional information through its own staff. To the extent that research services of value are provided by brokers or dealers, T. Rowe Price may be relieved of expenses which it might otherwise bear.

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T. Rowe Price has a policy of not allocating brokerage business in return for products or services other than brokerage or research services. In accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934, T. Rowe Price may from time to time receive services and products which serve both research and non-research functions. In such event, T. Rowe Price makes a good faith determination of the anticipated research and non-research use of the product or service and allocates brokerage only with respect to the research component.

#### Commissions to Brokers who Furnish Research Services

Certain brokers and dealers who provide quality brokerage and execution services also furnish research services to T. Rowe Price. With regard to the payment of brokerage commissions, T. Rowe Price has adopted a brokerage allocation policy embodying the concepts of Section 28(e) of the Securities Exchange Act of 1934, which permits an investment adviser to cause an account to pay commission rates in excess of those another broker or dealer would have charged for effecting the same transaction, if the adviser determines in good faith that the commission paid is reasonable in relation to the value of the brokerage and research services provided. The determination may be viewed in terms of

either the particular transaction involved or the overall responsibilities of the adviser with respect to the accounts over which it exercises investment discretion. Accordingly, while T. Rowe Price cannot readily determine the extent to which commission rates or net prices charged by broker-dealers reflect the value of their research services, T. Rowe Price would expect to assess the reasonableness of commissions in light of the total brokerage and research services provided by each particular broker. T. Rowe Price may receive research, as defined in Section 28(e), in connection with selling concessions and designations in fixed price offerings in which the Funds participate.

#### Internal Allocation Procedures

T. Rowe Price has a policy of not precommitting a specific amount of business to any broker or dealer over any specific time period. Historically, the majority of brokerage placement has been determined by the needs of a specific transaction such as market-making, availability of a buyer or seller of a particular security, or specialized execution skills. However, T. Rowe Price does have an internal brokerage allocation procedure for

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that portion of its discretionary client brokerage business where special needs do not exist, or where the business may be allocated among several brokers or dealers which are able to meet the needs of the transaction.

Each year, T. Rowe Price assesses the contribution of the brokerage and research services provided by brokers or dealers, and attempts to allocate a portion of its brokerage business in response to these assessments. Research analysts, counselors,

various investment committees, and the Trading Department each seek to evaluate the brokerage and research services they receive from brokers or dealers and make judgments as to the level of business which would recognize such services. In addition, brokers or dealers sometimes suggest a level of business they would like to receive in return for the various brokerage and research services they provide. Actual brokerage received by any firm may be less than the suggested allocations but can, and often does, exceed the suggestions, because the total business is allocated on the basis of all the considerations described above. In no case is a broker or dealer excluded from receiving business from T. Rowe Price because it has not been identified as providing research services.

#### Miscellaneous

T. Rowe Price's brokerage allocation policy is consistently applied to all its fully discretionary accounts, which represent a substantial majority of all assets under management. Research services furnished by brokers or dealers through which T. Rowe Price effects securities transactions may be used in servicing all accounts (including non-Fund accounts) managed by T. Rowe Price. Conversely, research services received from brokers or dealers which execute transactions for the Fund are not necessarily used by T. Rowe Price exclusively in connection with the management of the Fund.

From time to time, orders for clients may be placed through a computerized transaction network.

The Fund does not allocate business to any broker-dealer on the basis of its sales of the Fund's shares. However, this does not mean that broker-dealers who purchase Fund shares for their clients will not receive business from the Fund.

Some of T. Rowe Price's other clients have investment objectives and programs similar to those of the Fund. T. Rowe Price may occasionally make recommendations to other clients



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which result in their purchasing or selling securities simultaneously with the Fund. As a result, the demand for securities being purchased or the supply of securities being sold may increase, and this could have an adverse effect on the price of those securities. It is T. Rowe Price's policy not to favor one client over another in making recommendations or in placing orders. T. Rowe Price frequently follows the practice of grouping orders of various clients for execution which generally results in lower commission rates being attained. In certain cases, where the aggregate order is executed in a series of transactions at various prices on a given day, each participating client's proportionate share of such order reflects the average price paid or received with respect to the total order. T. Rowe Price has established a general investment policy that it will ordinarily not make additional purchases of a common stock of a company for its clients (including the T. Rowe Price Funds) if, as a result of such purchases, 10% or more of the outstanding common stock of such company would be held by its clients in the aggregate.

To the extent possible, T. Rowe Price intends to recapture solicitation fees paid in connection with tender offers through T. Rowe Price Investment Services, Inc., the Fund's distributor. At the present time, T. Rowe Price does not recapture commissions or underwriting discounts or selling group concessions in connection with taxable securities acquired in underwritten offerings. T. Rowe Price does, however, attempt to negotiate elimination of all or a portion of the selling-group concession or underwriting discount when purchasing tax-exempt municipal securities on behalf of its clients in underwritten offerings.

#### Transactions with Related Brokers and Dealers

As provided in the Investment Management Agreement between the Fund and T. Rowe Price, T. Rowe Price is responsible not only for making decisions with respect to the purchase and sale of the Fund's portfolio securities, but also for implementing these decisions, including the negotiation of commissions and the allocation of portfolio brokerage and principal business. It is expected that T. Rowe Price may place orders for the Fund's portfolio transactions with broker-dealers through the same trading desk T. Rowe Price uses for portfolio transactions in domestic securities. The trading desk accesses brokers and dealers in various markets in which the Fund's foreign securities are located. These brokers and dealers may include certain

affiliates of Robert Fleming Holdings Limited ("Robert Fleming Holdings") and Jardine Fleming Group Limited ("JFG"), persons

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indirectly related to T. Rowe Price. Robert Fleming Holdings, through Copthall Overseas Limited, a wholly-owned subsidiary, owns 25% of the common stock of Rowe Price-Fleming International, Inc. ("RPFI"), an investment adviser registered under the Investment Advisers Act of 1940. Fifty percent of the common stock of RPFI is owned by TRP Finance, Inc., a wholly-owned subsidiary of T. Rowe Price, and the remaining 25% is owned by Jardine Fleming Holdings Limited, a subsidiary of JFG. JFG is 50% owned by Robert Fleming Holdings and 50% owned by Jardine Matheson Holdings Limited. Orders for the Fund's portfolio transactions placed with affiliates of Robert Fleming Holdings and JFG will result in commissions being received by such affiliates.

The Board of Directors/Trustees of the Fund has authorized T. Rowe Price to utilize certain affiliates of Robert Fleming and JFG in the capacity of broker in connection with the execution of the Fund's portfolio transactions. These affiliates include, but are not limited to, Jardine Fleming Securities Limited ("JFS"), a wholly-owned subsidiary of JFG, Robert Fleming & Co. Limited ("RF&Co."), Jardine Fleming Australia Securities Limited, and Robert Fleming, Inc. (a New York brokerage firm). Other affiliates of Robert Fleming Holding and JFG also may be used. Although it does not believe that the Fund's use of these brokers would be subject to Section 17(e) of the Investment Company Act of 1940, the Board of Directors/Trustees of the Fund has agreed that the procedures set forth in Rule 17e-1 under that Act will be followed when using such brokers.

Other

For the years 1994, 1993, and 1992, the total brokerage commissions paid by each Fund, including the discounts received by securities dealers in connection with underwritings, and the percentage of these commissions paid to firms which provided research, statistical, or other services to T. Rowe Price in connection with the management of each Fund, or, in some cases, to each Fund, was as shown below.

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Fund	1994		1993		1992	
	Commissions	%	Commissions	%	Commissions	%
Balanced	\$258,006	18.1%	\$ 91,678	46.1%	\$ 162,000	46%
Blue Chip						
Growth	219,539	11.9%	177,317	10%	*	*
Capital						
Appreciation	828,822	67.4%	1,141,732	45.28%	439,000	55%
Capital						
Opportunity	7,857	7.2%	*	*	*	*
Dividend						
Growth	294,479	15.9%	282,409	22%	*	*

Equity							
Income	4,511,187	48.4%	4,660,406	42.12%	3,419,000	37%	
Growth &							
Income	2,550,364	23.7%	2,814,544	26.9%	2,218,000	24%	
Growth							
Stock	4,002,616	51.6%	3,983,572	40.4%	3,392,000	41%	
Equity							
Index	21,198	3.27%	20,978	8.6%	39,000	2.8%	
Mid-Cap							
Growth	349,991	30.8%	441,166	18.9%	119,000	39%	
New America							
Growth	1,646,550	23.7%	2,345,540	17.6%	1,349,000	20%	
New Era	1,863,739	35.8%	1,758,270	28.03%	299,000	95%	
New							
Horizons	5,246,463	10.0%	7,336,582	8.2%	4,810,000	13%	
OTC	584,525	4.6%	776,333	6.68%	120,000	35.83%	
Science &							
Tech-							
nology	1,272,479	45.4%	2,186,853	23.97%	861,000	19%	
Small-Cap							
Value	512,452	26.28%	995,993	11.4%	661,000	26.2%	
Value	30,478	14.9%	*	*	*	*	

\* Prior to commencement of operations.

On December 31, 1993, the Balanced Fund held 38,200 shares of the common stock of J.P. Morgan with a value of \$2,650,000. In 1993, J.P. Morgan was among the Fund's regular brokers or dealers as defined in Rule 10b-1 under the Investment Company Act of 1940.

On December 31, 1993, the Capital Appreciation Fund held commercial paper of the following regular brokers or dealers of the Fund Bear Stearns, BT Securities, Goldman Sachs Group, Merrill Lynch, and Morgan Stanley Group, respectively, with a value of \$5,000,000, \$5,834,000, \$5,000,000, \$5,000,000, and \$5,012,000, respectively. In 1993, Bear Stearns, BT Securities, Goldman Sachs Group, Merrill Lynch, and Morgan Stanley Group were among the Fund's regular brokers or dealers as defined in Rule 10b-1 under the Investment Company Act of 1940.

On December 31, 1993, the Equity Income Fund held 250,000 shares of the common stock of J.P. Morgan with a value of \$17,344,000. In 1993, J.P. Morgan was among the Fund's regular brokers or dealers as defined in Rule 10b-1 under the Investment Company Act of 1940.

On December 31, 1993, the Growth Stock Fund held 150,000 shares of the common stock of J.P. Morgan with a value of \$10,406,000. In 1993, J.P. Morgan was among the Fund's regular brokers or dealers as defined in Rule 10b-1 under the Investment Company Act of 1940.

On December 31, 1993, the New Era Fund held commercial paper of the following regular brokers or dealers of the Fund BT Securities, Citicorp, Goldman Sachs Group, Merrill Lynch, and Morgan Stanley Group, respectively, with a value of \$639,000, \$4,997,000, \$5,000,000, \$5,000,000, and \$5,000,000, respectively. In 1993, Bear Stearns, BT Securities, Goldman Sachs Group, Merrill Lynch, and Morgan Stanley Group were among the Fund's regular brokers or dealers as defined in Rule 10b-1 under the Investment Company Act of 1940.

On December 31, 1993, the Science & Technology Fund held commercial paper of the following regular brokers or dealers of the Fund Bankers Trust Company with a value of \$5,598,000. In 1993, Bankers Trust Company was among the Fund's regular brokers or dealers as defined in Rule 10b-1 under the Investment Company Act of 1940.

The portfolio turnover rate for each Fund for the years ended 1994, 1993, and 1992, was as follows:

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Fund	1994	1993	1992
Balanced	33.3%	8.7%	207.7%
Blue Chip Growth	75.0%	89.0%*	**
Capital Appreciation	43.6%	39.4%	30.3%
Capital Opportunity	134.5%	**	**
Dividend Growth	71.4%	51.2%*	**
Equity Income	36.3%	31.2%	30.0%
Growth & Income	25.6%	22.4%	29.9%
Growth Stock	54.0%	35.3%	27.4%
Equity Index	1.3%	0.8%	0.1%
Mid-Cap Growth	48.7%	62.4%	51.9%*
New America Growth	31.0%	43.7%	26.4%
New Era	24.7%	24.7%	16.9%
New Horizons	44.3%	49.4%	49.6%
OTC	41.9%	40.8%	30.7%
Science & Technology	113.3%	163.4%	144.3%
Small-Cap Value	21.4%	11.8%	12.1%
Value	30.8%	**	**

\* Annualized.

\*\* Prior to commencement of operations.

All Funds

#### PRICING OF SECURITIES

Equity securities listed or regularly traded on a securities exchange are valued at the last quoted sales price on the day the valuations are made. A security which is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. Listed securities not traded on a particular day and securities regularly traded in the over-the-counter market are valued at the mean of the latest bid and asked prices, except for the New Horizons Fund; which values such securities at the latest bid

price. Other equity securities are valued at a price within the limits of the latest bid and asked prices deemed by the Board of Directors/Trustees, or by persons delegated by the Board, best to reflect fair value.

Debt securities are generally traded in the over-the-counter market and are valued at a price deemed best to reflect fair value as quoted by dealers who make markets in these securities or by an independent pricing service. Short-term debt securities are valued at their cost in local currency which, when combined with accrued interest, approximates fair value.

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For purposes of determining the Fund's net asset value per share, all assets and liabilities initially expressed in foreign currencies are converted into U.S. dollars at the mean of the bid and offer prices of such currencies against U.S. dollars quoted by a major bank.

Assets and liabilities for which the above valuation procedures are inappropriate or 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/Trustees.

All Funds

#### NET ASSET VALUE PER SHARE

The purchase and redemption price of the Fund's shares is equal to the Fund's net asset value per share or share price. The Fund determines its net asset value per share by subtracting the Fund's liabilities (including accrued expenses and dividends

payable) from its total assets (the market value of the securities the Fund holds plus cash and other assets, including income accrued but not yet received) and dividing the result by the total number of shares outstanding. The net asset value per share of the Fund is normally calculated as of the close of trading on the New York Stock Exchange ("NYSE") every day the NYSE is open for trading. The NYSE is closed on the following days: New Year's Day, Washington's Birthday, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Determination of net asset value (and the offering, sale redemption and repurchase of shares) for the Fund may be suspended at times (a) during which the NYSE is closed, other than customary weekend and holiday closings, (b) during which trading on the NYSE is restricted, (c) during which an emergency exists as a result of which disposal by the Fund of securities owned by it is not reasonably practicable or it is not reasonably practicable for the Fund fairly to determine the value of its net assets, or (d) during which a governmental body having jurisdiction over the Fund may by order permit such a suspension for the protection of the Fund's shareholders; provided that applicable rules and regulations of the Securities and Exchange Commission (or any succeeding governmental authority) shall govern as to whether the conditions prescribed in (b), (c), or (d) exist.

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#### DIVIDENDS AND DISTRIBUTIONS

Unless you elect otherwise, the Fund's annual dividend and capital gain distribution, if any, and final quarterly dividend (Balanced, Dividend Growth, Equity Income, Equity Index, Growth & Income and Value Funds) will be reinvested on the reinvestment



date using the NAV per share of that date. The reinvestment date normally precedes the payment date by about 10 days although the exact timing is subject to change.

#### TAX STATUS

The Fund intends to qualify as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended ("Code").

A portion of the dividends paid by the Fund may be eligible for the dividends-received deduction for corporate shareholders. For tax purposes, it does not make any difference whether dividends and capital gain distributions are paid in cash or in additional shares. The Fund must declare dividends by December 31 of each year equal to at least 98% of ordinary income (as of December 31) and capital gains (as of October 31) in order to avoid a federal excise tax and distribute within 12 months 100% of ordinary income and capital gains as of December 31 to avoid federal income tax.

At the time of your purchase, the Fund's net asset value may reflect undistributed capital gains or net unrealized appreciation of securities held by the Fund. A subsequent distribution to you of such amounts, although constituting a return of your investment, would be taxable. For federal income tax purposes, the Fund is permitted to carry forward its net realized capital losses, if any, for eight years and realize net capital gains up to the amount of such losses without being required to pay taxes on, or distribute such gains. On March 31, 1994, the books of each Fund indicated that each Fund's aggregate net assets included undistributed net income, net realized capital gains or losses, and unrealized appreciation or depreciation which are listed below.

Fund	Undistributed Net Income	Net Realized Capital Gain (Losses)	Unrealized Appreciation
Balanced	\$ 168,831	\$ 2,802,039	\$ 17,856,325
Blue Chip Growth	51,458	311,602	75,095
Capital Appreciation	4,307,655	9,614,383	34,679,989
Dividend Growth	10,975	968,483	3,500,445
Equity Income	132,075	36,563,108	153,387,691
Growth & Income	565,481	22,384,390	111,591,142
Growth Stock	5,622,452	77,136,174	504,675,454
Equity Index	(20,432)	(59,655)	0,653,704
Mid-Cap Growth	(6,712)	287,896	6,617,753
New America Growth	(687,076)	10,628,216	133,099,050
New Era	4,107,074	3,625,090	180,184,982
New Horizons	(2,305,793)	27,512,703	447,645,857
OTC	33,240	8,428,739	39,383,793
Science & Technology	(1,119,465)	(906,871)	60,918,139
Small-Cap Value	1,625,923	10,031,400	78,296,913

If, in any taxable year, the Fund should not qualify as a regulated investment company under the Code: (i) the Fund would be taxed at normal corporate rates on the entire amount of its taxable income, if any, without deduction for dividends or other distributions to shareholders; and (ii) the Fund's distributions to the extent made out of the Fund's current or accumulated earnings and profits would be taxable to shareholders as ordinary dividends (regardless of whether they would otherwise have been considered capital gain dividends).

#### Taxation of Foreign Shareholders

The Code provides that dividends from net income will be subject to U.S. tax. For shareholders who are not engaged in a business in the U.S., this tax would be imposed at the rate of 30% upon the gross amount of the dividends in the absence of a Tax Treaty providing for a reduced rate or exemption from U.S. taxation. Distributions of net long-term capital gains realized by the Fund are not subject to tax unless the foreign shareholder is a nonresident alien individual who was physically present in the U.S. during the tax year for more than 182 days.

To the extent the Fund invests in foreign securities, the following would apply:

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#### Passive Foreign Investment Companies

The Fund may purchase the securities of certain foreign investment funds or trusts called passive foreign investment companies. Capital gains on the sale of such holdings will be deemed to be ordinary income regardless of how long the Fund holds its investment. In addition to bearing their proportionate share of the funds expenses (management fees and operating expenses) shareholders will also indirectly bear similar expenses of such funds. In addition, the Fund may be subject to corporate income tax and an interest charge on certain dividends and capital gains earned from these investments, regardless of whether such income and gains were distributed to shareholders.

In accordance with tax regulations, the Fund intends to treat these securities as sold on the last day of the Fund's fiscal year and recognize any gains for tax purposes at that time; losses will not be recognized. Such gains will be considered ordinary income which the Fund will be required to distribute even though it has not sold the security and received cash to pay such distributions.

#### Foreign Currency Gains and Losses

Foreign currency gains and losses, including the portion of gain or loss on the sale of debt securities attributable to foreign exchange rate fluctuations, are taxable as ordinary

income. If the net effect of these transactions is a gain, the ordinary income dividend paid by the Fund will be increased. If the result is a loss, the income dividend paid by the Fund will be decreased, or to the extent such dividend has already been paid, it may be classified as a return of capital. Adjustments to reflect these gains and losses will be made at the end of the Fund's taxable year.

All Funds

## INVESTMENT PERFORMANCE

### Total Return Performance

The Fund's calculation of total return performance includes the reinvestment of all capital gain distributions and income dividends for the period or periods indicated, without regard to tax consequences to a shareholder in the Fund. Total return is calculated as the percentage change between the beginning value

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of a static account in the Fund and the ending value of that account measured by the then current net asset value, including all shares acquired through reinvestment of income and capital gains dividends. The results shown are historical and should not be considered indicative of the future performance of the Fund. Each average annual compound rate of return is derived from the cumulative performance of the Fund over the time period specified. The annual compound rate of return for the Fund over any other period of time will vary from the average.

Cumulative Performance Percentage Change

	1 Yr. Ended 12/31/93	5 Yrs. Ended 12/31/93	10 Yrs. Ended 12/31/93	Since Inception- 12/31/93
S&P 500	10.07%	97.34%	301.77%	
Dow Jones				
Industrial Avg.	16.99	105.25	333.86	
CPI	2.75	21.00	43.93	
Balanced Fund	13.35%	92.62%	253.40%	20,369.52% (12/31/39)
Lipper Balanced				
Fund Index	11.70	82.55	219.63	N/A
Lehman Brothers				
Aggregate Index	9.75	70.64	206.56	N/A
Salomon Brothers Broad				
Investment Grade Index	9.92	71.22	207.91	N/A
Blue Chip Growth Fund				14.32 (6/30/93)
Capital Appreciation Fund	15.66	84.41		156.43 (6/30/86)
Lipper Capital Appreciation				
Funds Average	15.16	107.86		120.81
Dividend Growth Fund	19.41			19.41 (12/30/92)
Equity Income Fund	14.84	74.08		220.77 (10/31/85)
Lipper Equity Income				
Fund Average	13.38	78.00		160.86

Equity Index Fund	9.42			52.02% (3/30/90)
Lehman Brothers Aggregate Index			50.18	
Salomon Brothers Broad Investment Grade Index				50.76
Growth & Income Fund	12.96	81.64	186.93	292.39 (12/21/82)
Lipper Growth and Income Fund Index	14.86	87.67	252.07	334.61
Growth Stock Fund	15.56	96.73	251.42	10,472.21 (4/11/50)
Mid-Cap Growth Fund	26.24			57.21 (6/30/92)
Russell 2000	18.90	92.39	181.47	40.56
S&P 400 Mid-Cap Index	13.96	146.18	364.69	32.29
NASDAQ	14.75			37.83
Lipper Growth Fund Index	14.19			26.77
Lipper Growth Fund Category Average	10.61			24.43
New America Growth Fund	17.44	153.87		269.31 (9/30/85)
Lipper Growth Fund Index	14.19	102.77	248.11	219.09
New Era Fund	15.33	53.18	194.60	1,040.50 (1/20/69)
Lipper Natural Resources Funds Average	22.94	55.30	119.33	N/A
New Horizons Fund	22.01	134.34	178.05	3,587.41 (6/3/60)
OTC Fund	18.40	77.10	172.23%	14,347.80 (6/1/56)
Science & Technology Fund	24.25	228.01		199.48 (9/30/87)
Lipper Science and Technology Index	23.55	130.75		88.59
Russell 2000	18.90	92.39	181.47	70.46

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Small-Cap Value Fund	23.30	109.51		101.51 (6/30/88)
Russell 2000	18.90	92.39	181.47	89.31
S&P 400 Mid-Cap	13.96	146.18	364.69	149.54
NASDAQ Composite	14.75	103.68	178.82	N/A
Lipper Small Company Growth Funds Average	16.93	121.43	228.73	N/A

Average Annual Compound Rates of Return

	1 Yr. Ended 12/31/93	5 Yrs. Ended 12/31/93	10 Yrs. Ended 12/31/93	Since Inception- 12/31/93
S&P 500	10.07%	14.56%	14.92%	
Dow Jones Industrial Avg.	16.99	15.47	15.81	
CPI	2.75	3.89	3.71	
Blue Chip Growth Fund				14.32 (6/30/93)
Balanced Fund	13.35	14.01	13.45	10.36 (12/31/39)
Lipper Balanced Fund Index	11.70	12.79	12.32	N/A
Lehman Brothers Aggregate Index	9.75	11.28	11.85	N/A
Salomon Brothers Broad Investment Grade Index	9.92	11.36	11.90	N/A
Capital Appreciation Fund	15.66	13.02		13.37 (6/30/86)

Lipper Capital Appreciation				
Funds Average	15.16	15.24		10.59
Dividend Growth Fund	19.41			19.41
				(12/30/92)
Equity Income Fund	14.84	11.72		15.34
				(10/31/85)
Lipper Equity Income Fund Average	13.38	12.14		12.17

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Equity Index Fund	9.42			11.81%
				(3/30/90)
Lehman Brothers Aggregate Index			11.44	
Salomon Brothers Broad Investment Grade Index				11.56
Growth & Income Fund	12.96	12.68	11.12	13.20
				(12/21/82)
Lipper Growth and Income Fund Index	14.86	13.42	13.41	14.29
Growth Stock Fund	15.56	14.49	13.39	11.25
				(4/11/50)
Mid-Cap Growth Fund	26.24			35.06
				(6/30/92)
Russell 2000		13.98	10.90	25.38



S&P 400 Mid-Cap Index		19.74	16.60	20.43
NASDAQ	14.75			23.78
Lipper Growth Fund Index	14.19			17.13
Lipper Growth Fund Category Average	10.61			15.57
New America Growth Fund	17.44	20.48		17.16 (9/30/85)
Lipper Growth Fund Index	14.19	15.19	13.28	N/A
New Era Fund	15.33	8.90	11.41	10.25 (1/20/69)
Lipper Natural Resources Funds Average	22.94	8.98	7.72	N/A
New Horizons Fund	22.01	18.57	10.77	11.34 (6/3/60)
OTC Fund	18.40	12.11	10.53	14.15 (6/1/56)
Science & Technology Fund	24.25	26.82		19.18 (9/30/87)
Lipper Science and Technology Index	23.55	18.20		10.68
Russell 2000		13.98	10.90	8.91

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Small-Cap Value Fund	23.30	15.94		13.58 (6/30/88)
Russell 2000		13.98	10.90	12.30

S&P 400 Mid-Cap		19.74	16.60	18.08
NASDAQ Composite	14.75	15.29	10.80	N/A
Lipper Small Company Growth Funds Average	16.93	16.76	12.16	N/A

#### Outside Sources of Information

From time to time, in reports and promotions literature: (1) the Fund's total return performance or P/E ratio may be compared to any one or combination of the following: (i) the Standard & Poor's 500 Stock Index so that you may compare the Fund's results with those of a group of unmanaged securities widely regarded by investors as representative of the stock market in general; (ii) other groups of mutual funds, including T. Rowe Price Funds, tracked by: (A) Lipper Analytical Services, a widely used independent research firm which ranks mutual funds by overall performance, investment objectives, and assets; (B) Morningstar, Inc., another widely used independent research firm which ranks mutual funds; or (C) other financial or business publications, such as Business Week, Money Magazine, Forbes and Barron's, which provide similar information; (iii) indices of stocks comparable to those in which the Fund invests; (2) the Consumer Price Index (measure for inflation) may be used to assess the real rate of return from an investment in the Fund; (3) other government statistics such as GNP, and net import and export figures derived from governmental publications, e.g., The Survey of Current Business, may be used to illustrate investment attributes of the Fund or the general economic, business, investment, or financial environment in which the Fund operates; (4) various financial, economic and market statistics developed by brokers, dealers and other persons may be used to illustrate aspects of the Fund's performance; (5) the effect of tax-deferred compounding on the Fund's investment returns, or on returns in general, may be illustrated by graphs, charts, etc. where such graphs or charts would compare, at various points in time, the return from an investment in the Fund (or returns in general) on a tax-deferred basis (assuming reinvestment of capital gains and dividends and assuming one or more tax rates) with the return on a taxable basis; and (6) the sectors or industries in which the Fund invests may be compared to relevant indices or surveys (e.g., S&P Industry Surveys) in order to evaluate the Fund's historical performance or current or potential value with respect to the particular industry or sector. The Balanced Fund may also

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compare its performance or yield to a variety of fixed income investments (e.g., repos, CDs, Treasury bills) and other measures of performance set forth in financial publications maintained by persons such as the Donoghue Organization, Merrill Lynch, Pierce Fenner & Smith, Inc., Salomon Brothers, Inc. etc. In connection with (5) above, information derived from the following chart may be used:

In addition to the above, from time to time, in reports and promotional literature, one or more of the T. Rowe Price funds, including this Fund, may compare its performance to Overnight Government Repurchase Agreements, Treasury bills, notes, and bonds, certificates of deposit, and six-month money market certificates. Performance may also be compared to (1) indices of broad groups of managed or unmanaged securities considered to be representative of or similar to Fund portfolio holdings; (2) other mutual funds; or (3) other measures of performance set forth in publications such as:

Advertising News Service, Inc., "Bank Rate Monitor+ - The Weekly Financial Rate Reporter" is a weekly publication which lists the yields on various money market instruments offered to the public by 100 leading banks and thrift institutions in the U.S., including loan rates offered by these banks. Bank certificates of deposit differ from mutual funds in several ways: the interest rate established by the sponsoring bank is fixed for the term of a CD; there are penalties for early withdrawal from CDs; and the principal on a CD is insured.

Donoghue Organization, Inc., "Donoghue's Money Fund Report" is a weekly publication which tracks net assets, yield, maturity and portfolio holdings on approximately 380 money market mutual funds offered in the U.S. These funds are broken down into various categories such as U.S. Treasury, Domestic Prime and Euros, Domestic Prime and Euros and Yankees, and Aggressive.

First Boston High Yield Index. It shows statistics on the Composite Index and analytical data on new issues in the marketplace and low-grade issuers.

Lipper Analytical Services, Inc., "Lipper-Fixed Income Fund Performance Analysis" is a monthly publication which tracks net assets, total return, principal return and yield on approximately 950 fixed income mutual funds offered in the United States.

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Merrill Lynch, Pierce, Fenner & Smith, Inc., "Taxable Bond Indices" is a monthly publication which lists principal, coupon and total return on over 100 different taxable bond indices tracked by Merrill Lynch, together with the par weighted characteristics of each Index. The index used as a benchmark for the High Yield Fund is the High Yield Index. The two indices used as benchmarks for the Short-Term Bond Fund are the 91-Day Treasury Bill Index and the 1-2.99 Year Treasury Note Index.

Morningstar, Inc., is a widely used independent research firm which rates mutual funds by overall performance, investment objectives and assets.

Salomon Brothers Inc., "Analytical Record of Yields and Yield Spreads" is a publication which tracks historical yields and yield spreads on short-term market rates, public obligations of the U.S. Treasury and agencies of the U.S. government, public corporate debt obligations, municipal debt obligations and preferred stocks.

Salomon Brothers Inc., "Bond Market Round-up" is a weekly publication which tracks the yields and yield spreads on a large, but select, group of money market instruments, public

corporate debt obligations, and public obligations of the U.S. Treasury and agencies of the U.S. Government.

Salomon Brothers Inc., "High Yield Composite Index" is an index which provides performance and statistics for the high yield market place.

Salomon Brothers Inc., "Market Performance" is a monthly publication which tracks principal return, total return and yield on the Salomon Brothers Broad investment - Grade Bond Index and the components of the Index.

Shearson Lehman Brothers, Inc., "The Bond Market Report" is a monthly publication which tracks principal, coupon and total return on the Shearson Lehman Govt./Corp. Index and Shearson Lehman Aggregate Bond Index, as well as all the components of these Indices.

Telerate Systems, Inc., is a market data distribution network which tracks a broad range of financial markets including, the daily rates on money market instruments, public corporate debt obligations and public obligations of the U.S. Treasury and agencies of the U.S. Government.

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Wall Street Journal, is a national daily financial news publication which lists the yields and current market values on money market instruments, public corporate debt obligations, public obligations of the U.S. Treasury and agencies of the U.S. government as well as common stocks, preferred stocks, convertible preferred stocks, options and commodities; in addition to indices prepared by the research departments of such financial organizations as Shearson Lehman/American

Express Inc., and Merrill Lynch, Pierce, Fenner and Smith, Inc., including information provided by the Federal Reserve Board.

Performance rankings and ratings reported periodically in national financial publications such as MONEY, FORBES, BUSINESS WEEK, BARRON'S, etc. will also be used.

#### IRA Versus Taxable Return

Assuming 9% annual rate of return, \$2,000 annual contribution and 28% tax bracket.

Year	Taxable	Tax Deferred
10	\$ 28,700	\$ 33,100
15	51,400	64,000
20	82,500	111,500
25	125,100	184,600
30	183,300	297,200

#### IRAs

An IRA is a long-term investment whose objective is to accumulate personal savings for retirement. Due to the long-term nature of the investment, even slight differences in performance will result in significantly different assets at retirement. Mutual funds, with their diversity of choice, can be used for IRA investments. Generally, individuals may need to adjust their underlying IRA investments as their time to retirement and tolerance for risk changes.

#### Other Features and Benefits

The Fund is a member of the T. Rowe Price Family of Funds and may help investors achieve various long-term investment goals, such as investing money for retirement, saving for a down payment on a home, or paying college costs. To explain how the

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Fund could be used to assist investors in planning for these goals and to illustrate basic principles of investing, various worksheets and guides prepared by T. Rowe Price Associates, Inc. and/or T. Rowe Price Investment Services, Inc. may be made available. These currently include: the Asset Mix Worksheet which is designed to show shareholders how to reduce their investment risk by developing a diversified investment plan; the College Planning Guide which discusses various aspects of financial planning to meet college expenses and assists parents in projecting the costs of a college education for their children; the Retirement Planning Kit (also available in a PC version) includes a detailed workbook to determine how much money you may need for retirement and suggests how you might invest to achieve your objectives; and the Retirees Financial Guide which includes a detailed workbook to determine how much money you can afford to spend and still preserve your purchasing power and suggests how you might invest to reach your goal and the Personal Strategy Planner simplifies investment decision making by helping investors define personal financial goals, established length of time the investor intends to invest, determine risk "comfort zone" and select a diversified investment mix. From time to time, other worksheets and guides may be made available as well. Of course, an investment in the Fund cannot guarantee that such goals will be met.

To assist investors in understanding the different returns and risk characteristics of various investments, the aforementioned guides will include presentation of historical returns of various investments using published indices. An example of this is shown below.

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### Historical Returns for Different Investments

Annualized returns for periods ended 12/31/94

	50 years	20 years	10 years	5 years
Small-Company Stocks	14.4%	20.3%	11.1%	11.8%
Large-Company Stocks	11.9	14.6	14.4	8.7
Foreign Stocks	N/A	16.3	17.9	1.8
Long-Term Corporate Bonds	5.3	10.0	11.6	8.4
Intermediate-Term U.S. Gov't. Bonds	5.6	9.3	9.4	7.5
Treasury Bills	4.7	7.3	5.8	4.7
U.S. Inflation	4.5	5.5	3.6	3.5

Sources: Ibbotson Associates, Morgan Stanley. Foreign stocks reflect performance of The Morgan Stanley Capital International EAFE Index, which includes some 1,000 companies representing the stock markets of Europe, Australia, New Zealand, and the Far East. This chart is for illustrative purposes only and should not be considered as performance for, or the annualized return of, any T. Rowe Price Fund. Past performance does not guarantee future results.



Also included will be various portfolios demonstrating how these historical indices would have performed in various combinations over a specified time period in terms of return. An example of this is shown below.

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Performance of Retirement Portfolios\*

Asset Mix	Average Annualized Returns 20 Years Ended 12/31/94		Value of \$10,000 Investment After Period	
	Nominal	Real	Best Year	Worst Year
Portfolio	Growth	Income	Safety	Return**
I. Low				

Risk	40%	40%	20%	12.4%	6.9%	24.9%	0.1%	\$ 92,515
II. Moderate								
Risk	60%	30%	10%	13.5%	8.1%	29.1%	-1.8%	\$118,217
III. High								
Risk	80%	20%	0%	14.5%	9.1%	33.4%	-5.2%	\$149,200

Source: T. Rowe Price Associates; data supplied by Lehman Brothers, Wilshire Associates, and Ibbotson Associates.

\* Based on actual performance for the 20 years ended 1993 of stocks (85% Wilshire 5000 and 15% Europe, Australia, Far East [EAFE] Index), bonds (Lehman Brothers Aggregate Bond Index from 1976-94 and Lehman Brothers Government/Corporate Bond Index from 1975), and 30-day Treasury bills from January 1975 through December 1994. Past performance does not guarantee future results. Figures include changes in principal value and reinvested dividends and assume the same asset mix is maintained each year. This exhibit is for illustrative purposes only and is not representative of the performance of any T. Rowe Price fund.

\*\* Based on inflation rate of 5.5% for the 20-year period ended 12/31/94.

### Insights

From time to time, Insights, a T. Rowe Price publication of reports on specific investment topics and strategies, may be included in the Fund's fulfillment kit. Such reports may include information concerning: calculating taxable gains and losses on mutual fund transactions, coping with stock market volatility,

benefiting from dollar cost averaging, understanding international markets, investing in high-yield "junk" bonds, growth stock investing, conservative stock investing, value investing, investing in small companies, tax-free investing, fixed income investing, investing in mortgage-backed securities, as well as other topics and strategies.

#### Other Publications

From time to time, in newsletters and other publications issued by T. Rowe Price Investment Services, Inc., reference may be made to economic, financial and political developments in the U.S. and abroad and their effect on securities prices. Such discussions may take the form of commentary on these developments by T. Rowe Price mutual fund portfolio managers and their views and analysis on how such developments could affect investments in mutual funds.

#### Dividend Growth Fund

##### Growing income from rising dividends

Chart 1

A line graph titled "Growing income from rising dividends" which depicts hypothetical income and yield on a original investment of \$10,000 in a stock currently yielding 3% and whose dividends grow 8% a year. The chart shows a range of yields from 0% to 15% and income from \$0 to \$1,500, for five year periods from zero to 20. The yield and income for each of the periods are approximately as listed below.

	5 Years	10 Years	15 Years	20 Years
Yield	4%	6%	9%	14%
Income	\$400	\$600	\$900	\$1,400

Chart depicts hypothetical income and yield on an original investment of \$10,000 in a stock currently yielding 3% and whose dividends grow 8% a year.

Example is for illustrative purposes only and is not indicative of an investment in the T. Rowe Price Dividend Growth Fund.

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New Horizons, OTC and Small-Cap Value Funds

PERFORMANCE OF LARGE VS. SMALL COMPANY  
STOCKS FOLLOWING RECESSIONS  
(Total Return For 12 Months After Recession)

Chart 2

Bar graph appears here comparing large and small company stocks during eight post-recession periods.

Large Company Stocks

Post- Recession Periods	5/54- 5/55	4/58- 4/59	2/61- 2/62	11/70- 11/71	3/75- 3/76	7/80- 7/81	11/82- 11/83	3/91- 3/92
	36%	38%	13%	11%	28%	14%	26%	11%

Small Company Stocks

Post- Recession Periods	5/54- 5/55	4/58- 4/59	2/61- 2/62	11/70- 11/71	3/75- 3/76	7/80- 7/81	11/82- 11/83	3/91- 3/92
	51%	53%	18%	12%	58%	45%	44%	28%

Source: T. Rowe Price Associates, Inc.

Data supplied by Ibbotson Associates

The average price-earnings (p/e) ratio of the T. Rowe Price New Horizons Fund is a valuation measure widely used by the investment community with respect to small company stocks, and, in the opinion of T. Rowe Price, has been a good indicator of future small-cap stock performance. The following chart is intended to show the history of the average (unweighted) p/e ratio of the New Horizons Fund's portfolio companies compared with the p/e ratio of the Standard & Poor's 500 Index. Of course, the portfolio of the OTC and Small-Cap Value Funds will

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differ from the portfolio of the New Horizons Fund. Earnings per share are estimated by T. Rowe Price for each quarter end.

T. ROWE PRICE NEW HORIZONS FUND, INC.  
P/E Ratio of Fund's Portfolio Securities  
Relative To The S & P "500" P/E Ratio  
(12 Months Forward) January 31, 1994

### Chart 3

This is a one line chart that shows the p/e ratio of the New Horizons Fund relative to the p/e ratio of the S&P 500 Stock Index. The ratio between the two p/e's is depicted quarterly from 3/61 to 12/31/93.

The horizontal axis is divided into two year periods. The vertical axis indicates the relative p/e ratio with 0.5, 1, 1.5, 2 and 2.5 indicated by horizontal lines. The ratio at 3/61 is approximately 2, is at the lowest point in the first quarter of 1977 at approximately 0.95, is at the highest point near the end of 1983 at approximately 2.2,

and is at 1.4 on December 31, 1993.

Source: T. Rowe Price Associates, Inc.

#### No-Load Versus Load and 12b-1 Funds

Unlike the T. Rowe Price funds, many mutual funds charge sales fees to investors or use fund assets to finance distribution activities. These fees are in addition to the normal advisory fees and expenses charged by all mutual funds. There are several types of fees charged which vary in magnitude and which may often be used in combination. A sales charge (or "load") can be charged at the time the fund is purchased (front-end load) or at the time of redemption (back-end load). Front-end loads are charged on the total amount invested. Back-end loads or "redemption fees" are charged either on the amount originally invested or on the amount redeemed. 12b-1 plans allow for the payment of marketing and sales expenses from fund assets. These expenses are usually computed daily as a fixed percentage of assets.

The Fund is a no-load fund which imposes no sales charges or 12b-1 fees. No-load funds are generally sold directly to the public without the use of commissioned sales representatives. This means that 100% of your purchase is invested for you.

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The examples in the attached table show the impact on investment performance of the most common types of sales charges. For each example the investor has \$10,000 to invest and each fund performs at a compound annual rate of 6% per year (net of fund expenses, including management fees) for ten years. The "Total After 10 Years" shows the amount the investor would receive from

the fund after ten years. Net charges are the total sales fee(s) paid by the investor or charged to the fund's assets. Figures for total return are net of Fund expenses including management fees.

The table is for illustrative purposes and is not intended to reflect the anticipated performance of the Fund.

If a \$10,000 investment produced a 6% annual total return for ten years in a mutual fund that has . . .

	No Sales Charge "No-Load"	A Redemp- tion Fee of 1%	A Sales Charge of 2% With a 1% Redemp- tion Fee	A Sales Charge of 8.5%	1 1.00% 12b-1 Plan Distri- bution Fee
Original Investment	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
(Sales Charge)	N/C 2	N/C	(200)	(850)	N/C
Amount Credited to Account	\$10,000	\$10,000	\$ 9,800	\$ 9,150	\$10,000
Compounded at 6%					
For Ten Years	\$17,908	\$17,908	\$17,550	\$16,386	\$16,196
Less Redemption Fee	N/C	(179)	(176)	N/C	N/C
Total After 10 Years	\$17,908	\$17,729	\$17,374	\$16,386	\$16,196
Net Charges	\$0	(\$179)	(\$376)	(\$850)	(\$1,332)

1 Figures have been rounded

2 N/C - No charge

3 Net of 12b-1 plan distribution charges

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#### Redemptions in Kind

In the unlikely event a shareholder were to receive an in kind redemption of portfolio securities of the Fund, brokerage fees could be incurred by the shareholder in a subsequent sale of such securities.

#### Issuance of Fund Shares for Securities

Transactions involving issuance of Fund shares for securities or assets other than cash will be limited to (1) bona fide reorganizations; (2) statutory mergers; or (3) other acquisitions of portfolio securities that: (a) meet the investment objective and policies of the Fund; (b) are acquired for investment and not for resale except in accordance with applicable law; (c) have a value that is readily ascertainable via listing on or trading in a recognized United States or international exchange or market; and (d) are not illiquid.

#### Balanced Fund

On August 31, 1992, the T. Rowe Price Balanced Fund acquired substantially all of the assets of the Axe-Houghton Fund B, a series of Axe-Houghton Funds, Inc. As a result of this acquisition, the Securities & Exchange Commission requires that the historical performance information of the Balanced Fund be based on the performance of Fund B. Therefore, all performance information of the Balanced Fund prior to September 1, 1992, reflects the performance of Fund B and investment managers other than T. Rowe Price. Performance information after August 31, 1992, reflects the combined assets of the Balanced Fund and Fund B.

All Funds, Except Capital Appreciation, Equity Income and New America Growth Funds

#### CAPITAL STOCK

The Fund's Charter authorizes the Board of Directors to classify and reclassify any and all shares which are then unissued, including unissued shares of capital stock into any number of classes or series, each class or series consisting of



such number of shares and having such designations, such powers, preferences, rights, qualifications, limitations, and restrictions, as shall be determined by the Board subject to the Investment Company Act and other applicable law. The shares of

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any such additional classes or series might therefore differ from the shares of the present class and series of capital stock and from each other as to preferences, conversions or other rights, voting powers, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption, subject to applicable law, and might thus be superior or inferior to the capital stock or to other classes or series in various characteristics. The Board of Directors may increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the Fund has authorized to issue without shareholder approval.

Except to the extent that the Fund's Board of Directors might provide by resolution that holders of shares of a particular class are entitled to vote as a class on specified matters presented for a vote of the holders of all shares entitled to vote on such matters, there would be no right of class vote unless and to the extent that such a right might be construed to exist under Maryland law. The Charter contains no provision entitling the holders of the present class of capital stock to a vote as a class on any matter. Accordingly, the preferences, rights, and other characteristics attaching to any class of shares, including the present class of capital stock, might be altered or eliminated, or the class might be combined with another class or classes, by action approved by the vote of the holders of a majority of all the shares of all classes entitled to be voted on the proposal, without any additional

right to vote as a class by the holders of the capital stock or of another affected class or classes.

Shareholders are entitled to one vote for each full share held (and fractional votes for fractional shares held) and will vote in the election of or removal of directors (to the extent hereinafter provided) and on other matters submitted to the vote of shareholders. There will normally be no meetings of shareholders for the purpose of electing directors unless and until such time as less than a majority of the directors holding office have been elected by shareholders, at which time the directors then in office will call a shareholders' meeting for the election of directors. Except as set forth above, the directors shall continue to hold office and may appoint successor directors. Voting rights are not cumulative, so that the holders of more than 50% of the shares voting in the election of directors can, if they choose to do so, elect all the directors of the Fund, in which event the holders of the remaining shares will be unable to elect any person as a director. As set forth in the By-Laws of the Fund, a special meeting of shareholders of

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the Fund shall be called by the Secretary of the Fund on the written request of shareholders entitled to cast at least 10% of all the votes of the Fund entitled to be cast at such meeting. Shareholders requesting such a meeting must pay to the Fund the reasonably estimated costs of preparing and mailing the notice of the meeting. The Fund, however, will otherwise assist the shareholders seeking to hold the special meeting in communicating to the other shareholders of the Fund to the extent required by Section 16(c) of the Investment Company Act of 1940.

Capital Appreciation, Equity Income and New America Growth Funds

## ORGANIZATION OF THE FUND

For tax and business reasons, the Funds' were organized as Massachusetts Business Trusts (1985 for the Equity Income and New America Growth Funds and 1986 for the Capital Appreciation Fund), and are registered with the Securities and Exchange Commission under the Investment Company Act of 1940 as diversified, open-end investment companies, commonly known as "mutual funds."

The Declaration of Trust permits the Board of Trustees to issue an unlimited number of full and fractional shares of a single class. The Declaration of Trust also provides that the Board of Trustees may issue additional series or classes of shares. Each share represents an equal proportionate beneficial interest in the Fund. In the event of the liquidation of the Fund, each share is entitled to a pro rata share of the net assets of the Fund.

Shareholders are entitled to one vote for each full share held (and fractional votes for fractional shares held) and will vote in the election of or removal of trustees (to the extent hereinafter provided) and on other matters submitted to the vote of shareholders. There will normally be no meetings of shareholders for the purpose of electing trustees unless and until such time as less than a majority of the trustees holding office have been elected by shareholders, at which time the trustees then in office will call a shareholders' meeting for the election of trustees. Pursuant to Section 16(c) of the Investment Company Act of 1940, holders of record of not less than two-thirds of the outstanding shares of the Fund may remove a trustee by a vote cast in person or by proxy at a meeting called for that purpose. Except as set forth above, the trustees shall continue to hold office and may appoint successor trustees. Voting rights are not cumulative, so that the holders of more

than 50% of the shares voting in the election of trustees can, if they choose to do so, elect all the trustees of the Trust, in which event the holders of the remaining shares will be unable to elect any person as a trustee. No amendments may be made to the Declaration of Trust without the affirmative vote of a majority of the outstanding shares of the Trust.

Shares have no preemptive or conversion rights; the right of redemption and the privilege of exchange are described in the prospectus. Shares are fully paid and nonassessable, except as set forth below. The Trust may be terminated (i) upon the sale of its assets to another diversified, open-end management investment company, if approved by the vote of the holders of two-thirds of the outstanding shares of the Trust, or (ii) upon liquidation and distribution of the assets of the Trust, if approved by the vote of the holders of a majority of the outstanding shares of the Trust. If not so terminated, the Trust will continue indefinitely.

Under Massachusetts law, shareholders could, under certain circumstances, be held personally liable for the obligations of the Fund. However, the Declaration of Trust disclaims shareholder liability for acts or obligations of the Fund and requires that notice of such disclaimer be given in each agreement, obligation or instrument entered into or executed by the Fund or a Trustee. The Declaration of Trust provides for indemnification from Fund property for all losses and expenses of any shareholder held personally liable for the obligations of the Fund. Thus, the risk of a shareholder's incurring financial loss on account of shareholder liability is limited to circumstances in which the Fund itself would be unable to meet its obligations, a possibility which T. Rowe Price believes is remote. Upon payment of any liability incurred by the Fund, the shareholders of the Fund paying such liability will be entitled to reimbursement from the general assets of the Fund. The Trustees intend to conduct the operations of the Fund in such a way so as to avoid, as far as possible, ultimate liability of the shareholders for liabilities of such Fund.

#### FEDERAL AND STATE REGISTRATION OF SHARES

The Fund's shares are registered for sale under the Securities Act of 1933, and the Fund or its shares are registered under the laws of all states which require registration, as well as the District of Columbia and Puerto Rico.

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#### LEGAL COUNSEL

Shereff, Friedman, Hoffman, & Goodman, LLP, whose address is 919 Third Avenue, New York, New York 10022, is legal counsel to the Fund.

#### INDEPENDENT ACCOUNTANTS

Blue Chip Growth, Dividend Growth, Equity Income, Growth & Income, Mid-Cap Growth, New America Growth, and New Era Funds

Price Waterhouse LLP, 7 St. Paul Street, Suite 1700, Baltimore, Maryland 21202, are independent accountants to the Fund.

Balanced, Capital Appreciation, Capital Opportunity, Growth Stock, Equity Index Fund, New Horizons, OTC, Science & Technology, and Small-Cap Value, and Value Funds

Coopers & Lybrand L.L.P., 217 East Redwood Street, Baltimore, Maryland 21202, are independent accountants to the Fund.

The financial statements of the Fund for the year ended December 31, 1994, and the report of independent accountants are included in the Fund's Annual Report for the year ended December 31, 1994. A copy of the Annual Report accompanies this Statement of Additional Information. The following financial statements and the report of independent accountants appearing in the Annual Report for the year ended December 31, 1994, are incorporated into this Statement of Additional Information by reference:

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ANNUAL REPORT REFERENCES:

	CAPITAL APPRECIATION	EQUITY INCOME	EQUITY INDEX	GROWTH & INCOME
	_____	_____	_____	_____
Report of Independent Accountants	15	15	17	15
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SMALL-CAP  
VALUE

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BLUE CHIP  
GROWTH

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Moody's Investors Services, Inc. (Moody's)

Aaa-Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge."

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Aa-Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds.

A-Bonds rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations.

Baa-Bonds rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba-Bonds rated Ba are judged to have speculative elements: their futures cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterize bonds in this class.

B-Bonds rated B generally lack the characteristics of a desirable investment. Assurance of interest and principal

payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa-Bonds rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca-Bonds rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked short-comings.

C-Lowest-rated; extremely poor prospects of ever attaining investment standing.

Standard & Poor's Corporation (S&P)

AAA-This is the highest rating assigned by Standard & Poor's to a debt obligation and indicates an extremely strong capacity to pay principal and interest.

AA-Bonds rated AA also qualify as high-quality debt obligations. Capacity to pay principal and interest is very strong.

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A-Bonds rated A have a strong capacity to pay principal and interest, although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

BBB-Bonds rated BBB are regarded as having an adequate capacity to pay principal and interest. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or

changing circumstances are more likely to lead to a weakened capacity to pay principal and interest for bonds in this category than for bonds in the A category.

BB, C, CCC, CC-Bonds rated BB, B, CCC, and CC are regarded on balance, as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. BB indicates the lowest degree of speculation and CC the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

D-In default.

Fitch Investors Service, Inc.

AAA-High grade, broadly marketable, suitable for investment by trustees and fiduciary institutions, and liable to but slight market fluctuation other than through changes in the money rate. The prime feature of a "AAA" bond is the showing of earnings several times or many times interest requirements for such stability of applicable interest that safety is beyond reasonable question whenever changes occur in conditions. Other features may enter, such as a wide margin of protection through collateral, security or direct lien on specific property. Sinking funds or voluntary reduction of debt by call or purchase or other factors, while guarantee or assumption by parties other than the original debtor may influence their rating.

AA-Of safety virtually beyond question and readily salable. Their merits are not greatly unlike those of "AAA" class but a bond so rated may be junior though of strong lien, or the margin of safety is less strikingly broad. The issue may be the obligation of a small company, strongly secured, but influenced as to rating by the lesser financial power of the enterprise and more local type of market.

## APPENDIX A

## Chart 1

A line graph titled "Growing income from rising dividends" which depicts hypothetical income and yield on a original investment of \$10,000 in a stock currently yielding 3% and whose dividends grow 8% a year. The chart shows a range of yields from 0% to 15% and income from \$0 to \$1,500, for five year periods from zero to 20. The yield and income for each of the periods are approximately as listed below.

	5 Years	10 Years	15 Years	20 Years
Yield	4%	6%	9%	14%
Income	\$400	\$600	\$900	\$1,400

Chart depicts hypothetical income and yield on an original investment of \$10,000 in a stock currently yielding 3% and whose dividends grow 8% a year. Example is for illustrative purposes only and is not indicative of an investment in the T. Rowe Price Dividend Growth Fund.

## Chart 2

Bar graph appears here comparing large and small company stocks during eight post-recession periods.

## Large Company Stocks

Post- Recession Periods	5/54- 5/55	4/58- 4/59	2/61- 2/62	11/70- 11/71	3/75- 3/76	7/80- 7/81	11/82- 11/83	3/91- 3/92
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	36%	38%	13%	11%	28%	14%	26%	11%
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Small Company Stocks

Post- Recession Periods	5/54- 5/55	4/58- 4/59	2/61- 2/62	11/70- 11/71	3/75- 3/76	7/80- 7/81	11/82- 11/83	3/91- 3/92
	51%	53%	18%	12%	58%	45%	44%	28%

Source: T. Rowe Price Associates, Inc.  
Data supplied by Ibbotson Associates

The average price-earnings (p/e) ratio of the T. Rowe Price New Horizons Fund is a valuation measure widely used by the investment community with respect to small company stocks, and, in the opinion of T. Rowe Price, has been a good indicator of future small-cap stock performance. The following chart is intended to show the history of the average (unweighted) p/e ratio of the New Horizons Fund's portfolio companies compared with the p/e ratio of the Standard & Poor's 500 Index. Of course, the portfolio of the OTC and Small-Cap Value Funds will differ from the portfolio of the New Horizons Fund. Earnings per share are estimated by T. Rowe Price for each quarter end.

Chart 3

This is a one line chart that shows the p/e ratio of the New Horizons Fund relative to the p/e ratio of the S&P 500 Stock Index. The ratio between the two p/e's is depicted quarterly from 3/61 to 12/31/93.

The horizontal axis is divided into two year periods. The vertical axis indicates the relative p/e ratio with 0.5, 1, 1.5, 2 and 2.5 indicated by horizontal lines. The ratio at 3/61 is approximately 2, is at the lowest point in the first quarter of 1977 at approximately 0.95, is at the highest point near the end of 1983 at approximately 2.2, and is at 1.4 on December 31, 1993.

Source: T. Rowe Price Associates, Inc.

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PART C  
OTHER INFORMATION

Item 24. Financial Statements and Exhibits.

- (a) Financial Statements. Condensed Financial Information (Financial Highlights table) is included in Part A of the Registration Statement.

Statement of Net Assets, Statement of Operations, Statement of Changes in Net Assets are included in the Annual Report to Shareholders, the pertinent portions of which are incorporated by reference in Part B of the Registration Statement.



(b) Exhibits.

- (1) Articles of Incorporation of Registrant, dated December 19, 1989
- (1) (a) Amended Articles of Incorporation of Registrant, dated February 20, 1990 (electronically filed with Amendment No. 8 dated February 28, 1994)
- (1) (b) Articles of Amendment dated May 1, 1991
- (2) By-Laws of Registrant, amended to May 1, 1991 (electronically filed with Amendment No. 8 dated February 28, 1994)
- (3) Inapplicable
- (4) Inapplicable
- (5) Investment Management Agreement between the Registrant on behalf of Registrant and T. Rowe Price Associates, Inc., dated May 1, 1991 (electronically filed with Amendment No. 8 dated February 28, 1994)
- (6) Underwriting Agreement between the Registrant and T. Rowe Price Investment Services, Inc., dated February 21, 1990 (electronically filed with Amendment No. 8 dated February 28, 1994)
- (7) Inapplicable
- (8) Custodian Agreement between T. Rowe Price Funds and State Street Bank and Trust Company, dated September 28, 1987, as amended to June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991,

March 6, 1991, September 12, 1991, November 6, 1991, April 23, 1992, September 2, 1992, November 3, 1992, December 16, 1992, December 21, 1992, and January 28, 1993, April 22, 1993, September 16, 1993, November 3, 1993, March 1, 1994, April 21, 1994, July 27, 1994, September 21, 1994, November 1, 1994, November 2, 1994, and January 25, 1995

- (9) (a) Transfer Agency and Service Agreement between T. Rowe Price Services, Inc. and T. Rowe Price Funds, dated January 1, 1995, as amended January 25, 1995
- (9) (b) Agreement between T. Rowe Price Associates, Inc. and T. Rowe Price Funds for Fund Accounting Services, dated January 1, 1995, as amended January 25, 1995
- (9) (c) Agreement between T. Rowe Price Retirement Plan Services, Inc. and the Taxable Funds, dated January 1, 1995, as amended January 25, 1995
- (10) Inapplicable
- (11) Consent of Independent Accountants
- (12) Inapplicable
- (13) Inapplicable
- (14) Inapplicable
- (15) Inapplicable
- (16) The Registrant hereby incorporates by reference the methodology used in calculating the performance information included in Post-Effective Amendment No. 45 and Amendment No. 9 of the T. Rowe Price New Era Fund, Inc. (SEC. File Nos. 2-29866 and 811-1710) dated March 2, 1988.
- (17) Financial Data Schedule for T. Rowe Price Equity Index Fund as of December 31, 1994.

Item 25. Persons Controlled by or Under Common Control With Registrant.

None.

Item 26. Number of Holders of Securities

As of January 31, 1995, there were 1,742 shareholders in the

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Item 27. Indemnification

The Registrant maintains comprehensive Errors and Omissions and Officers and Directors insurance policies written by the Evanston Insurance Company, The Chubb Group, and ICI Mutual. These policies provide coverage for the named insureds, which include T. Rowe Price Associates, Inc. ("Manager"), Rowe Price-Fleming International, Inc. ("Price-Fleming"), T. Rowe Price Investment Services, Inc., T. Rowe Price Services, Inc., T. Rowe Price Trust Company, T. Rowe Price Stable Asset Management, Inc., RPF International Bond Fund, and thirty-nine other investment companies, namely, T. Rowe Price Growth Stock Fund, Inc., T. Rowe Price New Horizons Fund, Inc., T. Rowe Price New Era Fund, Inc., T. Rowe Price New Income Fund, T. Rowe Price Prime Reserve Fund, Inc., T. Rowe Price Tax-Free Income Fund, Inc., T. Rowe Price Tax-Exempt Money Fund, Inc., T. Rowe Price International Funds, Inc., T. Rowe Price Growth & Income Fund, Inc., T. Rowe Price Tax-Free Short-Intermediate Fund, Inc., T. Rowe Price Short-Term Bond Fund, Inc., T. Rowe Price High Yield Fund, Inc., T. Rowe Price Tax-Free High Yield Fund, Inc., T. Rowe Price New America Growth Fund, T. Rowe Price Equity Income Fund, T. Rowe Price GNMA Fund, T. Rowe Price Capital Appreciation Fund, T. Rowe Price State Tax-Free Income Trust, T. Rowe Price California Tax-Free Income Trust, T. Rowe Price Science & Technology Fund, Inc., T. Rowe Price Small-Cap Value Fund, Inc., Institutional International Funds, Inc., T. Rowe Price U.S. Treasury Funds, Inc., T. Rowe Price Spectrum Fund, Inc., T. Rowe Price Balanced Fund, Inc., T. Rowe Price Adjustable Rate U.S. Government Fund, Inc., T. Rowe Price Mid-Cap Growth Fund, Inc., T. Rowe Price OTC Fund, Inc., T. Rowe Price Tax-Free Insured Intermediate Bond Fund, Inc., T. Rowe Price Dividend Growth Fund, Inc., T. Rowe Price Blue Chip Growth Fund, Inc., T. Rowe Price Summit Funds, Inc., T. Rowe Price Summit Municipal Funds, Inc., T. Rowe Price Equity Series, Inc., T. Rowe Price International Series, Inc., T. Rowe Price Fixed Income Series, Inc., T. Rowe Price Personal

Strategy Funds, Inc., T. Rowe Price Value Fund, Inc., and T. Rowe Price Capital Opportunity Fund, Inc. The Registrant and the thirty-nine investment companies listed above, with the exception of T. Rowe Price Equity Series, Inc., T. Rowe Price International Series, Inc., T. Rowe Price Fixed Income Series, Inc. and Institutional International Funds, Inc., will be collectively referred to as the Price Funds. The investment manager for the Price Funds, including T. Rowe Price Equity Series, Inc. and T. Rowe Price Fixed Income Series, Inc., is the Manager. Price-Fleming is the manager to T. Rowe Price International Funds, Inc., T. Rowe Price International Series, Inc. and Institutional International Funds, Inc. and is 50% owned by TRP Finance, Inc., a wholly-owned subsidiary of the Manager, 25% owned by Copthall Overseas Limited, a wholly-owned subsidiary of Robert Fleming Holdings Limited, and 25% owned by Jardine Fleming International Holdings Limited. In addition to the corporate insureds, the policies also cover the officers, directors, and employees of each of the named insureds. The premium is allocated among the

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named corporate insureds in accordance with the provisions of Rule 17d-1(d)(7) under the Investment Company Act of 1940.

Article X, Section 10.01 of the Registrant's By-Laws provides as follows:

Section 10.01. Indemnification and Payment of Expenses in Advance: The Corporation shall indemnify any individual ("Indemnitee") who is a present or former director, officer, employee, or agent of the Corporation, or who is or has been serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, who, by reason of his position was, is, or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (hereinafter collectively referred to as a "Proceeding") against any judgments, penalties, fines, settlements, and reasonable expenses (including attorneys' fees) incurred by such Indemnitee in

connection with any Proceeding, to the fullest extent that such indemnification may be lawful under Maryland law. The Corporation shall pay any reasonable expenses so incurred by such Indemnitee in defending a Proceeding in advance of the final disposition thereof to the fullest extent that such advance payment may be lawful under Maryland law. Subject to any applicable limitations and requirements set forth in the Corporation's Articles of Incorporation and in these By-Laws, any payment of indemnification or advance of expenses shall be made in accordance with the procedures set forth in Maryland law.

Notwithstanding the foregoing, nothing herein shall protect or purport to protect any Indemnitee against any liability to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his office ("Disabling Conduct").

Anything in this Article X to the contrary notwithstanding, no indemnification shall be made by the Corporation to any Indemnitee unless:

- (a) there is a final decision on the merits by a court or other body before whom the Proceeding was brought that the Indemnitee was not liable by reason of Disabling Conduct; or
- (b) in the absence of such a decision, there is a reasonable determination, based upon a review of the facts, that the Indemnitee was not liable by reason of Disabling Conduct, which determination shall be made by:

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- (i) the vote of a majority of a quorum of directors who are neither "interested persons" of the Corporation as defined in Section 2(a)(19) of the Investment Company

Act of 1940, nor parties to the Proceeding;  
or

- (ii) an independent legal counsel in a written opinion.

Anything in this Article X to the contrary notwithstanding, any advance of expenses by the Corporation to any Indemnitee shall be made only upon the undertaking by such Indemnitee to repay the advance unless it is ultimately determined that such Indemnitee is entitled to indemnification as above provided, and only if one of the following conditions is met:

- (a) the Indemnitee provides a security for his undertaking; or
- (b) the Corporation shall be insured against losses arising by reason of any lawful advances; or
- (c) there is a determination, based on a review of readily available facts, that there is reason to believe that the Indemnitee will ultimately be found entitled to indemnification, which determination shall be made by:
  - (i) a majority of a quorum of directors who are neither "interested persons" of the Corporation as defined in Section 2(a)(19) of the Investment Company Act of 1940, nor parties to the Proceeding; or
  - (ii) an independent legal counsel in a written opinion.

Section 10.02 of the Registrant's By-Laws provides as follows:

Section 10.02. Insurance of Officers, Directors, Employees and Agents: To the fullest extent permitted by applicable Maryland law and by Section 17(h) of the Investment Company Act, as from time to time amended, the Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against any liability asserted

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against him and incurred by him in or arising out of his position, whether or not the Corporation would have the power to indemnify him against such liability.

Insofar as indemnification for liability arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Item 28. Business and Other Connections of Investment Manager.

Rowe Price-Fleming International, Inc. ("Price-Fleming"), a Maryland corporation, is a corporate joint venture 50% owned by TRP Finance, Inc., a wholly-owned subsidiary of the Manager. Price-Fleming was organized in 1979 to provide investment counsel service with respect to foreign securities for institutional investors in the United States. In addition to managing private counsel client accounts, Price-Fleming also sponsors registered investment companies which invest in foreign securities, serves as general partner of RPF International Partners, Limited Partnership, and provides investment advice to the T. Rowe Price Trust Company, trustee of the International Common Trust Fund.

T. Rowe Price Investment Services, Inc. ("Investment Services"),

a wholly-owned subsidiary of the Manager, is a Maryland corporation organized in 1980 for the purpose of acting as the principal underwriter and distributor for the Price Funds. Investment Services is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. In 1984, Investment Services expanded its activities to include a discount brokerage service.

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TRP Distribution, Inc., a wholly-owned subsidiary of Investment Services, is a Maryland corporation organized in 1991. It was organized for and engages in the sale of certain investment related products prepared by Investment Services.

T. Rowe Price Associates Foundation, Inc., was organized in 1981 for the purpose of making charitable contributions to religious, charitable, scientific, literary and educational organizations. The Foundation (which is not a subsidiary of the Manager) is funded solely by contributions from the Manager and income from investments.

T. Rowe Price Services, Inc. ("Price Services"), a wholly-owned subsidiary of the Manager, is a Maryland corporation organized in 1982 and is registered as a transfer agent under the Securities Exchange Act of 1934. Price Services provides transfer agent, dividend disbursing, and certain other services, including shareholder services, to the Price Funds.

T. Rowe Price Retirement Plan Services, Inc. ("RPS"), a wholly-owned subsidiary of the Manager, was incorporated in Maryland in 1991 and is registered as a transfer agent under the Securities Exchange Act of 1934. RPS provides administrative, recordkeeping, and subaccounting services to administrators of employee benefit plans.



T. Rowe Price Trust Company ("Trust Company"), a wholly-owned subsidiary of the Manager, is a Maryland-chartered limited purpose trust company, organized in 1983 for the purpose of providing fiduciary services. The Trust Company serves as trustee/custodian for employee benefit plans, individual retirement accounts and common trust funds and as trustee/investment agent for a few trusts.

T. Rowe Price Threshold Fund Associates, Inc., a wholly-owned subsidiary of the Manager, is a Maryland corporation organized in 1994 and serves as the general partner of T. Rowe Price Threshold Fund III, L.P., a Delaware limited partnership established in 1994.

T. Rowe Price Threshold Fund II, L.P., a Delaware limited partnership, was organized in 1986 by the Manager, and invests in private financings of small companies with high growth potential; the Manager is the General Partner of the partnership.

T. Rowe Price Threshold Fund III, L.P., a Delaware limited partnership was organized in 1994 by the Manager, and invests in private financings of small companies with high growth potential; T. Rowe Price Threshold Fund Associates, Inc. is the General Partner of this partnership.

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RPFI International Partners, Limited Partnership, is a Delaware limited partnership organized in 1985 for the purpose of investing in a diversified group of small and medium-sized non-U.S. companies. Price-Fleming is the general partner of this partnership, and certain institutional investors, including advisory clients of Price-Fleming are its limited partners.

T. Rowe Price Real Estate Group, Inc. ("Real Estate Group"), is a Maryland corporation and a wholly-owned subsidiary of the Manager established in 1986 to provide real estate services. Subsidiaries of Real Estate Group are: T. Rowe Price Realty

Income Fund I Management, Inc., a Maryland corporation (General Partner of T. Rowe Price Realty Income Fund I, A No-Load Limited Partnership), T. Rowe Price Realty Income Fund II Management, Inc., a Maryland corporation (General Partner of T. Rowe Price Realty Income Fund II, America's Sales-Commission-Free Real Estate Limited Partnership), T. Rowe Price Realty Income Fund III Management, Inc., a Maryland corporation (General Partner of T. Rowe Price Realty Income Fund III, America's Sales-Commission-Free Real Estate Limited Partnership, a Delaware limited partnership), and T. Rowe Price Realty Income Fund IV Management, Inc., a Maryland corporation (General Partner of T. Rowe Price Realty Income Fund IV, America's Sales-Commission-Free Real Estate Limited Partnership). Real Estate Group serves as investment manager to T. Rowe Price Renaissance Fund, Ltd., A Sales-Commission-Free Real Estate Investment, established in 1989 as a Maryland corporation which qualifies as a REIT.

T. Rowe Price Stable Asset Management, Inc. ("Stable Asset Management") is a Maryland corporation organized in 1988 as a wholly-owned subsidiary of the Manager. Stable Asset Management, which is registered as an investment adviser under the Investment Advisers Act of 1940, specializes in the management of investment portfolios which seek stable and consistent investment returns through the use of guaranteed investment contracts, bank investment contracts, structured investment contracts, and short-term fixed-income securities.

T. Rowe Price Recovery Fund Associates, Inc., a Maryland corporation, is a wholly-owned subsidiary of the Manager organized in 1988 for the purpose of serving as the General Partner of T. Rowe Price Recovery Fund, L.P., a Delaware limited partnership which invests in financially distressed companies.

T. Rowe Price (Canada), Inc. ("TRP Canada") is a Maryland corporation organized in 1988 as a wholly-owned subsidiary of the Manager. This entity is registered as an investment adviser under the Investment Advisers Act of 1940, and as a non-Canadian Adviser under the Securities Act (Ontario). TRP Canada provides certain services to the RPF International Bond Fund, a trust (whose shares are sold in Canada), and Price-Fleming serves as investment adviser to TRP Canada.

Since 1983, the Manager has organized several distinct Maryland limited partnerships, which are informally called the Pratt Street Ventures partnerships, for the purpose of acquiring interests in growth-oriented businesses.

Tower Venture, Inc., a wholly-owned subsidiary of the Manager, is a Maryland corporation organized in 1989 for the purpose of serving as a general partner of 100 East Pratt St., L.P., a Maryland limited partnership whose limited partners also include the Manager. The purpose of the partnership is to further develop and improve the property at 100 East Pratt Street, the site of the Manager's headquarters, through the construction of additional office, retail and parking space.

TRP Suburban, Inc. is a Maryland corporation organized in 1990 as a wholly-owned subsidiary of the Manager. TRP Suburban has entered into agreements with McDonogh School and CMANE-McDonogh-Rowe Limited Partnership to construct an office building in Owings Mills, Maryland, which houses the Manager's transfer agent, plan administrative services, retirement plan services and operations support functions.

TRP Finance, Inc., a wholly-owned subsidiary of the Manager, and TRP Finance MRT, Inc., a wholly-owned subsidiary of TRP Finance, Inc., are Delaware corporations organized in 1990 to manage certain passive corporate investments and other intangible assets. TRP Finance MRT, Inc. was dissolved on October 4, 1993.

T. Rowe Price Strategic Partners Fund, L.P. is a Delaware limited partnership organized in 1990 for the purpose of investing in small public and private companies seeking capital for expansion or undergoing a restructuring of ownership. The general partner of the Fund is T. Rowe Price Strategic Partners, L.P., a Delaware limited partnership whose general partner is T. Rowe Price Strategic Partners Associates, Inc., ("Strategic Associates"), a Maryland corporation which is a wholly-owned subsidiary of the Manager. Strategic Associates also serves as the general partner of T. Rowe Price Strategic Partners II, L.P., a Delaware limited partnership established in 1992, which in turn serves as general partner of T. Rowe Price Strategic Partners Fund II, L.P., a Delaware limited partnership organized in 1992.

Listed below are the directors of the Manager who have other substantial businesses, professions, vocations, or employment aside from that of Director of the Manager:

JAMES E. HALBKAT, JR., Director of the Manager. Mr. Halbkat is President of U.S. Monitor Corporation, a provider of public response systems. Mr. Halbkat's address is: P.O. Box 23109, Hilton Head Island, South Carolina 29925.

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JOHN W. ROSENBLUM, Director of the Manager. Mr. Rosenblum is the Tayloe Murphy Professor at the University of Virginia, and a director of: Chesapeake Corporation, a manufacturer of paper products, Cadmus Communications Corp., a provider of printing and communication services; Comdial Corporation, a manufacturer of telephone systems for businesses; and Cone Mills Corporation, a textiles producer. Mr. Rosenblum's address is: P.O. Box 6550, Charlottesville, Virginia 22906.

ROBERT L. STRICKLAND, Director of the Manager. Mr. Strickland is Chairman of Lowe's Companies, Inc., a retailer of specialty home supplies and a Director of Hannaford Bros., Co., a food retailer. Mr. Strickland's address is 604 Two Piedmont Plaza Building, Winston-Salem, North Carolina 27104.

PHILIP C. WALSH, Director of the Manager. Mr. Walsh is a Consultant to Cyprus Amax Minerals Company, Englewood, Colorado, and a director of Piedmont Mining Company, Inc., Charlotte, North Carolina. Mr. Walsh's address is: 200 East 66th Street, Apt. A-1005, New York, New York 10021.

With the exception of Messrs. Halbkat, Rosenblum, Strickland, and Walsh, all of the directors of the Manager are employees of the Manager.

George J. Collins, who is Chief Executive Officer, President, and a Managing Director of the Manager, is a Director of Price-Fleming.

George A. Roche, who is Chief Financial Officer and a Managing Director of the Manager, is a Vice President and a Director of Price-Fleming.

M. David Testa, who is a Managing Director of the Manager, is Chairman of the Board of Price-Fleming.

Henry H. Hopkins, Charles P. Smith, and Peter Van Dyke, who are Managing Directors of the Manager, are Vice Presidents of Price-Fleming.

Robert P. Campbell, Roger L. Fiery, III, Robert C. Howe, Veena A. Kutler, Heather R. Landon, Nancy M. Morris, George A. Murnaghan, William F. Wendler, II, and Edward A. Wiese, who are Vice Presidents of the Manager, are Vice Presidents of Price-Fleming.

Michael J. Conelius, who is an Assistant Vice President of the Manager, is a Vice President of Price-Fleming.

Kimberly A. Haker, an employee of the Manager, is Assistant Vice President and Controller of Price-Fleming.

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Alvin M. Younger, Jr., who is a Managing Director and the Secretary and Treasurer of the Manager, is Secretary and Treasurer of Price-Fleming.

Nolan L. North, who is a Vice President and Assistant Treasurer of the Manager, is Assistant Treasurer of Price-Fleming.

Leah P. Holmes, who is an Assistant Vice President of the Manager, is a Vice President of Price-Fleming.

Barbara A. Van Horn, who is Assistant Secretary of the Manager, is Assistant Secretary of Price-Fleming.

Certain directors and officers of the Manager are also officers and/or directors of one or more of the Price Funds and/or one or more of the affiliated entities listed herein.

See also "Management of Fund," in Registrant's Statement of Additional Information.

Item 29. Principal Underwriters.

(a) The principal underwriter for the Registrant is Investment Services. Investment Services acts as the principal underwriter for the other sixty-three Price Funds. Investment Services is a wholly-owned subsidiary of the Manager, is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. Investment Services has been formed for the limited purpose of distributing the shares of the Price Funds and will not engage in the general securities business. Since the Price Funds are sold on a no-load basis, Investment Services will not receive any commissions or other compensation for acting as principal underwriter.

(b) The address of each of the directors and officers of Investment Services listed below is 100 East Pratt Street, Baltimore, Maryland 21202.

Name and Principal Business Address	Positions and Offices With Underwriter	Positions and Offices With Registrant
James Sellers Riepe	President and Director	Vice President and Director
Henry Holt Hopkins	Vice President and Director	Vice President
Charles E. Vieth	Vice President and Director	None
Mark E. Rayford	Director	None
Patricia M. Archer	Vice President	None
Edward C. Bernard	Vice President	None

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Joseph C. Bonasorte	Vice President	None
Meredith C. Callanan	Vice President	None

Laura H. Chasney	Vice President	None
Victoria C. Collins	Vice President	None
Christopher W. Dyer	Vice President	None
Forrest R. Foss	Vice President	None
Patricia O'Neil Goodyear	Vice President	None
James W. Graves	Vice President	None
Andrea G. Griffin	Vice President	None
David J. Healy	Vice President	None
Joseph P. Healy	Vice President	None
Walter J. Helmlinger	Vice President	None
Eric G. Knauss	Vice President	None
Douglas G. Kremer	Vice President	None
Sharon Renae Krieger	Vice President	None
Keith Wayne Lewis	Vice President	None
David L. Lyons	Vice President	None
Sarah McCafferty	Vice President	None
Maurice Albert Minerbi	Vice President	None
Nancy M. Morris	Vice President	None
George A. Murnaghan	Vice President	None
Steven Ellis Norwitz	Vice President	None
Kathleen M. O'Brien	Vice President	None
Pamela D. Preston	Vice President	None
Lucy Beth Robins	Vice President	None
John Richard Rockwell	Vice President	None
Monica R. Tucker	Vice President	None
William F. Wendler, II	Vice President	None
Terri L. Westren	Vice President	None
Jane F. White	Vice President	None
Thomas R. Woolley	Vice President	None
Alvin M. Younger, Jr.	Secretary and Treasurer	None
Mark S. Finn	Controller	None
Richard J. Barna	Assistant Vice President	None
Catherine L. Berkenkemper	Assistant Vice President	None
Ronae M. Brock	Assistant Vice President	None
Brenda E. Buhler	Assistant Vice President	None
Patricia S. Butcher	Assistant Vice President	Assistant Secretary
John A. Galateria	Assistant Vice President	None
Janelyn A. Healey	Assistant Vice President	None
Keith J. Langrehr	Assistant Vice President	None
C. Lillian Matthews	Assistant Vice President	None
Janice D. McCrory	Assistant Vice President	None
Sandra J. McHenry	Assistant Vice President	None
JeanneMarie B. Patella	Assistant Vice President	None
Kristin E. Seeberger	Assistant Vice President	None
Arthur J. Silber	Assistant Vice President	None
Nolan L. North	Assistant Treasurer	None
Barbara A. VanHorn	Assistant Secretary	None

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(c) Not applicable. Investment Services will not receive any compensation with respect to its activities as underwriter for the Price Funds since the Price Funds are sold on a no-load basis.

Item 30. Location of Accounts and Records.

All accounts, books, and other documents required to be maintained by T. Rowe Price Index Trust, Inc. under Section 31(a) of the Investment Company Act of 1940 and the rules thereunder will be maintained by T. Rowe Price Index Trust, Inc. at its offices at 100 East Pratt Street, Baltimore, Maryland 21202. Transfer, dividend disbursing, and shareholder service activities are performed by T. Rowe Price Services, Inc., at 100 East Pratt Street, Baltimore, Maryland 21202. Custodian activities for T. Rowe Price Index Trust, Inc. are performed at State Street Bank and Trust Company's Service Center (State Street South), 1776 Heritage Drive, Quincy, Massachusetts 02171.

Item 31. Management Services.

Registrant is not a party to any management related service contract, other than as set forth in the Prospectus.

Item 32. Undertakings.

(a) The Fund agrees to furnish, upon request and without charge, a copy of its latest Annual Report to each person to whom a prospectus is delivered.



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Pursuant to the requirements of the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Baltimore, State of Maryland, this 22nd day of February, 1995.

T. ROWE PRICE INDEX TRUST, INC.  
/s/James S. Riepe  
By: James S. Riepe  
Vice President and Director

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

SIGNATURE

TITLE

DATE

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

/s/James S. Riepe Vice President and Director February 22, 1995  
James S. Riepe

/s/Carmen F. Deyesu Carmen F. Deyesu	Treasurer (Chief Financial Officer)	February 22, 1995
/s/Leo C. Bailey Leo C. Bailey	Director	February 22, 1995
/s/Donald W. Dick, Jr. Donald W. Dick, Jr.	Director	February 22, 1995
/s/David K. Fagin David K. Fagin	Director	February 22, 1995
/s/Addison Lanier Addison Lanier	Director	February 22, 1995
/s/John K. Major John K. Major	Director	February 22, 1995
/s/Hanne M. Merriman Hanne M. Merriman	Director	February 22, 1995
/s/M. David Testa M. David Testa	Director	February 22, 1995
/s/Hubert D. Vos Hubert D. Vos	Director	February 22, 1995
/s/Paul M. Wythes Paul M. Wythes	Director	February 22, 1995

The Custodian Agreement dated September 28, 1987, as amended, between State Street Bank and Trust Company and T. Rowe Price Funds should be inserted here.

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CUSTODIAN CONTRACT  
Between  
STATE STREET BANK AND TRUST COMPANY  
and  
EACH OF THE PARTIES INDICATED  
ON APPENDIX A  
DATED: SEPTEMBER 28, 1987

FRF 07/87

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CUSTODIAN CONTRACT

This Contract by and between State Street Bank and Trust Company, a Massachusetts trust company, having its principal place of business at 225 Franklin Street, Boston, Massachusetts, 02110 (hereinafter called the "Custodian"), and each fund which is listed on Appendix A (as such Appendix may be amended from time to time) and which evidences its agreement to be bound hereby by executing a copy of this Contract (each such fund individually hereinafter called the "Fund," whose definition may be found in Section 22),

WITNESSETH: That in consideration of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

1. Employment of Custodian and Property to be Held by It

The Fund hereby employs the Custodian as the custodian of its assets, including securities it desires to be held in places within the United States ("domestic securities") and securities it desires to be held outside the United States ("foreign securities") pursuant to the Governing Documents of the Fund. The Fund agrees to deliver to the Custodian all securities and cash now or hereafter owned or acquired by it, and all payments of income, payments of principal or capital distributions received by it with respect to all securities owned by the Fund from time to time, and the cash consideration received by it for such new or treasury shares of capital stock ("Shares") of the Fund as may be issued or sold from time to time. The Custodian shall not be responsible for any property of the Fund held or received by the Fund and not delivered to the Custodian.

With respect to domestic securities, upon receipt of "Proper Instructions" (within the meaning of Article 5), the Custodian shall from time to time employ one or more sub-custodians located in the United States, but only in accordance with an applicable vote by the Board of Directors/Trustees of the Fund, and provided that the Custodian shall have no more or less responsibility or liability to the Fund on account of any actions or omissions of any sub-custodian so employed than any such sub-custodian has to the Custodian, and further provided that the Custodian shall not release the sub-custodian from any responsibility or liability unless mutually agreed upon by the parties in writing. With respect to foreign securities and other assets of the Fund held outside the United States, the Custodian shall employ Chase Manhattan Bank, N.A., as a sub-custodian for the Fund in

accordance with the provisions of Article 3.

2. Duties of the Custodian with Respect to Property of the Fund Held By the Custodian in the United States

2.1 Holding Securities. The Custodian shall hold and physically segregate for the account of the Fund all

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non-cash property, to be held by it in the United States, including all domestic securities owned by the Fund, other than (a) securities which are maintained pursuant to Section 2.10 in a clearing agency which acts as a securities depository or in a book-entry system authorized by the U.S. Department of the Treasury, collectively referred to herein as "Securities System," and (b) commercial paper of an issuer for which the Custodian acts as issuing and paying agent ("Direct Paper") which is deposited and/or maintained in the Direct Paper System of the Custodian pursuant to Section 2.11.

2.2 Delivery of Securities. The Custodian shall release and deliver domestic securities owned by the Fund held by the Custodian or in a Securities System account of the Custodian or in the Custodian's Direct Paper book entry system account ("Direct Paper System Account") only upon receipt of Proper Instructions, which may be continuing instructions when deemed appropriate by mutual agreement of the parties, and only in the following cases:

- 1) Sale. Upon sale of such securities for the account of the Fund and receipt of payment therefor;
- 2) Repurchase Agreement. Upon the receipt of payment in connection with any repurchase agreement related to such securities entered into by the Fund;
- 3) Securities System. In the case of a sale effected through a Securities System, in accordance with the provisions of Section 2.10 hereof;



- 4) Tender Offer. To the depository agent or other receiving agent in connection with tender or other similar offers for portfolio securities of the Fund;
- 5) Redemption by Issuer. To the issuer thereof or its agent when such securities are called, redeemed, retired or otherwise become payable; provided that, in any such case, the cash or other consideration is to be delivered to the Custodian;
- 6) Transfer to Issuer, Nominee. Exchange. To the issuer thereof, or its agent, for transfer into the name of the Fund or into the name of any nominee or nominees of the Custodian or into the name or nominee name of any agent appointed pursuant to Section 2.9 or into the name or nominee name of any sub-custodian appointed pursuant to Article 1; or for exchange for a different number of bonds, certificates or other evidence representing the same aggregate face amount or number of units and bearing the same interest rate, maturity date and call provisions,

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- if any; provided that, in any such case, the new securities are to be delivered to the Custodian;
- 7) Sale to Broker or Dealer. Upon the sale of such securities for the account of the Fund, to the broker or its clearing agent or dealer, against a receipt, for examination in accordance with "street delivery" custom; provided that in any such case, the Custodian shall have no responsibility or liability for any loss arising from the delivery of such securities prior to receiving payment for such securities except as may arise from the Custodian's failure to act in accordance with its duties as set forth in Section 12.

- 8) Exchange or Conversion. For exchange or conversion pursuant to any plan of merger, consolidation, recapitalization, reorganization, split-up of shares, change of par value or readjustment of the securities of the issuer of such securities, or pursuant to provisions for conversion contained in such securities, or pursuant to any deposit agreement provided that, in any such case, the new securities and cash, if any, are to be delivered to the Custodian;
- 9) Warrants, Rights. In the case of warrants, rights or similar securities, the surrender thereof in the exercise of such warrants, rights or similar securities or the surrender of interim receipts or temporary securities for definitive securities; provided that, in any such case, the new securities and cash, if any, are to be delivered to the Custodian;
- 10) Loans of Securities. For delivery in connection with any loans of securities made by the Fund, but only against receipt of adequate collateral as agreed upon from time to time by the Custodian and the Fund, which may be in the form of cash, obligations issued by the United States government, its agencies or instrumentalities, or such other property as mutually agreed by the parties, except that in connection with any loans for which collateral is to be credited to the Custodian's account in the book-entry system authorized by the U.S. Department of the Treasury, the Custodian will not be held liable or responsible for the delivery of securities owned by the Fund prior to the receipt of such collateral, unless the Custodian fails to act in accordance with its duties set forth in Article 12;

- 11) Borrowings. For delivery as security in connection with any borrowings by the Fund requiring a pledge of assets by the Fund, but only against receipt of amounts borrowed, except where additional collateral is required to secure a borrowing already made, subject to Proper Instructions, further securities may be released for that purpose;
- 12) Options. For delivery in accordance with the provisions of any agreement among the Fund, the Custodian and a broker-dealer registered under the Securities Exchange Act of 1934 (the "Exchange Act") and a member of The National Association of Securities Dealers, Inc. ("NASD"), relating to compliance with the rules of The Options Clearing Corporation, any registered national securities exchange, any similar organization or organizations, or the Investment Company Act of 1940, regarding escrow or other arrangements in connection with transactions by the Fund;
- 13) Futures. For delivery in accordance with the provisions of any agreement among the Fund, the Custodian, and a Futures Commission Merchant registered under the Commodity Exchange Act, relating to compliance with the rules of the Commodity Futures Trading Commission and/or any Contract Market, any similar organization or organizations, or the Investment Company Act of 1940, regarding account deposits in connection with transactions by the Fund;
- 14) In-Kind Distributions. Upon receipt of instructions from the transfer agent ("Transfer Agent") for the Fund, for delivery to such Transfer Agent or to the holders of shares in connection with distributions in kind, as may be described from time to time in the Fund's currently effective prospectus and statement of additional information ("prospectus"), in satisfaction of requests by holders of Shares for repurchase or redemption;
- 15) Miscellaneous. For any other proper corporate purpose, but only upon receipt of, in addition to Proper Instructions, a certified copy of a resolution of the Board of Directors/Trustees or of the Executive Committee signed by an officer of the Fund and certified by the Secretary or an Assistant Secretary, specifying the securities to be delivered, setting forth the purpose for which such delivery is to be made, declaring such

purpose to be a proper corporate purpose, and naming the person or persons to whom delivery of such securities shall be made; and

- 16) Type of Payment. In any or all of the above cases, payments to the Fund shall be made in cash, by a certified check upon or a treasurer's or cashier's check of a bank, by effective bank wire transfer through the Federal Reserve Wire System or, if appropriate, outside of the Federal Reserve Wire System and subsequent credit to the Fund's Custodian account, or, in case of delivery through a stock clearing company, by book-entry credit by the stock clearing company in accordance with the then current street custom, or such other form of payment as may be mutually agreed by the parties, in all such cases collected funds to be promptly credited to the Fund.

2.3 Registration of Securities. Domestic securities held by the Custodian (other than bearer securities) shall be registered in the name of the Fund or in the name of any nominee of the Fund or of any nominee of the Custodian which nominee shall be assigned exclusively to the Fund, unless the Fund has authorized in writing the appointment of a nominee to be used in common with other registered investment companies having the same investment adviser as the Fund, or in the name or nominee name of any agent appointed pursuant to Section 2.9 or in the name or nominee name of any sub-custodian appointed pursuant to Article 1. All securities accepted by the Custodian on behalf of the Fund under the terms of this Contract shall be in "street name" or other good delivery form.

2.4 Bank Accounts. The Custodian shall open and maintain a separate bank account or accounts in the United States in the name of the Fund, subject only to draft or order by the Custodian acting pursuant to the terms of this Contract, and

shall hold in such account or accounts, subject to the provisions hereof all cash received by it from or for the account of the Fund, other than cash maintained by the Fund in a bank account established and used in accordance with Rule 17f-3 under the Investment Company Act of 1940. Funds held by the Custodian for the Fund may be deposited for the Fund's credit in the Banking Department of the Custodian or in such other banks or trust companies as the Custodian may in its discretion deem necessary or desirable; provided, however, that every such bank or trust company shall be qualified to act as a custodian under the Investment Company Act of 1940 and that each such bank or trust company and the funds to be deposited with each such bank or trust company shall be approved by vote of a majority of the Board of Directors/Trustees of the Fund. Such funds shall be

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deposited by the Custodian in its capacity as Custodian and shall be withdrawable by the Custodian only in that capacity.

2.5 Sale of Shares and Availability of Federal Funds. Upon mutual agreement between the Fund and the Custodian, the Custodian shall, upon the receipt of Proper Instructions, make federal funds available to the Fund as of specified times agreed upon from time to time by the Fund and the Custodian in the amount of checks received in payment for Shares of the Fund which are deposited into the Fund's account.

2.6 Collection of Income, Dividends. The Custodian shall collect on a timely basis all income and other payments with respect to United States registered securities held hereunder to which the Fund shall be entitled either by law or pursuant to custom in the securities business, and shall collect on a timely basis all income and other payments with respect to United States bearer securities if, on the date of payment by the issuer, such securities are held by the Custodian or its agent thereof and shall credit such income

or other payments, as collected, to the Fund's custodian account. Without limiting the generality of the foregoing, the Custodian shall detach and present for payment all coupons and other income items requiring presentation as and when they become due and shall collect interest when due on securities held hereunder. The Custodian will also receive and collect all stock dividends, rights and other items of like nature as and when they become due or payable. Income due the Fund on United States securities loaned pursuant to the provisions of Section 2.2 (10) shall be the responsibility of the Fund. The Custodian will have no duty or responsibility in connection therewith, other than to provide the Fund with such information or data as may be necessary to assist the Fund in arranging for the timely delivery to the Custodian of the income to which the Fund is properly entitled.

2.7 Payment of Fund Monies. Upon receipt of Proper Instructions, which may be continuing instructions when deemed appropriate by mutual agreement of the parties, the Custodian shall pay out monies of the Fund in the following cases only:

- 1) Purchases. Upon the purchase of domestic securities, options, futures contracts or options on futures contracts for the account of the Fund but only (a) against the delivery of such securities, or evidence of title to such options, futures contracts or options on futures contracts, to the Custodian (or any bank, banking firm or trust company doing business in the United States or abroad which is qualified under the Investment

Company Act of 1940, as amended, to act as a custodian and has been designated by the Custodian as its agent for this purpose in accordance with Section 2.9 hereof) registered in the name of the Fund or in the name of a nominee of the Fund or of

the Custodian referred to in Section 2.3 hereof or in other proper form for transfer; (b) in the case of a purchase effected through a Securities System, in accordance with the conditions set forth in Section 2.10 hereof or (c) in the case of a purchase involving the Direct Paper System, in accordance with the conditions set forth in Section 2.11; or (d) in the case of repurchase agreements entered into between the Fund and the Custodian, or another bank, or a broker-dealer which is a member of NASD, (i) against delivery of the securities either in certificate form or through an entry crediting the Custodian's account at the Federal Reserve Bank with such securities or (ii) against delivery of the receipt evidencing purchase by the Fund of securities owned by the Custodian along with written evidence of the agreement by the Custodian to repurchase such securities from the Fund. All coupon bonds accepted by the Custodian shall have the coupons attached or shall be accompanied by a check payable on coupon payable date for the interest due on such date.

- 2) Exchanges. In connection with conversion, exchange or surrender of securities owned by the Fund as set forth in Section 2.2 hereof;
- 3) Redemptions. For the redemption or repurchase of Shares issued by the Fund as set forth in Article 4 hereof;
- 4) Expense and Liability. For the payment of any expense or liability incurred by the Fund, including but not limited to the following payments for the account of the Fund: interest, taxes, management, accounting, transfer agent and legal fees, and operating expenses of the Fund whether or not such expenses are to be in whole or part capitalized or treated as deferred expenses;
- 5) Dividends. For the payment of any dividends or other distributions to shareholders declared pursuant to the Governing Documents of the Fund;
- 6) Short Sale Dividend. For payment of the amount of dividends received in respect of securities sold short;
- 7) Loan. For repayment of a loan upon redelivery of pledged securities and upon surrender of the

- note(s), if any, evidencing the loan;
- 8) Miscellaneous. For any other proper purpose, but only upon receipt of, in addition to Proper Instructions, a certified copy of a resolution of the Board of Directors/Trustees or of the Executive Committee of the Fund signed by an officer of the Fund and certified by its Secretary or an Assistant Secretary, specifying the amount of such payment, setting forth the purpose for which such payment is to be made, declaring such purpose to be a proper purpose, and naming the person or persons to whom such payment is to be made.

2.8 Liability for Payment in Advance of Receipt of Securities Purchased. In any and every case where payment for purchase of domestic securities for the account of the Fund is made by the Custodian in advance of receipt of the securities purchased in the absence of specific written instructions from the Fund to so pay in advance, the Custodian shall be absolutely liable to the Fund for such securities to the same extent as if the securities had been received by the Custodian.

2.9 Appointment of Agents. The Custodian may at any time or times in its discretion appoint (and may at any time remove) any other bank or trust company, which is itself qualified under the Investment Company Act of 1940, as amended, to act as a custodian, as its agent to carry out such of the provisions of this Article 2 as the Custodian may from time to time direct; provided, however, that the appointment of any agent shall not relieve the Custodian of its responsibilities or liabilities hereunder.

2.10 Deposit of Securities in Securities Systems. The Custodian may deposit and/or maintain domestic securities owned by the Fund in a clearing agency registered with the Securities and Exchange Commission under Section 17A of the Securities Exchange Act of 1934, which acts as a securities depository, or in the book-entry system authorized by the U.S. Department of the Treasury and certain federal agencies, collectively referred to herein as "Securities System" in accordance with applicable Federal Reserve Board and Securities and Exchange Commission rules and



regulations, if any, and subject to the following provisions:

- 1) Account of Custodian. The Custodian may keep domestic securities of the Fund in a Securities System provided that such securities are represented in an account ("Account") of the Custodian in the Securities System which shall not include any assets of the Custodian other than assets held as a fiduciary, custodian or otherwise

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- for customers;
- 2) Records. The records of the Custodian, with respect to domestic securities of the Fund which are maintained in a Securities System, shall identify by book-entry those securities belonging to the Fund;
- 3) Payment of Fund Monies, Delivery of Securities. Subject to Section 2.7, the Custodian shall pay for domestic securities purchased for the account of the Fund upon (i) receipt of advice from the Securities System that such securities have been transferred to the Account, and (ii) the making of an entry on the records of the Custodian to reflect such payment and transfer for the account of the Fund. Subject to Section 2.2, the Custodian shall transfer domestic securities sold for the account of the Fund upon (i) receipt of advice from the Securities System that payment for such securities has been transferred to the Account, and (ii) the making of an entry on the records of the Custodian to reflect such transfer and payment for the account of the Fund. Copies of all advices from the Securities System of transfers of domestic securities for the account of the Fund shall identify the Fund, be maintained for the Fund by the Custodian and be provided to

- the Fund at its request. The Custodian shall furnish the Fund confirmation of each transfer to or from the account of the Fund in the form of a written advice or notice and shall furnish to the Fund copies of daily transaction sheets reflecting each day's transactions in the Securities System for the account of the Fund;
- 4) Reports. The Custodian shall provide the Fund with any report obtained by the Custodian on the Securities System's accounting system, internal accounting control and procedures for safeguarding domestic securities deposited in the Securities System, and further agrees to provide the Fund with copies of any documentation it has relating to its arrangements with the Securities Systems as set forth in this Agreement or as otherwise required by the Securities and Exchange Commission;
  - 5) Annual Certificate. The Custodian shall have received the initial or annual certificate, as the case may be, required by Article 13 hereof;
  - 6) Indemnification. Anything to the contrary in this Contract notwithstanding, the Custodian shall be liable to the Fund for any loss or expense,

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including reasonable attorneys fees, or damage to the Fund resulting from use of the Securities System by reason of any failure by the Custodian or any of its agents or of any of its or their employees or agents or from failure of the Custodian or any such agent to enforce effectively such rights as it may have against the Securities System; at the election of the Fund, it shall be entitled to be subrogated to the rights of the Custodian with respect to any claim against the Securities System or any other person which the

Custodian may have as a consequence of any such loss, expense or damage if and to the extent that the Fund has not been made whole for any such loss, expense or damage.

2.11 Fund Assets Held in the Custodian's Direct Paper System. The Custodian may deposit and/or maintain securities owned by the Fund in the Direct Paper System of the Custodian subject to the following provisions:

- 1) No transaction relating to securities in the Direct Paper System will be effected in the absence of Proper Instructions;
- 2) The Custodian may keep securities of the Fund in the Direct Paper System only if such securities are represented in an account ("Account") of the Custodian in the Direct Paper System which shall not include any assets of the Custodian other than assets held as a fiduciary, custodian or otherwise for customers;
- 3) The records of the Custodian with respect to securities of the Fund which are maintained in the Direct Paper System shall identify by book-entry those securities belonging to the Fund;
- 4) The Custodian shall pay for securities purchased for the account of the Fund upon the making of an entry on the records of the Custodian to reflect such payment and transfer of securities to the account of the Fund. The Custodian shall transfer securities sold for the account of the Fund upon the making of an entry on the records of the Custodian to reflect such transfer and receipt of payment for the account of the Fund;
- 5) The Custodian shall furnish the Fund confirmation of each transfer to or from the account of the Fund, in the form of a written advice or notice, of Direct Paper on the next business day following such transfer and shall furnish to the Fund copies of daily transaction sheets reflecting each day's transaction in the Securities System for the account of the Fund;

- 6) The Custodian shall provide the Fund with any report on its system of internal accounting control as the Fund may reasonably request from time to time;

2.12 Segregated Account. The Custodian shall, upon receipt of Proper Instructions, which may be of a continuing nature where deemed appropriate by mutual agreement of the parties, establish and maintain a segregated account or accounts for and on behalf of the Fund, into which account or accounts may be transferred cash and/or securities, including securities maintained in an account by the Custodian pursuant to Section 2.10 hereof, (i) in accordance with the provisions of any agreement among the Fund, the Custodian and a broker-dealer registered under the Exchange Act and a member of the NASD (or any futures commission merchant registered under the Commodity Exchange Act), relating to compliance with the rules of The Options Clearing Corporation and of any registered national securities exchange (or the Commodity Futures Trading Commission or any registered contract market), or of any similar organization or organizations, regarding escrow or other arrangements in connection with transactions by the Fund, (ii) for purposes of segregating cash or government securities in connection with options purchased, sold or written by the Fund or commodity futures contracts or options thereon purchased or sold by the Fund, (iii) for the purposes of compliance by the Fund with the procedures required by Investment Company Act Release No. 10666, or any subsequent release, rule or policy, of the Securities and Exchange Commission relating to the maintenance of segregated accounts by registered investment companies and (iv) for other proper corporate purposes, but only, in the case of clause (iv), upon receipt of, in addition to Proper Instructions, a certified copy of a resolution of the Board of Directors/Trustees or of the Executive Committee signed by an officer of the Fund and certified by the Secretary or an Assistant Secretary, setting forth the purpose or purposes of such segregated account and declaring such purposes to be proper corporate purposes.

2.13 Ownership Certificates for Tax Purposes. The Custodian shall execute ownership and other certificates and affidavits for all federal and state tax purposes in connection with receipt of income or other payments with respect to domestic securities of the Fund held by it and in connection with transfers of such securities.

2.14 Proxies. If the securities are registered other than

in the name of the Fund or a nominee of the Fund, the Custodian shall, with respect to the domestic securities held hereunder, cause to be promptly executed by the

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registered holder of such securities, all proxies, without indication of the manner in which such proxies are to be voted, and shall promptly deliver to the Fund such proxies, all proxy soliciting materials and all notices relating to such securities.

2.15 Communications Relating to Fund Portfolio Securities. The Custodian shall transmit promptly to the Fund all written information (including, without limitation, pendency of calls and maturities of domestic securities and expirations of rights in connection therewith and notices of exercise of call and put options written by the Fund and the maturity of futures contracts purchased or sold by the Fund) received by the Custodian from issuers of the domestic securities being held for the Fund by the Custodian, an agent appointed under Section 2.9, or sub-custodian appointed under Section 1. With respect to tender or exchange offers, the Custodian shall transmit promptly to the Fund all written information received by the Custodian, an agent appointed under Section 2.9, or sub-custodian appointed under Section 1 from issuers of the domestic securities whose tender or exchange is sought and from the party (or his agents) making the tender or exchange offer. If the Fund desires to take action with respect to any tender offer, exchange offer or any other similar transaction, the Fund shall notify the Custodian of such desired action at least 72 hours (excluding holidays and weekends) prior to the time such action must be taken under the terms of the tender, exchange offer, or other similar transaction, and it will be the responsibility of the Custodian to timely transmit to the appropriate person(s) the Fund's notice. Where the Fund does not notify the Custodian of its desired action within the aforesaid 72 hour

period, the Custodian shall use its best efforts to timely transmit the Fund's notice to the appropriate person.

2.16 Reports to Fund by Independent Public Accountants. The Custodian shall provide the Fund, at such times as the Fund may reasonably require, with reports by independent public accountants on the accounting system, internal accounting control and procedures for safeguarding securities, futures contracts and options on futures contracts, including domestic securities deposited and/or maintained in a Securities System, relating to the services provided by the Custodian under this Contract; such reports shall be of sufficient scope and in sufficient detail, as may reasonably be required by the Fund to provide reasonable assurance that any material inadequacies existing or arising since the prior examination would be disclosed by such examination. The reports must describe any material inadequacies disclosed and, if there are no such inadequacies, the reports shall so state.

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3. Duties of the Custodian with Respect to Property of the Fund Held Outside of the United States

3.1 Appointment of Foreign Sub-Custodians. The Custodian is authorized and instructed to employ Chase Manhattan Bank, N.A, ("Chase") as sub-custodian for the Fund's securities, cash and other assets maintained outside of the United States ("foreign assets") all as described in the Subcustodian Agreement between the Custodian and Chase. Upon receipt of "Proper Instructions", together with a certified resolution of the Fund's Board of Directors/Trustees, the Custodian and the Fund may agree to designate additional proper institutions and foreign securities depositories to act as sub-custodians of the Fund's foreign assets. Upon receipt of Proper Instructions from the Fund, the Custodian shall cease the employment of any one or more of such sub-custodians for maintaining

custody of the Fund's foreign assets.

3.2 Assets to be Held. The Custodian shall limit the foreign assets maintained in the custody of foreign sub-custodians to foreign assets specified under the terms of the Subcustodian Agreement between the Custodian and Chase.

3.3 Foreign Securities Depositories. Except as may otherwise be agreed upon in writing by the Custodian and the Fund, foreign assets of the Fund shall be maintained in foreign securities depositories only through arrangements implemented by the banking institutions serving as sub-custodians pursuant to the terms hereof.

3.4 Segregation of Securities. The Custodian shall identify on its books as belonging to the Fund, the foreign assets of the Fund held by Chase and by each foreign sub-custodian.

3.5 Access of Independent Accountants of the Fund. Upon request of the Fund, the Custodian will use its best efforts (subject to applicable law) to arrange for the independent accountants, officers or other representatives of the Fund or the Custodian to be afforded access to the books and records of Chase and any banking or other institution employed as a sub-custodian for the Fund by Chase or the Custodian insofar as such books and records relate to the performance of Chase or such banking or other institution under any agreement with the Custodian or Chase. Upon request of the Fund, the Custodian shall furnish to the Fund such reports (or portions thereof) of Chase's external auditors as are available to the Custodian and which relate directly to Chase's system of internal accounting controls applicable to Chase's duties as a subcustodian or which relate to the internal accounting controls of any subcustodian employed by Chase with respect to foreign assets of the Fund.

3.6 Reports by Custodian. The Custodian will supply to the

Fund from time to time, as mutually agreed upon, statements in respect of the foreign assets of the Fund held pursuant to the terms of the Subcustodian Agreement between the Custodian and Chase, including but not limited, to an identification of entities having possession of the Fund's foreign assets and advices or notifications of any transfers of foreign assets to or from each custodial account maintained by any sub-custodian on behalf of the Fund indicating, as to foreign assets acquired for the Fund, the identity of the entity having physical possession of such foreign assets.

3.7 Transactions in Foreign Assets of the Fund. All transactions with respect to the Fund's foreign assets shall be in accordance with, and subject to, the provisions of the Subcustodian Agreement between Chase and the Custodian.

3.8 Responsibility of Custodian, Sub-Custodian, and Fund. Notwithstanding anything to the contrary in this Custodian Contract, the Custodian shall not be liable to the Fund for any loss, damage, cost, expense, liability or claim arising out of or in connection with the maintenance of custody of the Fund's foreign assets by Chase or by any other banking institution or securities depository employed pursuant to the terms of any Subcustodian Agreement between Chase and the Custodian, except that the Custodian shall be liable for any such loss, damage, cost, expense, liability or claim to the extent provided in the Subcustodian Agreement between Chase and the Custodian or attributable to the failure of the Custodian to exercise the standard of care set forth in Article 12 hereof in the performance of its duties under this Contract or such Subcustodian Agreement. At the election of the Fund, the Fund shall be entitled to be subrogated to the rights of the Custodian under the Subcustodian Agreement with respect to any claims arising thereunder against Chase or any other banking institution or securities depository employed by Chase if and to the extent that the Fund has not been made whole therefor. As between the Fund and the Custodian, the Fund shall be solely responsible to assure that the maintenance of foreign securities and cash pursuant to the terms of the Subcustodian Agreement complies with all applicable rules, regulations, interpretations and orders of the Securities and Exchange Commission, and the Custodian assumes no responsibility and makes no representations as to such compliance.

3.9 Monitoring Responsibilities. With respect to the Fund's foreign assets, the Custodian shall furnish annually to the Fund, during the month of June, information concerning the sub-custodians employed by the Custodian.



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Such information shall be similar in kind and scope to that furnished to the Fund in connection with the initial approval of this Contract. In addition, the Custodian will promptly inform the Fund in the event that the Custodian learns of a material adverse change in the financial condition of a sub-custodian.

3.10 Branches of U.S. Banks. Except as otherwise set forth in this Contract, the provisions of this Article 3 shall not apply where the custody of the Fund's assets is maintained in a foreign branch of a banking institution which is a "bank" as defined by Section 2(a)(5) of the Investment Company Act of 1940 which meets the qualification set forth in Section 26(a) of said Act. The appointment of any such branch as a sub-custodian shall be governed by Section 1 of this Contract.

4. Payments for Repurchases or Redemptions and Sales of Shares of the Fund

From such funds as may be available for the purpose but subject to the limitations of the Governing Documents of the Fund and any applicable votes of the Board of Directors/Trustees of the Fund pursuant thereto, the Custodian shall, upon receipt of instructions from the Transfer Agent, make funds available for payment to holders of Shares who have delivered to the Transfer Agent a request for redemption or repurchase of their Shares. In connection with the redemption or repurchase of Shares of the Fund, the Custodian is authorized upon receipt of instructions from the Transfer Agent to wire funds to or through a commercial bank designated by the redeeming shareholder. In connection with the redemption or repurchase of Shares of the Fund, the Custodian shall honor checks drawn on the Custodian by a holder of Shares, which checks have been furnished by the Fund to the holder of Shares, when presented to the Custodian in accordance with such procedures and controls as are mutually agreed upon from time to time between the Fund and the Custodian.

The Custodian shall receive from the distributor for the Fund's Shares or from the Transfer Agent of the Fund and deposit as received into the Fund's account such payments as are received

for Shares of the Fund issued or sold from time to time by the Fund. The Custodian will provide timely notification to the Fund and the Transfer Agent of any receipt by it of payments for Shares of the Fund.

5. Proper Instructions

Proper Instructions as used herein means a writing signed or initialled by one or more person or persons as the Board of Directors/Trustees shall have from time to time authorized. Each such writing shall set forth the specific transaction or type of transaction involved, including a specific statement of the purpose for which such action is requested, or shall be a blanket instruction authorizing specific transactions of a repeated or

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routine nature. Oral instructions will be considered Proper Instructions if the Custodian reasonably believes them to have been given by a person authorized to give such instructions with respect to the transaction involved. The Fund shall cause all oral instructions to be confirmed in writing. Upon receipt of a certificate of the Secretary or an Assistant Secretary as to the authorization by the Board of Directors/Trustees of the Fund accompanied by a detailed description of procedures approved by the Board of Directors/Trustees, Proper Instructions may include communications effected directly between electro-mechanical or electronic devices provided that the Board of Directors/Trustees and the Custodian are satisfied that such procedures afford adequate safeguards for the Fund's assets.

6. Actions Permitted without Express Authority

The Custodian may in its discretion, without express authority from the Fund:

- 1) make payments to itself or others for minor expenses of handling securities or other similar items relating to its duties under this Contract, provided that all such payments shall be accounted for to the Fund;
- 2) surrender securities in temporary form for securities in definitive form;

- 3) endorse for collection, in the name of the Fund, checks, drafts and other negotiable instruments on the same day as received; and
- 4) in general, attend to all non-discretionary details in connection with the sale, exchange, substitution, purchase, transfer and other dealings with the securities and property of the Fund except as otherwise directed by the Board of Directors/Trustees of the Fund.

7. Evidence of Authority, Reliance on Documents

The Custodian shall be protected in acting upon any instructions, notice, request, consent, certificate or other instrument or paper reasonably and in good faith believed by it to be genuine and to have been properly executed by or on behalf of the Fund in accordance with Article 5 hereof. The Custodian may receive and accept a certified copy of a vote of the Board of Directors/Trustees of the Fund as conclusive evidence (a) of the authority of any person to act in accordance with such vote or (b) of any determination or of any action by the Board of Directors/Trustees pursuant to the Governing Documents of the Fund as described in such vote, and such vote may be considered as in full force and effect until receipt by the Custodian of written notice to the contrary. So long as and to the extent that it is in the exercise of the standard of care set forth in Article 12 hereof, the Custodian shall not be responsible for the title, validity or genuineness of any property or evidence of title thereto received by it or delivered by it pursuant to this

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Contract and shall be held harmless in acting upon any notice, request, consent, certificate or other instrument reasonably believed by it to be genuine and to be signed by the proper party or parties.

8. Duties of Custodian with Respect to the Books of Account and Calculation of Net Asset Value and Net Income

The Custodian shall cooperate with and supply necessary information to the person or persons appointed by the Board of

Directors/Trustees of the Fund to keep the books of account of the Fund and/or compute the net asset value per share of the outstanding shares of the Fund or, if directed in writing to do so by the Fund, shall itself keep such books of account and/or compute such net asset value per share. If so directed, the Custodian shall also calculate daily the net income of the Fund as described in the Fund's currently effective prospectus and shall advise the Fund and the Transfer Agent daily of the total amounts of such net income and, if instructed in writing by an officer of the Fund to do so, shall advise the Transfer Agent periodically of the division of such net income among its various components. The calculations of the net asset value per share and the daily income of the Fund shall be made at the time or times and in the manner described from time to time in the Fund's currently effective prospectus.

#### 9. Records, Inventory

The Custodian shall create and maintain all records relating to its activities and obligations under this Contract in such manner as will meet the obligations of the Fund under the Investment Company Act of 1940, with particular attention to Section 31 thereof and Rules 31a-1 and 31a-2 thereunder, applicable federal and state tax laws and any other law or administrative rules or procedures which may be applicable to the Fund. All such records shall be the property of the Fund and shall at all times during the regular business hours of the Custodian be open for inspection and audit by duly authorized officers, employees or agents of the Fund and employees and agents of the Securities and Exchange Commission, and, in the event of termination of this Agreement, will be delivered in accordance with Section 14 hereof. The Custodian shall, at the Fund's request, supply the Fund with a tabulation of securities owned by the Fund and held by the Custodian and shall, when requested to do so by the Fund and for such compensation as shall be agreed upon between the Fund and the Custodian, include certificate numbers in such tabulations. The Custodian shall conduct a periodic inventory of all securities and other property subject to this Agreement and provide to the Fund a periodic reconciliation of the vaulted position of the Fund to the appraised position of the Fund. The Custodian will promptly report to the Fund the results of the reconciliation, indicating any shortages or discrepancies uncovered thereby, and take appropriate action to remedy any such shortages or discrepancies.

10. Opinion of Fund's Independent Accountant

The Custodian shall cooperate with the Fund's independent public accountants in connection with the annual and other audits of the books and records of the Fund and take all reasonable action, as the Fund may from time to time request, to provide from year to year the necessary information to such accountants for the expression of their opinion without any qualification as to the scope of their examination, including but not limited to, any opinion in connection with the preparation of the Fund's Form N-1A, and Form N-SAR or other annual reports to the Securities and Exchange Commission and with respect to any other requirements of such Commission.

11. Compensation of Custodian

The Custodian shall be entitled to reasonable compensation for its services and expenses as Custodian, as agreed upon from time to time between the Fund and the Custodian.

12. Responsibility of Custodian

Notwithstanding anything to the contrary in this Agreement, the Custodian shall be held to the exercise of reasonable care in carrying out the provisions of this Contract, but shall be kept indemnified by and shall be without liability to the Fund for any action taken or omitted by it in good faith without negligence. In order for the indemnification provision contained in this Section to apply, it is understood that if in any case the Fund may be asked to indemnify or save the Custodian harmless, the Fund shall be fully and promptly advised of all pertinent facts concerning the situation in question, and it is further understood that the Custodian will use all reasonable care to identify and notify the Fund promptly concerning any situation which presents or appears likely to present the probability of such a claim for indemnification against the Fund. The Fund, shall have the option to defend the Custodian against any claim which may be the subject of this indemnification, and in the event that the Fund so elects, it will so notify the Custodian, and thereupon the Fund shall take over complete defense of the claim and the Custodian shall in such situation initiate no further legal or other expenses for which it shall seek indemnification under this Section. The Custodian shall in no case confess any claim or make any compromise in any case in which the Fund will be asked to indemnify the Custodian except with the Fund's prior written consent. Nothing herein shall be construed to limit any right or cause of action on the part of the Custodian under this Contract which is independent of any

right or cause of action on the part of the Fund. The Custodian shall be entitled to rely on and may act upon advice of counsel (who may be counsel for the Fund or such other counsel as may be agreed to by the parties) on all matters, and shall be without liability for any action reasonably taken or omitted pursuant to such advice. Notwithstanding the foregoing, the responsibility

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of the Custodian with respect to redemptions effected by check shall be in accordance with a separate Agreement entered into between the Custodian and the Fund.

If the Fund requires the Custodian to take any action with respect to securities, which action involves the payment of money or which action may, in the opinion of the Custodian, result in the Custodian or its nominee assigned to the Fund being liable for the payment of money or incurring liability of some other form, the Fund, as a prerequisite to requiring the Custodian to take such action, shall provide indemnity to the Custodian in an amount and form satisfactory to it.

If the Fund requires the Custodian to advance cash or securities for any purpose or in the event that the Custodian or its nominee shall incur or be assessed any taxes, charges, expenses, assessments, claims or liabilities in connection with the performance of this Contract, except such as may arise from its or its nominee's own negligent action, negligent failure to act or willful misconduct, any property at any time held for the account of the Fund shall be security therefor and should the Fund fail to repay the Custodian promptly, the Custodian shall be entitled to utilize available cash and to dispose of the Fund's assets to the extent necessary to obtain reimbursement, provided that the Custodian gives the Fund reasonable notice to repay such cash or securities advanced, however, such notice shall not preclude the Custodian's right to assert any lien under this provision.

### 13. Effective Period, Termination and Amendment

This Contract shall become effective as of its execution, shall continue in full force and effect until terminated as

hereinafter provided, may be amended at any time by mutual agreement of the parties hereto and may be terminated by either party by an instrument in writing delivered or mailed, postage prepaid to the other party, such termination to take effect not sooner than sixty (60) days after the date of such delivery or mailing in the case of a termination by the Fund, and not sooner than 180 days after the date of such delivery or mailing in the case of a termination by the Custodian; provided, however that the Custodian shall not act under Section 2.10 hereof in the absence of receipt of an initial certificate of the Secretary or an Assistant Secretary that the Board of Directors/Trustees of the Fund has approved the initial use of a particular Securities System and the receipt of an annual certificate of the Secretary or an Assistant Secretary that the Board of Directors/Trustees has reviewed the use by the Fund of such Securities System, as required in each case by Rule 17f-4 under the Investment Company Act of 1940, as amended and that the Custodian shall not act under Section 2.11 hereof in the absence of receipt of an initial certificate of the Secretary or an Assistant Secretary that the Board of Directors/Trustees has approved the initial use of the Direct Paper System and the receipt of an annual certificate of

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the Secretary or an Assistant Secretary that the Board of Directors/Trustees has reviewed the use by the Fund of the Direct Paper System; provided further, however, that the Fund shall not amend or terminate this Contract in contravention of any applicable federal or state regulations, or any provision of the Governing Documents of the Fund, and further provided, that the Fund may at any time by action of its Board of Directors/Trustees (i) substitute another bank or trust company for the Custodian by giving notice as described above to the Custodian, or (ii) immediately terminate this Contract in the event of the appointment of a conservator or receiver for the Custodian by the Comptroller of the Currency or upon the happening of a like event at the direction of an appropriate regulatory agency or court of competent jurisdiction.

Upon termination of the Contract, the Fund shall pay to the Custodian such compensation as may be due as of the date of such termination and shall likewise reimburse the Custodian for its costs, expenses and disbursements, provided that the Custodian shall not incur any costs, expenses or disbursements specifically in connection with such termination unless it has received prior approval from the Fund, which approval shall not be unreasonably withheld.

#### 14. Successor Custodian

If a successor custodian shall be appointed by the Board of Directors/Trustees of the Fund, the Custodian shall, upon termination, deliver to such successor custodian at the office of the Custodian, duly endorsed and in the form for transfer, all securities, funds and other properties then held by it hereunder and shall transfer to an account of the successor custodian all of the Fund's securities held in a Securities System. The Custodian shall also use its best efforts to assure that the successor custodian will continue any subcustodian agreement entered into by the Custodian and any subcustodian on behalf of the Fund.

If no such successor custodian shall be appointed, the Custodian shall, in like manner, upon receipt of a certified copy of a vote of the Board of Directors/Trustees of the Fund, deliver at the office of the Custodian and transfer such securities, funds and other properties in accordance with such vote.

In the event that no written order designating a successor custodian or certified copy of a vote of the Board of Directors/Trustees shall have been delivered to the Custodian on or before the date when such termination shall become effective, then the Custodian shall have the right to deliver to a bank or trust company, which is a "bank" as defined in the Investment Company Act of 1940, doing business in Boston, Massachusetts, of its own selection, having an aggregate capital, surplus, and undivided profits, as shown by its last published report, of not



less than \$25,000,000, all securities, funds and other properties held by the Custodian and all instruments held by the Custodian relative thereto and all other property held by it under this Contract and to transfer to an account of such successor custodian all of the Fund's securities held in any Securities System. Thereafter, such bank or trust company shall be the successor of the Custodian under this Contract.

In the event that securities, funds and other properties remain in the possession of the Custodian after the date of termination hereof owing to failure of the Fund to procure the certified copy of the vote referred to or of the Board of Directors/Trustees to appoint a successor custodian, the Custodian shall be entitled to fair compensation for its services during such period as the Custodian retains possession of such securities, funds and other properties and the provisions of this Contract relating to the duties and obligations of the Custodian shall remain in full force and effect. If while this Contract is in force the Fund shall be liquidated pursuant to law, the Custodian shall distribute, either in cash or (if the Fund so orders) in the portfolio securities and other assets of the Fund, pro rata among the holders of shares of the Fund as certified by the Transfer Agent, the property of the Fund which remains after paying or satisfying all expenses and liabilities of the Fund. Section 12 hereof shall survive any termination of this Contract.

#### 15. Interpretive and Additional Provisions

In connection with the operation of this Contract, the Custodian and the Fund may from time to time agree on such provisions interpretive of or in addition to the provisions of this Contract as may in their joint opinion be consistent with the general tenor of this Contract. Any such interpretive or additional provisions shall be in a writing signed by both parties and shall be annexed hereto, provided that no such interpretive or additional provisions shall contravene any applicable federal or state regulations or any provision of the Governing Documents of the Fund. No interpretive or additional provisions made as provided in the preceding sentence shall be deemed to be an amendment of this Contract.

#### 16. Notice

Any notice shall be sufficiently given when sent by registered or certified mail, or by such other means as the parties shall agree, to the other party at the address of such party set forth above or at such other address as such party may from time to time specify in writing to the other party.

#### 17. Bond

The Custodian shall, at all times, maintain a bond in such form and amount as is acceptable to the Fund which shall be issued by a reputable fidelity insurance company authorized to do business in the place where such bond is issued against larceny

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and embezzlement, covering each officer and employee of the Custodian who may, singly or jointly with others, have access to securities or funds of the Fund, either directly or through authority to receive and carry out any certificate instruction, order request, note or other instrument required or permitted by this Agreement. The Custodian agrees that it shall not cancel, terminate or modify such bond insofar as it adversely affects the Fund except after written notice given to the Fund not less than 10 days prior to the effective date of such cancellation, termination or modification. The Custodian shall furnish to the Fund a copy of each such bond and each amendment thereto.

18. Confidentiality

The Custodian agrees to treat all records and other information relative to the Fund and its prior, present or future shareholders as confidential, and the Custodian, on behalf of itself and its employees, agrees to keep confidential all such information except, after prior notification to and approval in writing by the Fund, which approval shall not be unreasonably withheld and may not be withheld where the Custodian may be exposed to civil or criminal contempt proceedings for failure to comply, when requested to divulge such information by duly constituted authorities, or when so requested by the Fund.

19. Exemption from Liens

The securities and other assets held by the Custodian for the Fund shall be subject to no lien or charge of any kind in favor of the Custodian or any person claiming through the Custodian, but nothing herein shall be deemed to deprive the Custodian of its right to invoke any and all remedies available at law or equity to collect amounts due it under this Agreement. Neither the Custodian nor any sub-custodian appointed pursuant to Section 1 hereof shall have any power or authority to assign, hypothecate, pledge or otherwise dispose of any securities held by it for the Fund, except upon the direction of the Fund, duly given as herein provided, and only for the account of the Fund.

20. Massachusetts Law to Apply

This Contract shall be construed and the provisions thereof interpreted under and in accordance with laws of The Commonwealth of Massachusetts.

21. Prior Contracts

Without derogating any of the rights established by such contracts, this Contract supersedes and terminates, as of the date hereof, all prior contracts between the Fund and the Custodian relating to the custody of the Fund's assets.

22. The Parties

All references herein to "the Fund" are to each of the funds listed on Appendix A individually, as if this Contract were between such individual fund and the Custodian. In the case of a series fund or trust, all references to "the Fund" are to the individual series or portfolio of such fund or trust, or to such fund or trust on behalf of the individual series or portfolio, as

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appropriate. Any reference in this Contract to "the parties" shall mean the Custodian and such other individual Fund as to which the matter pertains.

23. Governing Documents.

The term "Governing Documents" means the Articles of Incorporation, Agreement of Trust, By-Laws and Registration Statement filed under the Securities Act of 1933, as amended from time to time.

24. Subcustodian Agreement.

Reference to the "Subcustodian Agreement" between the Custodian and Chase shall mean any such agreement which shall be in effect from time to time between Chase and the Custodian with respect to foreign assets of the Fund.

25. Directors and Trustees.

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

26. Massachusetts Business Trust

With respect to any Fund which is a party to this Contract and which is organized as a Massachusetts business trust, the

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

27. Successors of Parties.

This Contract shall be binding on and shall inure to the benefit of the Fund and the Custodian and their respective successors.

IN WITNESS WHEREOF, each of the parties has caused this instrument to be executed in its name and behalf by its duly authorized representative and its seal to be hereunder affixed as of the dates indicated below.

DATED:       September 28, 1987

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STATE STREET BANK AND TRUST  
COMPANY

ATTEST:

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Assistant Secretary

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Vice President

T. ROWE PRICE GROWTH STOCK FUND, INC.  
T. ROWE PRICE NEW HORIZONS FUND, INC.  
T. ROWE PRICE NEW ERA FUND, INC.  
T. ROWE PRICE NEW INCOME FUND, INC.  
T. ROWE PRICE PRIME RESERVE FUND, INC.  
T. ROWE PRICE TAX-FREE INCOME FUND, INC.  
T. ROWE PRICE INTERNATIONAL TRUST  
T. Rowe Price International Stock Fund  
T. ROWE PRICE TAX-EXEMPT MONEY FUND, INC.  
T. ROWE PRICE U.S. TREASURY MONEY FUND, INC.  
T. ROWE PRICE GROWTH & INCOME FUND, INC.  
T. ROWE PRICE TAX-FREE SHORT-INTERMEDIATE  
FUND, INC.  
T. ROWE PRICE SHORT-TERM BOND FUND, INC.  
T. ROWE PRICE HIGH YIELD FUND, INC.  
T. ROWE PRICE TAX-FREE HIGH YIELD FUND, INC.  
T. ROWE PRICE NEW AMERICA GROWTH FUND  
T. ROWE PRICE EQUITY INCOME FUND  
T. ROWE PRICE GNMA FUND  
T. ROWE PRICE CAPITAL APPRECIATION FUND  
T. ROWE PRICE INSTITUTIONAL TRUST  
Tax-Exempt Reserve Portfolio

(SIGNATURES CONTINUED)

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
New York Tax-Free Money Fund

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
New York Tax-Free Bond Fund

T. ROWE PRICE INTERNATIONAL TRUST  
T. Rowe Price International Bond Fund

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

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

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

DATED: September 28, 1987  
\_\_\_\_\_

ATTEST:

/s/Nancy J. Wortman  
\_\_\_\_\_

By/s/Carmen F. Deyesu  
\_\_\_\_\_

Appendix A

The following Funds are parties to this Agreement and have so indicated their intention to be bound by such Agreement by executing the Agreement on the dates indicated thereon.

T. Rowe Price California Tax-Free Income Trust on behalf of the

California Tax-Free Bond Fund and  
California Tax-Free Money Fund

T. Rowe Price Capital Appreciation Fund

T. Rowe Price Equity Income Fund

T. Rowe Price GNMA Fund

T. Rowe Price Growth & Income Fund, Inc.

T. Rowe Price Growth Stock Fund, Inc.

T. Rowe Price High Yield Fund, Inc.

T. Rowe Price Institutional Trust on behalf of the  
Tax-Exempt Reserve Portfolio

T. Rowe Price International Trust on behalf of the

T. Rowe Price International Bond Fund and

T. Rowe Price International Stock Fund

T. Rowe Price New America Growth Fund  
T. Rowe Price New Era Fund, Inc.

T. Rowe Price New Horizons Fund, Inc.  
T. Rowe Price New Income Fund, Inc.

T. Rowe Price Prime Reserve Fund, Inc.  
T. Rowe Price Science & Technology Fund, Inc.

T. Rowe Price Short-Term Bond Fund, Inc.  
T. Rowe Price State Tax-Free Income Trust on behalf of the  
Maryland Tax-Free Bond Fund,  
New York Tax-Free Bond Fund and  
New York Tax-Free Money Fund

T. Rowe Price Tax-Exempt Money Fund, Inc.  
T. Rowe Price Tax-Free High Yield Fund, Inc.

T. Rowe Price Tax-Free Income Fund, Inc.  
T. Rowe Price Tax-Free Short-Intermediate Fund, Inc.

T. Rowe Price U.S. Treasury Money Fund, Inc.

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AMENDMENT NO. 1 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

THIS AGREEMENT, made as of this 24th day of June, 1988, by and between: T. Rowe Price Growth Stock Fund, Inc., T. Rowe Price New Horizons Fund, Inc., T. Rowe Price New Era Fund, Inc., T. Rowe Price New Income Fund, Inc., T. Rowe Price Prime Reserve Fund, Inc., T. Rowe Price International Trust, T. Rowe Price U.S. Treasury Money Fund, Inc., T. Rowe Price Growth & Income Fund, Inc., T. Rowe Price Tax-Exempt Money Fund, Inc., T. Rowe Price



Tax-Free Income Fund, Inc., T. Rowe Price Tax-Free Short-Intermediate Fund, Inc., T. Rowe Price Short-Term Bond Fund, Inc., T. Rowe Price High Yield Fund, Inc., T. Rowe Price Tax-Free High Yield Fund, Inc., T. Rowe Price New America Growth Fund, T. Rowe Price Equity Income Fund, T. Rowe Price GNMA Fund, T. Rowe Price Capital Appreciation Fund, T. Rowe Price Institutional Trust, T. Rowe Price State Tax-Free Income Trust, T. Rowe Price California Tax-Free Income Trust, T. Rowe Price Science & Technology Fund, Inc., (hereinafter together called the "Funds" and individually "Fund") and State Street Bank and Trust Company, a Massachusetts trust,

W I T N E S S E T H:

It is mutually agreed that the Custodian Contract made by the parties on the 28th day of September, 1987, is hereby amended by adding thereto the T. Rowe Price Small-Cap Value Fund, Inc.

T. ROWE PRICE GROWTH STOCK FUND, INC.  
/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

T. ROWE PRICE NEW HORIZONS FUND, INC.  
/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

T. ROWE PRICE NEW ERA FUND, INC.  
/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

(SIGNATURES CONTINUED)

T. ROWE PRICE NEW INCOME FUND, INC.  
/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

T. ROWE PRICE PRIME RESERVE FUND, INC.  
/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

T. ROWE PRICE INTERNATIONAL TRUST  
/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

T. ROWE PRICE U.S. TREASURY MONEY FUND, INC.  
/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

T. ROWE PRICE GROWTH & INCOME FUND, INC.  
/s/Henry H. Hopkins

---

By: Henry H. Hopkins  
Vice President

T. ROWE PRICE SHORT-TERM BOND FUND, INC.  
/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

T. ROWE PRICE TAX-FREE INCOME FUND, INC.  
/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

T. ROWE PRICE TAX-EXEMPT MONEY FUND, INC.  
/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

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(SIGNATURES CONTINUED)

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

/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

T. ROWE PRICE HIGH YIELD FUND, INC.

/s/ Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

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

/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

T. ROWE PRICE NEW AMERICA GROWTH FUND

/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

T. ROWE PRICE EQUITY INCOME FUND

/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

T. ROWE PRICE GNMA FUND  
/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

T. ROWE PRICE CAPITAL APPRECIATION FUND  
/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

T. ROWE PRICE INSTITUTIONAL TRUST  
/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

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(SIGNATURES CONTINUED)

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

T. ROWE PRICE CALIFORNIA TAX-FREE INCOME  
TRUST  
/s/Henry H. Hopkins

---

By: Henry H. Hopkins  
Vice President

T. ROWE PRICE SCIENCE & TECHNOLOGY  
FUND, INC.

/s/Henry H. Hopkins

---

By: Henry H. Hopkins  
Vice President

T. ROWE PRICE SMALL-CAP VALUE FUND, INC.  
/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

STATE STREET BANK AND TRUST COMPANY  
/s/William Blackwell

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By:

THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of October 19, 1988, by adding thereto the T. Rowe Price International Discovery Fund, Inc., a separate series of T. Rowe Price International Trust.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL TRUST

T. Rowe Price International Bond Fund

T. Rowe Price International Stock Fund

T. Rowe Price International Discovery Fund

T. ROWE PRICE U.S. TREASURY MONEY FUND, INC.

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE INSTITUTIONAL TRUST  
Tax-Exempt Reserve Portfolio

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund

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

T. ROWE PRICE SCIENCE & TECHNOLOGY  
FUND, INC.

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

/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

STATE STREET BANK AND TRUST COMPANY

/s/Guy R. Sturgeon

---

By:

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AMENDMENT NO. 3 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988 and October 19, 1988, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of February 22, 1989, by adding thereto the T. Rowe Price International Equity Fund, Inc.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL TRUST



T. Rowe Price International Bond Fund  
T. Rowe Price International Stock Fund  
T. Rowe Price International Discovery Fund

T. ROWE PRICE U.S. TREASURY MONEY FUND, INC.

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

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T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE INSTITUTIONAL TRUST  
Tax-Exempt Reserve Portfolio

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund

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

T. ROWE PRICE CALIFORNIA TAX-FREE INCOME  
TRUST

California Tax-Free Bond Fund  
California Tax-Free Money Fund

T. ROWE PRICE SCIENCE & TECHNOLOGY  
FUND, INC.

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

T. ROWE PRICE INTERNATIONAL  
EQUITY FUND, INC.

/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

STATE STREET BANK AND TRUST COMPANY

/s/K. Donelson

---

By:

AMENDMENT NO. 4 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988 and February 22, 1989, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of July 19, 1989, by adding thereto the Institutional International Funds, Inc., on behalf of the Foreign Equity Fund.

- T. ROWE PRICE GROWTH STOCK FUND, INC.
- T. ROWE PRICE NEW HORIZONS FUND, INC.
- T. ROWE PRICE NEW ERA FUND, INC.
- T. ROWE PRICE NEW INCOME FUND, INC.
- T. ROWE PRICE PRIME RESERVE FUND, INC.
- T. ROWE PRICE INTERNATIONAL TRUST
  - T. Rowe Price International Bond Fund
  - T. Rowe Price International Stock Fund
  - T. Rowe Price International Discovery Fund
- T. ROWE PRICE U.S. TREASURY MONEY FUND, INC.
- T. ROWE PRICE GROWTH & INCOME FUND, INC.
- T. ROWE PRICE SHORT-TERM BOND FUND, INC.
- T. ROWE PRICE TAX-FREE INCOME FUND, INC.
- T. ROWE PRICE TAX-EXEMPT MONEY FUND, INC.
- T. ROWE PRICE TAX-FREE SHORT-INTERMEDIATE FUND, INC.
- T. ROWE PRICE HIGH YIELD FUND, INC.
- T. ROWE PRICE TAX-FREE HIGH YIELD FUND, INC.

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

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T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE INSTITUTIONAL TRUST  
Tax-Exempt Reserve Portfolio

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund

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

T. ROWE PRICE SCIENCE & TECHNOLOGY  
FUND, INC.

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

T. ROWE PRICE INTERNATIONAL  
EQUITY FUND, INC.

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

/s/Henry H. Hopkins

---

By: Henry H. Hopkins

Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

---

By:

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AMENDMENT NO. 5 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, and July 19, 1989 between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of September 15, 1989, by adding thereto the T. Rowe Price U.S. Treasury Funds, Inc., on behalf of the U.S. Treasury Intermediate Fund and the U.S. Treasury Long-Term Fund.

T. ROWE PRICE GROWTH STOCK FUND, INC.  
T. ROWE PRICE NEW HORIZONS FUND, INC.  
T. ROWE PRICE NEW ERA FUND, INC.  
T. ROWE PRICE NEW INCOME FUND, INC.  
T. ROWE PRICE PRIME RESERVE FUND, INC.  
T. ROWE PRICE INTERNATIONAL TRUST  
    T. Rowe Price International Bond Fund  
    T. Rowe Price International Stock Fund  
    T. Rowe Price International Discovery Fund  
T. ROWE PRICE U.S. TREASURY MONEY FUND, INC.  
T. ROWE PRICE GROWTH & INCOME FUND, INC.  
T. ROWE PRICE SHORT-TERM BOND FUND, INC.  
T. ROWE PRICE TAX-FREE INCOME FUND, INC.  
T. ROWE PRICE TAX-EXEMPT MONEY FUND, INC.  
T. ROWE PRICE TAX-FREE SHORT-INTERMEDIATE  
    FUND, INC.  
T. ROWE PRICE HIGH YIELD FUND, INC.  
T. ROWE PRICE TAX-FREE HIGH YIELD FUND, INC.  
T. ROWE PRICE NEW AMERICA GROWTH FUND  
T. ROWE PRICE EQUITY INCOME FUND

- T. ROWE PRICE GNMA FUND
- T. ROWE PRICE CAPITAL APPRECIATION FUND
- T. ROWE PRICE INSTITUTIONAL TRUST  
Tax-Exempt Reserve Portfolio
- T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund
- T. ROWE PRICE CALIFORNIA TAX-FREE INCOME  
TRUST  
California Tax-Free Bond Fund  
California Tax-Free Money Fund
- T. ROWE PRICE SCIENCE & TECHNOLOGY  
FUND, INC.
- T. ROWE PRICE SMALL-CAP VALUE FUND, INC.
- T. ROWE PRICE INTERNATIONAL  
EQUITY FUND, INC.
- INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund
- T. ROWE PRICE U.S. TREASURY FUNDS, INC.  
U.S. Treasury Intermediate Fund  
U.S. Treasury Long-Term Fund

/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

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By:

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AMENDMENT NO. 6 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989 and September 15, 1989, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of December 15, 1989, by restating Section 2.15 as follows:

2.15 Communications Relating to Fund Portfolio Securities. The Custodian shall transmit promptly to the Fund all written information (including, without limitation, pendency of calls and maturities of domestic securities and expirations of rights in connection therewith and notices of exercise of call and put options written by the Fund and the maturity of futures contracts purchased or sold by the Fund) received by the Custodian from issuers of the domestic securities being held for the Fund by the Custodian, an agent appointed under Section 2.9, or sub-custodian appointed under Section 1. With respect to tender or exchange offers, the Custodian shall transmit promptly to the Fund all written information received by the Custodian, an agent appointed under Section 2.9, or sub-custodian appointed under Section 1 from issuers of the domestic securities whose tender or exchange is sought and from the party (or his agents) making the tender or exchange offer. If the Fund desires to take action with respect to any tender offer, exchange offer or any other similar transaction, the Fund shall notify the Custodian of such desired action at least 48 hours (excluding holidays and weekends) prior to the time such action must be taken under the terms of the tender, exchange offer, or other similar transaction, and it will



be the responsibility of the Custodian to timely transmit to the appropriate person(s) the Fund's notice. Where the Fund does not notify the custodian of its desired action within the aforesaid 48 hour period, the Custodian shall use its best efforts to timely transmit the Fund's notice to the appropriate person. It is expressly noted that the parties may negotiate and agree to alternative procedures with respect to such 48 hour notice period on a selective and individual basis.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

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T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL TRUST

T. Rowe Price International Bond Fund

T. Rowe Price International Stock Fund

T. Rowe Price International Discovery Fund

T. ROWE PRICE U.S. TREASURY MONEY FUND, INC.

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE INSTITUTIONAL TRUST  
Tax-Exempt Reserve Portfolio

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund

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

T. ROWE PRICE SCIENCE & TECHNOLOGY  
FUND, INC.

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

T. ROWE PRICE INTERNATIONAL  
EQUITY FUND, INC.

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

/s/Carmen F. Deyesu

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By: Carmen F. Deyesu,  
Treasurer

STATE STREET BANK AND TRUST COMPANY

/s/ E. D. Hawkes, Jr.

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By: E. D. Hawkes, Jr.  
Vice President

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Amendment No. 7 filed on Form SE January 25, 1990 with  
International Trust (CIK 313212) Post Effective Amendment No. 17.

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AMENDMENT NO. 8 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, and December 20, 1989, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of January 25, 1990, by adding thereto the T. Rowe Price European Stock Fund, a separate series of T. Rowe Price International Trust.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL TRUST

T. Rowe Price International Bond Fund  
T. Rowe Price International Stock Fund  
T. Rowe Price International Discovery Fund  
T. Rowe Price European Stock Fund

T. ROWE PRICE U.S. TREASURY MONEY FUND, INC.

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

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T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE INSTITUTIONAL TRUST  
Tax-Exempt Reserve Portfolio

T. ROWE PRICE STATE TAX-FREE INCOME TRUST

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

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

T. ROWE PRICE SCIENCE & TECHNOLOGY  
FUND, INC.

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

T. ROWE PRICE INTERNATIONAL  
EQUITY FUND, INC.

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

/s/Henry H. Hopkins

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By: Henry H. Hopkins  
Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

---

By:

AMENDMENT NO. 9 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, and January 25, 1990 between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of February 21, 1990, by adding thereto the T. Rowe Price Index Trust, Inc., on behalf of the T. Rowe Price Equity Index Fund.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL TRUST

T. Rowe Price International Bond Fund

T. Rowe Price International Stock Fund

T. Rowe Price International Discovery Fund

T. Rowe Price European Stock Fund

T. ROWE PRICE U.S. TREASURY MONEY FUND, INC.

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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



T. ROWE PRICE NEW AMERICA GROWTH FUND

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T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE INSTITUTIONAL TRUST  
Tax-Exempt Reserve Portfolio

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund

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

T. ROWE PRICE SCIENCE & TECHNOLOGY  
FUND, INC.

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

T. ROWE PRICE INTERNATIONAL  
EQUITY FUND, INC.

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

T. ROWE PRICE U.S. TREASURY FUNDS, INC.  
U.S. Treasury Intermediate Fund

U.S. Treasury Long-Term Fund

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

/s/Henry H. Hopkins

---

By: Henry H. Hopkins  
Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

---

By:

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AMENDMENT NO. 10 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of June 12, 1990, by adding thereto the T. Rowe Price Spectrum Fund, Inc., on behalf of the Spectrum Growth Fund and the Spectrum Income Fund.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.  
T. ROWE PRICE NEW ERA FUND, INC.  
T. ROWE PRICE NEW INCOME FUND, INC.  
T. ROWE PRICE PRIME RESERVE FUND, INC.  
T. ROWE PRICE INTERNATIONAL TRUST  
    T. Rowe Price International Bond Fund  
    T. Rowe Price International Stock Fund  
    T. Rowe Price International Discovery Fund  
    T. Rowe Price European Stock Fund  
T. ROWE PRICE U.S. TREASURY MONEY FUND, INC.  
T. ROWE PRICE GROWTH & INCOME FUND, INC.  
T. ROWE PRICE SHORT-TERM BOND FUND, INC.  
T. ROWE PRICE TAX-FREE INCOME FUND, INC.  
T. ROWE PRICE TAX-EXEMPT MONEY FUND, INC.  
T. ROWE PRICE TAX-FREE SHORT-INTERMEDIATE  
    FUND, INC.  
T. ROWE PRICE HIGH YIELD FUND, INC.  
T. ROWE PRICE TAX-FREE HIGH YIELD FUND, INC.  
T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE INSTITUTIONAL TRUST  
Tax-Exempt Reserve Portfolio

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund

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

T. ROWE PRICE SCIENCE & TECHNOLOGY  
FUND, INC.

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

T. ROWE PRICE INTERNATIONAL  
EQUITY FUND, INC.

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

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

/s/Henry H. Hopkins

---

By: Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

---

By:

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AMENDMENT NO. 11 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, and June 12, 1990 between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of July 18, 1990, by adding thereto the T. Rowe Price New Asia Fund, a separate series of the T. Rowe Price International Funds, Inc.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

T. Rowe Price International Bond Fund

T. Rowe Price International Stock Fund

T. Rowe Price International Discovery Fund

T. Rowe Price European Stock Fund

T. Rowe Price New Asia Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

T. ROWE PRICE TAX-EXEMPT MONEY FUND, INC.  
T. ROWE PRICE TAX-FREE SHORT-INTERMEDIATE  
FUND, INC.  
T. ROWE PRICE HIGH YIELD FUND, INC.  
T. ROWE PRICE TAX-FREE HIGH YIELD FUND, INC.  
T. ROWE PRICE NEW AMERICA GROWTH FUND  
T. ROWE PRICE EQUITY INCOME FUND

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T. ROWE PRICE GNMA FUND  
T. ROWE PRICE CAPITAL APPRECIATION FUND  
T. ROWE PRICE INSTITUTIONAL TRUST  
Tax-Exempt Reserve Portfolio  
T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund  
T. ROWE PRICE CALIFORNIA TAX-FREE INCOME  
TRUST  
California Tax-Free Bond Fund  
California Tax-Free Money Fund  
T. ROWE PRICE SCIENCE & TECHNOLOGY  
FUND, INC.  
T. ROWE PRICE SMALL-CAP VALUE FUND, INC.  
T. ROWE PRICE INTERNATIONAL

EQUITY FUND, INC.

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

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

/s/Henry H. Hopkins

---

By: Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/ Guy R. Sturgeon

---

By: Guy R. Sturgeon

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AMENDMENT NO. 12 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended  
June 24, 1988, October 19, 1988, February 22, 1989, July 19,

1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, and July 18, 1990 between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of October 15, 1990, by adding thereto the T. Rowe Price Global Government Bond Fund, a separate series of the T. Rowe Price International Funds, Inc.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

T. Rowe Price International Bond Fund

T. Rowe Price International Stock Fund

T. Rowe Price International Discovery Fund

T. Rowe Price European Stock Fund

T. Rowe Price New Asia Fund

T. Rowe Price Global Government Bond Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND



T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE INSTITUTIONAL TRUST  
Tax-Exempt Reserve Portfolio

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund

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

T. ROWE PRICE SCIENCE & TECHNOLOGY  
FUND, INC.

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

T. ROWE PRICE INTERNATIONAL  
EQUITY FUND, INC.

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

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

/s/Henry H. Hopkins

---

By: Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY  
/s/ Guy R. Sturgeon

---

By:

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AMENDMENT NO. 13 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, and October 15, 1990, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of February 13, 1991, by adding thereto the Virginia Tax-Free Bond Fund and New Jersey Tax-Free Bond Fund, two separate series of the T. Rowe Price State Tax-Free Income Trust

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

T. Rowe Price International Bond Fund

T. Rowe Price International Stock Fund  
T. Rowe Price International Discovery Fund  
T. Rowe Price European Stock Fund  
T. Rowe Price New Asia Fund  
T. Rowe Price Global Government Bond Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.  
T. ROWE PRICE SHORT-TERM BOND FUND, INC.  
T. ROWE PRICE TAX-FREE INCOME FUND, INC.  
T. ROWE PRICE TAX-EXEMPT MONEY FUND, INC.  
T. ROWE PRICE TAX-FREE SHORT-INTERMEDIATE  
FUND, INC.  
T. ROWE PRICE HIGH YIELD FUND, INC.  
T. ROWE PRICE TAX-FREE HIGH YIELD FUND, INC.

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T. ROWE PRICE NEW AMERICA GROWTH FUND  
T. ROWE PRICE EQUITY INCOME FUND  
T. ROWE PRICE GNMA FUND  
T. ROWE PRICE CAPITAL APPRECIATION FUND  
T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund  
Virginia Tax-Free Bond Fund  
New Jersey Tax-Free Bond Fund

T. ROWE PRICE CALIFORNIA TAX-FREE INCOME  
TRUST

California Tax-Free Bond Fund  
California Tax-Free Money Fund

T. ROWE PRICE SCIENCE & TECHNOLOGY  
FUND, INC.

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

T. ROWE PRICE INTERNATIONAL  
EQUITY FUND, INC.

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

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

/s/Henry H. Hopkins

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By: Henry H. Hopkins, Vice President  
STATE STREET BANK AND TRUST COMPANY  
/s/ Guy Sturgeon

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By: Vice President

AMENDMENT NO. 14 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, and February 13, 1991, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of March 6, 1991, by adding thereto the T. Rowe Price Balanced Fund, Inc.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

T. Rowe Price International Bond Fund

T. Rowe Price International Stock Fund

T. Rowe Price International Discovery Fund

T. Rowe Price European Stock Fund

T. Rowe Price New Asia Fund

T. Rowe Price Global Government Bond Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund  
Virginia Tax-Free Bond Fund  
New Jersey Tax-Free Bond Fund

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

T. ROWE PRICE SCIENCE & TECHNOLOGY  
FUND, INC.

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

T. ROWE PRICE INTERNATIONAL  
EQUITY FUND, INC.

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.

T. Rowe Price Equity Index Fund

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

T. ROWE PRICE BALANCED FUND, INC.

/s/Henry H. Hopkins

---

By: Henry H. Hopkins, Vice President  
STATE STREET BANK AND TRUST COMPANY  
/s/

---

By:

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AMENDMENT NO. 15 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, and March 6, 1991, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of September 12, 1991, by adding thereto the T. Rowe Price Adjustable Rate U.S. Government Fund, Inc.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.  
T. ROWE PRICE NEW INCOME FUND, INC.  
T. ROWE PRICE PRIME RESERVE FUND, INC.  
T. ROWE PRICE INTERNATIONAL FUNDS, INC.  
    T. Rowe Price International Bond Fund  
    T. Rowe Price International Stock Fund  
    T. Rowe Price International Discovery Fund  
    T. Rowe Price European Stock Fund  
    T. Rowe Price New Asia Fund  
    T. Rowe Price Global Government Bond Fund  
T. ROWE PRICE GROWTH & INCOME FUND, INC.  
T. ROWE PRICE SHORT-TERM BOND FUND, INC.  
T. ROWE PRICE TAX-FREE INCOME FUND, INC.  
T. ROWE PRICE TAX-EXEMPT MONEY FUND, INC.  
T. ROWE PRICE TAX-FREE SHORT-INTERMEDIATE  
    FUND, INC.  
T. ROWE PRICE HIGH YIELD FUND, INC.  
T. ROWE PRICE TAX-FREE HIGH YIELD FUND, INC.  
T. ROWE PRICE NEW AMERICA GROWTH FUND

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T. ROWE PRICE EQUITY INCOME FUND  
T. ROWE PRICE GNMA FUND  
T. ROWE PRICE CAPITAL APPRECIATION FUND



T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund  
Virginia Tax-Free Bond Fund  
New Jersey Tax-Free Bond Fund

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

T. ROWE PRICE SCIENCE & TECHNOLOGY  
FUND, INC.

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

T. ROWE PRICE INTERNATIONAL  
EQUITY FUND, INC.

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

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

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S.  
GOVERNMENT FUND, INC.

/s/Henry H. Hopkins

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By: Henry H. Hopkins, Vice President

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STATE STREET BANK AND TRUST COMPANY

/s/

\_\_\_\_\_  
By:

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AMENDMENT NO. 16 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991 and September 12, 1991, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of November 6, 1991, by adding thereto the T. Rowe Price Japan Fund, a separate series of the T. Rowe Price International Funds, Inc.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.  
T. Rowe Price International Bond Fund  
T. Rowe Price International Stock Fund  
T. Rowe Price International Discovery Fund  
T. Rowe Price European Stock Fund  
T. Rowe Price New Asia Fund  
T. Rowe Price Global Government Bond Fund  
T. Rowe Price Japan Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

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T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
New York Tax-Free Bond Fund

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

T. ROWE PRICE CALIFORNIA TAX-FREE INCOME  
TRUST

California Tax-Free Bond Fund  
California Tax-Free Money Fund

T. ROWE PRICE SCIENCE & TECHNOLOGY  
FUND, INC.

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

T. ROWE PRICE INTERNATIONAL  
EQUITY FUND, INC.

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

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

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S.  
GOVERNMENT FUND, INC.

/s/Henry H. Hopkins

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By: Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

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By:

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AMENDMENT NO. 17 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991, September 12, 1991 and November 6, 1991, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of April 23, 1992, by adding thereto the T. Rowe Price Mid-Cap Growth Fund, Inc. and T. Rowe Price Short-Term Global Income Fund, a separate series of the T. Rowe Price International Funds, Inc.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

T. Rowe Price International Bond Fund

T. Rowe Price International Stock Fund

T. Rowe Price International Discovery Fund

T. Rowe Price European Stock Fund  
T. Rowe Price New Asia Fund  
T. Rowe Price Global Government Bond Fund  
T. Rowe Price Japan Fund  
T. Rowe Price Short-Term Global Income Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund  
Virginia Tax-Free Bond Fund  
New Jersey Tax-Free Bond Fund



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

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

T. ROWE PRICE INTERNATIONAL EQUITY FUND, INC.

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

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

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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

By:Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

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By:

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AMENDMENT NO. 18 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991, September 12, 1991, November 6, 1991, and April 23, 1992, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of September 2, 1992, by adding thereto the T. Rowe Price OTC Fund, a series of the T. Rowe Price OTC Fund, Inc.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE OTC FUND, INC.

T. Rowe Price OTC Fund

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

T. Rowe Price International Bond Fund

T. Rowe Price International Stock Fund

T. Rowe Price International Discovery Fund

T. Rowe Price European Stock Fund

T. Rowe Price New Asia Fund

T. Rowe Price Global Government Bond Fund

T. Rowe Price Japan Fund

T. Rowe Price Short-Term Global Income Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

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T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST

Maryland Tax-Free Bond Fund

New York Tax-Free Bond Fund

New York Tax-Free Money Fund

Virginia Tax-Free Bond Fund

New Jersey Tax-Free Bond Fund

T. ROWE PRICE CALIFORNIA TAX-FREE INCOME TRUST

California Tax-Free Bond Fund

California Tax-Free Money Fund

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

INSTITUTIONAL INTERNATIONAL FUNDS, INC.

Foreign Equity Fund

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

U.S. Treasury Intermediate Fund

U.S. Treasury Long-Term Fund

U.S. Treasury Money Fund

T. ROWE PRICE INDEX TRUST, INC.

T. Rowe Price Equity Index Fund

T. ROWE PRICE SPECTRUM FUND, INC.

Spectrum Growth Fund

Spectrum Income Fund

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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

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/s/Henry H. Hopkins

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By:Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

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By:

AMENDMENT NO. 19 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991, September 12, 1991, November 6, 1991, April 23, 1992, and September 2, 1992, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of November 3, 1992, by adding thereto the T. Rowe Price Tax-Free Insured Intermediate Bond Fund, Inc.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

T. Rowe Price International Bond Fund

T. Rowe Price International Stock Fund

T. Rowe Price International Discovery Fund

T. Rowe Price European Stock Fund

T. Rowe Price New Asia Fund

T. Rowe Price Global Government Bond Fund

T. Rowe Price Japan Fund

T. Rowe Price Short-Term Global Income Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST

Maryland Tax-Free Bond Fund

New York Tax-Free Bond Fund

New York Tax-Free Money Fund

Virginia Tax-Free Bond Fund

New Jersey Tax-Free Bond Fund

T. ROWE PRICE CALIFORNIA TAX-FREE INCOME TRUST

California Tax-Free Bond Fund

California Tax-Free Money Fund

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

INSTITUTIONAL INTERNATIONAL FUNDS, INC.

Foreign Equity Fund



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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

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

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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

T. ROWE PRICE OTC FUND, INC.  
T. Rowe Price OTC Fund

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

/s/Henry H. Hopkins

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By: Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

---

By:



AMENDMENT NO. 20 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991, September 12, 1991, November 6, 1991, April 23, 1992, September 2, 1992, and November 3, 1992, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of December 16, 1992, by adding thereto the T. Rowe Price Dividend Growth Fund, Inc.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

- T. Rowe Price International Bond Fund
- T. Rowe Price International Stock Fund
- T. Rowe Price International Discovery Fund
- T. Rowe Price European Stock Fund
- T. Rowe Price New Asia Fund
- T. Rowe Price Global Government Bond Fund
- T. Rowe Price Japan Fund
- T. Rowe Price Short-Term Global Income Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST

Maryland Tax-Free Bond Fund

New York Tax-Free Bond Fund

New York Tax-Free Money Fund

Virginia Tax-Free Bond Fund

New Jersey Tax-Free Bond Fund

T. ROWE PRICE CALIFORNIA TAX-FREE INCOME TRUST

California Tax-Free Bond Fund

California Tax-Free Money Fund

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

INSTITUTIONAL INTERNATIONAL FUNDS, INC.

Foreign Equity Fund

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

U.S. Treasury Intermediate Fund

U.S. Treasury Long-Term Fund

U.S. Treasury Money Fund

T. ROWE PRICE INDEX TRUST, INC.

T. Rowe Price Equity Index Fund

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

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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

T. ROWE PRICE OTC FUND, INC.  
T. Rowe Price OTC Fund

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

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

/s/Henry H. Hopkins

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By: Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

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By:

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AMENDMENT NO. 21 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H :

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991, September 12, 1991, November 6, 1991, April 23, 1992, September 2, 1992, November 3, 1992, and December 16, 1992, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of December 21, 1992, by adding thereto the Maryland Short-Term Tax-Free Bond Fund, an additional series to the T. Rowe Price State Tax-Free Income Trust.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

T. Rowe Price International Bond Fund

T. Rowe Price International Stock Fund

T. Rowe Price International Discovery Fund

T. Rowe Price European Stock Fund

T. Rowe Price New Asia Fund

T. Rowe Price Global Government Bond Fund

T. Rowe Price Japan Fund

T. Rowe Price Short-Term Global Income Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
Maryland Short-Term Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund  
Virginia Tax-Free Bond Fund  
New Jersey Tax-Free Bond Fund

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

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

T. ROWE PRICE SPECTRUM FUND, INC.



Spectrum Growth Fund  
Spectrum Income Fund

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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

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T. ROWE PRICE OTC FUND, INC.

T. Rowe Price OTC Fund

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

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

/s/Henry H. Hopkins

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By: Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

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By:

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AMENDMENT NO. 22 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended  
June 24, 1988, October 19, 1988, February 22, 1989, July 19,  
1989, September 15, 1989, December 15, 1989, December 20, 1989,  
January 25, 1990, February 21, 1990, June 12, 1990, July 18,  
1990, October 15, 1990, February 13, 1991, March 6, 1991,

September 12, 1991, November 6, 1991, April 23, 1992, September 2, 1992, November 3, 1992, December 16, 1992, and December 21, 1992, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of January 28, 1993, by adding thereto the Georgia Tax-Free Bond Fund and the Florida Insured Intermediate Tax-Free Fund, additional series to the T. Rowe Price State Tax-Free Income Trust.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

T. Rowe Price International Bond Fund

T. Rowe Price International Stock Fund

T. Rowe Price International Discovery Fund

T. Rowe Price European Stock Fund

T. Rowe Price New Asia Fund

T. Rowe Price Global Government Bond Fund

T. Rowe Price Japan Fund

T. Rowe Price Short-Term Global Income Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
Maryland Short-Term Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund  
Virginia Tax-Free Bond Fund  
New Jersey Tax-Free Bond Fund  
Georgia Tax-Free Bond Fund  
Florida Insured Intermediate Tax-Free Fund

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

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

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

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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

T. ROWE PRICE OTC FUND, INC.

T. Rowe Price OTC Fund

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

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

/s/Henry H. Hopkins

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By: Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

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By:

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AMENDMENT NO. 23 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991, September 12, 1991, November 6, 1991, April 23, 1992, September 2, 1992, November 3, 1992, December 16, 1992, December 21, 1992, and January 28, 1993, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of April 22, 1993, by adding thereto the T. Rowe Price Blue Chip Growth Fund, Inc.

T. ROWE PRICE GROWTH STOCK FUND, INC.  
T. ROWE PRICE NEW HORIZONS FUND, INC.  
T. ROWE PRICE NEW ERA FUND, INC.  
T. ROWE PRICE NEW INCOME FUND, INC.  
T. ROWE PRICE PRIME RESERVE FUND, INC.  
T. ROWE PRICE INTERNATIONAL FUNDS, INC.  
    T. Rowe Price International Bond Fund  
    T. Rowe Price International Stock Fund  
    T. Rowe Price International Discovery Fund  
    T. Rowe Price European Stock Fund  
    T. Rowe Price New Asia Fund  
    T. Rowe Price Global Government Bond Fund  
    T. Rowe Price Japan Fund  
    T. Rowe Price Short-Term Global Income Fund  
T. ROWE PRICE GROWTH & INCOME FUND, INC.  
T. ROWE PRICE SHORT-TERM BOND FUND, INC.  
T. ROWE PRICE TAX-FREE INCOME FUND, INC.  
T. ROWE PRICE TAX-EXEMPT MONEY FUND, INC.  
T. ROWE PRICE TAX-FREE SHORT-INTERMEDIATE FUND,  
INC.  
T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
Maryland Short-Term Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund  
Virginia Tax-Free Bond Fund  
New Jersey Tax-Free Bond Fund  
Georgia Tax-Free Bond Fund  
Florida Insured Intermediate Tax-Free Fund

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

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.  
T. ROWE PRICE SMALL-CAP VALUE FUND, INC.

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

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

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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



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T. ROWE PRICE OTC FUND, INC.

T. Rowe Price OTC Fund

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

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.

/s/Henry H. Hopkins

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By:Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

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By:

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AMENDMENT NO. 24 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991, September 12, 1991, November 6, 1991, April 23, 1992, September 2, 1992, November 3, 1992, December 16, 1992, December 21, 1992, January 28, 1993, April 22, 1993, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of September 16, 1993, by adding thereto the T. Rowe Price Summit Funds, Inc. and T. Rowe Price Summit Municipal Funds, Inc.

Notwithstanding anything to the contrary herein, it is understood that the T. Rowe Price Summit Funds, Inc. and T. Rowe Price Summit Municipal Funds, Inc. (collectively referred to as

the "Funds") shall not be responsible for paying any of the fees or expenses set forth herein but that, in accordance with the Investment Management Agreement, dated September 16, 1993, between the Funds and T. Rowe Price Associates, Inc. ("T. Rowe Price"), the Funds will require T. Rowe Price to pay all such fees and expenses.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

T. Rowe Price International Bond Fund

T. Rowe Price International Stock Fund

T. Rowe Price International Discovery Fund

T. Rowe Price European Stock Fund

T. Rowe Price New Asia Fund

T. Rowe Price Global Government Bond Fund

T. Rowe Price Japan Fund

T. Rowe Price Short-Term Global Income Fund

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T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST

Maryland Tax-Free Bond Fund

Maryland Short-Term Tax-Free Bond Fund

New York Tax-Free Bond Fund

New York Tax-Free Money Fund

Virginia Tax-Free Bond Fund

New Jersey Tax-Free Bond Fund

Georgia Tax-Free Bond Fund

Florida Insured Intermediate Tax-Free Fund

T. ROWE PRICE CALIFORNIA TAX-FREE INCOME TRUST

California Tax-Free Bond Fund

California Tax-Free Money Fund

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

INSTITUTIONAL INTERNATIONAL FUNDS, INC.

Foreign Equity Fund

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

U.S. Treasury Intermediate Fund

U.S. Treasury Long-Term Fund

U.S. Treasury Money Fund

T. ROWE PRICE INDEX TRUST, INC.

T. Rowe Price Equity Index Fund

T. ROWE PRICE SPECTRUM FUND, INC.

Spectrum Growth Fund

Spectrum Income Fund

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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

T. ROWE PRICE OTC FUND, INC.

T. Rowe Price OTC Fund

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

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.

T. ROWE PRICE SUMMIT FUNDS, INC.

T. Rowe Price Summit Cash Reserves Fund

T. Rowe Price Summit Limited-Term Bond Fund

T. Rowe Price Summit GNMA Fund

T. ROWE PRICE SUMMIT MUNICIPAL FUNDS, INC.

T. Rowe Price Summit Municipal Money Market  
Fund

T. Rowe Price Summit Municipal Intermediate  
Fund

T. Rowe Price Summit Municipal Income Fund

/s/Henry H. Hopkins

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By:Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

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By:

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AMENDMENT NO. 25 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991, September 12, 1991, November 6, 1991, April 23, 1992, September 2, 1992, November 3, 1992, December 16, 1992, December 21, 1992, January 28, 1993, April 22, 1993, and September 16, 1993, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of November 3, 1993, by adding thereto the T. Rowe Price Latin America Fund, a separate series of the T. Rowe Price International Funds, Inc.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.  
T. Rowe Price International Bond Fund  
T. Rowe Price International Stock Fund  
T. Rowe Price International Discovery Fund  
T. Rowe Price European Stock Fund  
T. Rowe Price New Asia Fund  
T. Rowe Price Global Government Bond Fund  
T. Rowe Price Japan Fund  
T. Rowe Price Short-Term Global Income Fund  
T. Rowe Price Latin America Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST

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

T. ROWE PRICE CALIFORNIA TAX-FREE INCOME TRUST

California Tax-Free Bond Fund  
California Tax-Free Money Fund

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

INSTITUTIONAL INTERNATIONAL FUNDS, INC.

Foreign Equity Fund

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

U.S. Treasury Intermediate Fund  
U.S. Treasury Long-Term Fund  
U.S. Treasury Money Fund

T. ROWE PRICE INDEX TRUST, INC.

T. Rowe Price Equity Index Fund

T. ROWE PRICE SPECTRUM FUND, INC.

Spectrum Growth Fund  
Spectrum Income Fund

T. ROWE PRICE BALANCED FUND, INC.



T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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

T. ROWE PRICE OTC FUND, INC.  
T. Rowe Price OTC Fund

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

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.

T. ROWE PRICE SUMMIT FUNDS, INC.  
T. Rowe Price Summit Cash Reserves Fund  
T. Rowe Price Summit Limited-Term Bond Fund  
T. Rowe Price Summit GNMA Fund

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

/s/Henry H. Hopkins

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By: Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

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By:

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AMENDMENT NO. 26 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991, September 12, 1991, November 6, 1991, April 23, 1992, September 2, 1992, November 3, 1992, December 16, 1992, December 21, 1992, January 28, 1993, April 22, 1993, September 16, 1993, and November 3, 1993, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of March 1, 1994, by adding thereto the T. Rowe Price Equity Income Portfolio and T. Rowe Price New America Growth Portfolio, two separate series of the T. Rowe Price Equity Series, Inc. and T. Rowe Price International Stock Portfolio, a separate series of the T. Rowe Price International Series, Inc.

Notwithstanding anything to the contrary herein, it is understood that the T. Rowe Price Equity Series, Inc. and T. Rowe Price International Series, Inc. (collectively referred to as the "Funds") shall not be responsible for paying any of the fees or expenses set forth herein but that, in accordance with the Investment Management Agreements, dated March 1, 1994, between the Funds and T. Rowe Price Associates, Inc. and Rowe Price-Fleming International, Inc. (collectively referred to as "T. Rowe Price"), the Funds will require T. Rowe Price to pay all such fees and expenses.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

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T. ROWE PRICE INTERNATIONAL FUNDS, INC.

T. Rowe Price International Bond Fund

T. Rowe Price International Stock Fund

T. Rowe Price International Discovery Fund

T. Rowe Price European Stock Fund

T. Rowe Price New Asia Fund

T. Rowe Price Global Government Bond Fund

T. Rowe Price Japan Fund

T. Rowe Price Short-Term Global Income Fund

T. Rowe Price Latin America Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

INC.

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST

Maryland Tax-Free Bond Fund

Maryland Short-Term Tax-Free Bond Fund

New York Tax-Free Bond Fund

New York Tax-Free Money Fund

Virginia Tax-Free Bond Fund

New Jersey Tax-Free Bond Fund

Georgia Tax-Free Bond Fund

Florida Insured Intermediate Tax-Free Fund

T. ROWE PRICE CALIFORNIA TAX-FREE INCOME TRUST

California Tax-Free Bond Fund

California Tax-Free Money Fund

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

INSTITUTIONAL INTERNATIONAL FUNDS, INC.

Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

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

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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

T. ROWE PRICE OTC FUND, INC.  
T. Rowe Price OTC Fund

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

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.

T. ROWE PRICE SUMMIT FUNDS, INC.  
T. Rowe Price Summit Cash Reserves Fund  
T. Rowe Price Summit Limited-Term Bond Fund  
T. Rowe Price Summit GNMA Fund

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

T. ROWE PRICE EQUITY SERIES, INC.  
T. Rowe Price Equity Income Portfolio  
T. Rowe Price New America Growth Portfolio

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

/s/Henry H. Hopkins

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By: Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

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By:

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AMENDMENT NO. 27 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991, September 12, 1991, November 6, 1991, April 23, 1992, September 2, 1992, November 3, 1992, December 16, 1992, December 21, 1992, January 28, 1993, April 22, 1993, September 16, 1993, November 3, 1993, and March 1, 1994, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of April 21, 1994, by adding thereto the T. Rowe Price Limited-Term Bond Portfolio, a separate series of the T. Rowe Price Fixed Income Series, Inc.

Notwithstanding anything to the contrary herein, it is understood that the T. Rowe Price Fixed Income Series, Inc. (referred to as the "Fund") shall not be responsible for paying any of the fees or expenses set forth herein but that, in accordance with the Investment Management Agreement, dated April 21, 1994, between the Fund and T. Rowe Price Associates, Inc.

(referred to as "T. Rowe Price"), the Fund will require T. Rowe Price to pay all such fees and expenses.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

T. Rowe Price International Bond Fund

T. Rowe Price International Stock Fund

T. Rowe Price International Discovery Fund

T. Rowe Price European Stock Fund

T. Rowe Price New Asia Fund

T. Rowe Price Global Government Bond Fund

T. Rowe Price Japan Fund

T. Rowe Price Short-Term Global Income Fund

T. Rowe Price Latin America Fund

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T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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



T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
Maryland Short-Term Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund  
Virginia Tax-Free Bond Fund  
New Jersey Tax-Free Bond Fund  
Georgia Tax-Free Bond Fund  
Florida Insured Intermediate Tax-Free Fund

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

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

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

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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

T. ROWE PRICE OTC FUND, INC.  
T. Rowe Price OTC Fund

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

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.

T. ROWE PRICE SUMMIT FUNDS, INC.  
T. Rowe Price Summit Cash Reserves Fund  
T. Rowe Price Summit Limited-Term Bond Fund  
T. Rowe Price Summit GNMA Fund

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

T. ROWE PRICE EQUITY SERIES, INC.  
T. Rowe Price Equity Income Portfolio  
T. Rowe Price New America Growth Portfolio

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

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

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/s/Henry H. Hopkins

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By:Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

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By:

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AMENDMENT NO. 28 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991, September 12, 1991, November 6, 1991, April 23, 1992, September 2, 1992, November 3, 1992, December 16, 1992, December 21, 1992, January 28, 1993, April 22, 1993, September 16, 1993, November 3, 1993, March 1, 1994, and April 21, 1994, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of July 27,

1994, by adding thereto the T. Rowe Price Personal Strategy Balanced Fund, T. Rowe Price Personal Strategy Growth Fund, and T. Rowe Price Personal Strategy Income Fund, three separate series of the T. Rowe Price Personal Strategy Funds, Inc.

Notwithstanding anything to the contrary herein, it is understood that the T. Rowe Price Personal Strategy Funds, Inc. (collectively referred to as the "Funds") shall not be responsible for paying any of the fees or expenses set forth herein but that, in accordance with the Investment Management Agreements, dated July 27, 1994, between the Funds and T. Rowe Price Associates, Inc. (referred to as "T. Rowe Price"), the Funds will require T. Rowe Price to pay all such fees and expenses.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. Rowe Price International Stock Fund  
T. Rowe Price International Discovery Fund  
T. Rowe Price European Stock Fund  
T. Rowe Price New Asia Fund  
T. Rowe Price Global Government Bond Fund  
T. Rowe Price Japan Fund  
T. Rowe Price Short-Term Global Income Fund  
T. Rowe Price Latin America Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.  
  
T. ROWE PRICE SHORT-TERM BOND FUND, INC.  
  
T. ROWE PRICE TAX-FREE INCOME FUND, INC.  
  
T. ROWE PRICE TAX-EXEMPT MONEY FUND, INC.  
  
T. ROWE PRICE TAX-FREE SHORT-INTERMEDIATE FUND,  
INC.  
  
T. ROWE PRICE HIGH YIELD FUND, INC.  
  
T. ROWE PRICE TAX-FREE HIGH YIELD FUND, INC.  
  
T. ROWE PRICE NEW AMERICA GROWTH FUND  
  
T. ROWE PRICE EQUITY INCOME FUND  
  
T. ROWE PRICE GNMA FUND  
  
T. ROWE PRICE CAPITAL APPRECIATION FUND  
  
T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
Maryland Short-Term Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund  
Virginia Tax-Free Bond Fund  
New Jersey Tax-Free Bond Fund  
Georgia Tax-Free Bond Fund  
Florida Insured Intermediate Tax-Free Fund  
  
T. ROWE PRICE CALIFORNIA TAX-FREE INCOME TRUST  
California Tax-Free Bond Fund  
California Tax-Free Money Fund  
  
T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

T. ROWE PRICE SMALL-CAP VALUE FUND, INC.  
INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

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

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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

T. ROWE PRICE OTC FUND, INC.  
T. Rowe Price OTC Fund

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

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.

T. ROWE PRICE SUMMIT FUNDS, INC.  
T. Rowe Price Summit Cash Reserves Fund  
T. Rowe Price Summit Limited-Term Bond Fund  
T. Rowe Price Summit GNMA Fund

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

T. ROWE PRICE EQUITY SERIES, INC.  
T. Rowe Price Equity Income Portfolio  
T. Rowe Price New America Growth Portfolio

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

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

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

/s/Henry H. Hopkins

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By: Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY  
/s/

---

By:



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AMENDMENT NO. 29 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended

June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991, September 12, 1991, November 6, 1991, April 23, 1992, September 2, 1992, November 3, 1992, December 16, 1992, December 21, 1992, January 28, 1993, April 22, 1993, September 16, 1993, November 3, 1993, March 1, 1994, and April 21, 1994, between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of July 27, 1994, by adding thereto the T. Rowe Price Personal Strategy Balanced Strategy Balanced Portfolio, a separate series of the T. Rowe Price Equity Series, Inc.

Notwithstanding anything to the contrary herein, it is understood that the T. Rowe Price Personal Strategy Balanced Portfolio, a separate series of the T. Rowe Price Equity Series, Inc. (referred to as the "Fund) shall not be responsible for paying any of the fees or expenses set forth herein but that, in accordance with the Investment Management Agreement, dated July 27, 1994, between the Fund and T. Rowe Price Associates, Inc. (referred to as "T. Rowe Price"), the Fund will require T. Rowe Price to pay all such fees and expenses.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.  
T. Rowe Price International Bond Fund  
T. Rowe Price International Stock Fund  
T. Rowe Price International Discovery Fund  
T. Rowe Price European Stock Fund  
T. Rowe Price New Asia Fund  
T. Rowe Price Global Government Bond Fund  
T. Rowe Price Japan Fund  
T. Rowe Price Short-Term Global Income Fund  
T. Rowe Price Latin America Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
Maryland Short-Term Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund  
Virginia Tax-Free Bond Fund  
New Jersey Tax-Free Bond Fund  
Georgia Tax-Free Bond Fund  
Florida Insured Intermediate Tax-Free Fund

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

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

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

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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

T. ROWE PRICE OTC FUND, INC.  
T. Rowe Price OTC Fund

T. ROWE PRICE TAX-FREE INSURED INTERMEDIATE BOND

FUND, INC.

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.

T. ROWE PRICE SUMMIT FUNDS, INC.

T. Rowe Price Summit Cash Reserves Fund

T. Rowe Price Summit Limited-Term Bond Fund

T. Rowe Price Summit GNMA Fund

T. ROWE PRICE SUMMIT MUNICIPAL FUNDS, INC.

T. Rowe Price Summit Municipal Money Market  
Fund

T. Rowe Price Summit Municipal Intermediate  
Fund

T. Rowe Price Summit Municipal Income Fund

T. ROWE PRICE EQUITY SERIES, INC.

T. Rowe Price Equity Income Portfolio

T. Rowe Price New America Growth Portfolio

T. Rowe Price Personal Strategy Balanced  
Portfolio

PAGE 108

T. ROWE PRICE INTERNATIONAL SERIES, INC.

T. Rowe Price International Stock Portfolio

T. ROWE PRICE FIXED INCOME SERIES, INC.

T. Rowe Price Limited-Term Bond Portfolio

T. ROWE PRICE PERSONAL STRATEGY FUNDS, INC.

T. Rowe Price Personal Strategy Balanced Fund

T. Rowe Price Personal Strategy Growth Fund

T. Rowe Price Personal Strategy Income Fund

/s/Henry H. Hopkins

---

By:Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/

---

By:

AMENDMENT NO. 30 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991, September 12, 1991, November 6, 1991, April 23, 1992, September 2, 1992, November 3, 1992, December 16, 1992, December 21, 1992, January 28, 1993, April 22, 1993, September 16, 1993, November 3, 1993, March 1, 1994, April 21, 1994, and July 27, 1994 between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of September 21, 1994, by adding thereto the T. Rowe Price Value Fund, Inc.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

- T. Rowe Price International Bond Fund
- T. Rowe Price International Stock Fund
- T. Rowe Price International Discovery Fund
- T. Rowe Price European Stock Fund
- T. Rowe Price New Asia Fund
- T. Rowe Price Global Government Bond Fund
- T. Rowe Price Japan Fund
- T. Rowe Price Short-Term Global Income Fund
- T. Rowe Price Latin America Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST

Maryland Tax-Free Bond Fund

Maryland Short-Term Tax-Free Bond Fund

New York Tax-Free Bond Fund

New York Tax-Free Money Fund

Virginia Tax-Free Bond Fund

New Jersey Tax-Free Bond Fund

Georgia Tax-Free Bond Fund

Florida Insured Intermediate Tax-Free Fund

T. ROWE PRICE CALIFORNIA TAX-FREE INCOME TRUST

California Tax-Free Bond Fund

California Tax-Free Money Fund

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.



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

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

T. ROWE PRICE SPECTRUM FUND, INC.

Spectrum Growth Fund  
Spectrum Income Fund

T. ROWE PRICE BALANCED FUND, INC.

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T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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

T. ROWE PRICE OTC FUND, INC.  
T. Rowe Price OTC Fund

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

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.

T. ROWE PRICE SUMMIT FUNDS, INC.

- T. Rowe Price Summit Cash Reserves Fund
- T. Rowe Price Summit Limited-Term Bond Fund
- T. Rowe Price Summit GNMA Fund

T. ROWE PRICE SUMMIT MUNICIPAL FUNDS, INC.

- T. Rowe Price Summit Municipal Money Market Fund
- T. Rowe Price Summit Municipal Intermediate Fund
- T. Rowe Price Summit Municipal Income Fund

T. ROWE PRICE EQUITY SERIES, INC.

- T. Rowe Price Equity Income Portfolio
- T. Rowe Price New America Growth Portfolio
- T. Rowe Price Personal Strategy Balanced Portfolio

T. ROWE PRICE INTERNATIONAL SERIES, INC.

- T. Rowe Price International Stock Portfolio

T. ROWE PRICE FIXED INCOME SERIES, INC.

- T. Rowe Price Limited-Term Bond Portfolio

T. ROWE PRICE PERSONAL STRATEGY FUNDS, INC.

- T. Rowe Price Personal Strategy Balanced Fund
- T. Rowe Price Personal Strategy Growth Fund
- T. Rowe Price Personal Strategy Income Fund

T. ROWE PRICE VALUE FUND, INC.

/s/Henry H. Hopkins

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By:Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/Carol C. Ayotte

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By:Carol C. Ayotte, Vice President

AMENDMENT NO. 31 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991, September 12, 1991, November 6, 1991, April 23, 1992, September 2, 1992, November 3, 1992, December 16, 1992, December 21, 1992, January 28, 1993, April 22, 1993, September 16, 1993, November 3, 1993, March 1, 1994, April 21, 1994, July 27, 1994, and September 21, 1994 between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of November 1, 1994, by adding thereto the T. Rowe Price Virginia Short-Term Tax-Free Bond Fund, a separate series of the T. Rowe Price State Tax-Free Income Trust.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

- T. Rowe Price International Bond Fund
- T. Rowe Price International Stock Fund
- T. Rowe Price International Discovery Fund
- T. Rowe Price European Stock Fund
- T. Rowe Price New Asia Fund
- T. Rowe Price Global Government Bond Fund
- T. Rowe Price Japan Fund

T. Rowe Price Short-Term Global Income Fund  
T. Rowe Price Latin America Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
Maryland Short-Term Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund  
Virginia Tax-Free Bond Fund  
Virginia Short-Term Tax-Free Bond Fund  
New Jersey Tax-Free Bond Fund  
Georgia Tax-Free Bond Fund

Florida Insured Intermediate Tax-Free Fund

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

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

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

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T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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

T. ROWE PRICE OTC FUND, INC.  
T. Rowe Price OTC Fund

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

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.

T. ROWE PRICE SUMMIT FUNDS, INC.  
T. Rowe Price Summit Cash Reserves Fund  
T. Rowe Price Summit Limited-Term Bond Fund  
T. Rowe Price Summit GNMA Fund

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

T. ROWE PRICE EQUITY SERIES, INC.  
T. Rowe Price Equity Income Portfolio  
T. Rowe Price New America Growth Portfolio  
T. Rowe Price Personal Strategy Balanced Portfolio

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

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

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

T. ROWE PRICE VALUE FUND, INC.

/s/Henry H. Hopkins

---

By: Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/Carol C. Ayotte

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By: Carol C. Ayotte, Vice President



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AMENDMENT NO. 32 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991, September 12, 1991, November 6, 1991, April 23, 1992, September 2, 1992, November 3, 1992, December 16, 1992, December 21, 1992, January 28, 1993, April 22, 1993, September 16, 1993, November 3, 1993, March 1, 1994, April 21, 1994, July 27, 1994, September 21, 1994, and November 1, 1994 between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of November 2, 1994, by adding thereto the T. Rowe Price Capital Opportunity Fund, Inc. and the T. Rowe Price Emerging Markets Bond Fund, a separate series of the T. Rowe Price International Funds, Inc.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE NEW HORIZONS FUND, INC.

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

- T. Rowe Price International Bond Fund
- T. Rowe Price International Stock Fund
- T. Rowe Price International Discovery Fund
- T. Rowe Price European Stock Fund
- T. Rowe Price New Asia Fund
- T. Rowe Price Global Government Bond Fund
- T. Rowe Price Japan Fund
- T. Rowe Price Short-Term Global Income Fund
- T. Rowe Price Latin America Fund
- T. Rowe Price Emerging Markets Bond Fund

T. ROWE PRICE GROWTH & INCOME FUND, INC.

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

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T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST

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

T. ROWE PRICE CALIFORNIA TAX-FREE INCOME TRUST

California Tax-Free Bond Fund  
California Tax-Free Money Fund

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

INSTITUTIONAL INTERNATIONAL FUNDS, INC.

Foreign Equity Fund

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

U.S. Treasury Intermediate Fund  
U.S. Treasury Long-Term Fund  
U.S. Treasury Money Fund

T. ROWE PRICE INDEX TRUST, INC.

T. Rowe Price Equity Index Fund

T. ROWE PRICE SPECTRUM FUND, INC.

Spectrum Growth Fund

Spectrum Income Fund

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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

T. ROWE PRICE OTC FUND, INC.

T. Rowe Price OTC Fund

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

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.

T. ROWE PRICE SUMMIT FUNDS, INC.

T. Rowe Price Summit Cash Reserves Fund

T. Rowe Price Summit Limited-Term Bond Fund

T. Rowe Price Summit GNMA Fund

T. ROWE PRICE SUMMIT MUNICIPAL FUNDS, INC.

T. Rowe Price Summit Municipal Money Market  
Fund

T. Rowe Price Summit Municipal Intermediate  
Fund

T. Rowe Price Summit Municipal Income Fund

T. ROWE PRICE EQUITY SERIES, INC.

T. Rowe Price Equity Income Portfolio

T. Rowe Price New America Growth Portfolio

T. Rowe Price Personal Strategy Balanced  
Portfolio

T. ROWE PRICE INTERNATIONAL SERIES, INC.

T. Rowe Price International Stock Portfolio

T. ROWE PRICE FIXED INCOME SERIES, INC.

T. Rowe Price Limited-Term Bond Portfolio

T. ROWE PRICE PERSONAL STRATEGY FUNDS, INC.

T. Rowe Price Personal Strategy Balanced Fund

T. Rowe Price Personal Strategy Growth Fund

T. Rowe Price Personal Strategy Income Fund

T. ROWE PRICE VALUE FUND, INC.

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T. ROWE PRICE CAPITAL OPPORTUNITY FUND, INC.

/s/Henry H. Hopkins

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By: Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

/s/Carol C. Ayotte

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By: Carol C. Ayotte, Vice President

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AMENDMENT NO. 33 TO CUSTODIAN CONTRACT BETWEEN  
STATE STREET BANK AND TRUST COMPANY AND  
THE T. ROWE PRICE FUNDS

W I T N E S S E T H:

The Custodian Contract of September 28, 1987, as amended June 24, 1988, October 19, 1988, February 22, 1989, July 19, 1989, September 15, 1989, December 15, 1989, December 20, 1989, January 25, 1990, February 21, 1990, June 12, 1990, July 18, 1990, October 15, 1990, February 13, 1991, March 6, 1991, September 12, 1991, November 6, 1991, April 23, 1992, September 2, 1992, November 3, 1992, December 16, 1992, December 21, 1992, January 28, 1993, April 22, 1993, September 16, 1993, November 3, 1993, March 1, 1994, April 21, 1994, July 27, 1994, September 21, 1994, November 1, 1994, and November 2, 1994 between State Street Bank and Trust Company and each of the Parties listed on Appendix A thereto is hereby further amended, as of January 25, 1995, by adding thereto the T. Rowe Price Emerging Markets Stock Fund, a separate series of the T. Rowe Price International Funds, Inc.

T. ROWE PRICE GROWTH STOCK FUND, INC.  
T. ROWE PRICE NEW HORIZONS FUND, INC.  
T. ROWE PRICE NEW ERA FUND, INC.  
T. ROWE PRICE NEW INCOME FUND, INC.  
T. ROWE PRICE PRIME RESERVE FUND, INC.  
T. ROWE PRICE INTERNATIONAL FUNDS, INC.  
    T. Rowe Price International Bond Fund  
    T. Rowe Price International Stock Fund  
    T. Rowe Price International Discovery Fund  
    T. Rowe Price European Stock Fund  
    T. Rowe Price New Asia Fund  
    T. Rowe Price Global Government Bond Fund  
    T. Rowe Price Japan Fund  
    T. Rowe Price Short-Term Global Income Fund  
    T. Rowe Price Latin America Fund  
    T. Rowe Price Emerging Markets Bond Fund  
    T. Rowe Price Emerging Markets Stock Fund  
T. ROWE PRICE GROWTH & INCOME FUND, INC.  
T. ROWE PRICE SHORT-TERM BOND FUND, INC.

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T. ROWE PRICE TAX-FREE INCOME FUND, INC.  
T. ROWE PRICE TAX-EXEMPT MONEY FUND, INC.  
T. ROWE PRICE TAX-FREE SHORT-INTERMEDIATE FUND,  
INC.  
T. ROWE PRICE HIGH YIELD FUND, INC.

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
Maryland Short-Term Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund  
Virginia Tax-Free Bond Fund  
Virginia Short-Term Tax-Free Bond Fund  
New Jersey Tax-Free Bond Fund  
Georgia Tax-Free Bond Fund  
Florida Insured Intermediate Tax-Free Fund

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

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund



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

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

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

T. ROWE PRICE OTC FUND, INC.  
T. Rowe Price OTC Fund

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

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.

T. ROWE PRICE SUMMIT FUNDS, INC.  
T. Rowe Price Summit Cash Reserves Fund  
T. Rowe Price Summit Limited-Term Bond Fund  
T. Rowe Price Summit GNMA Fund

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

T. ROWE PRICE EQUITY SERIES, INC.  
T. Rowe Price Equity Income Portfolio  
T. Rowe Price New America Growth Portfolio  
T. Rowe Price Personal Strategy Balanced  
Portfolio

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

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

T. ROWE PRICE PERSONAL STRATEGY FUNDS, INC.

T. Rowe Price Personal Strategy Balanced Fund

T. Rowe Price Personal Strategy Growth Fund

T. Rowe Price Personal Strategy Income Fund

T. ROWE PRICE VALUE FUND, INC.

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T. ROWE PRICE CAPITAL OPPORTUNITY FUND, INC.

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By: Henry H. Hopkins, Vice President

STATE STREET BANK AND TRUST COMPANY

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By: Carol C. Ayotte, Vice President



The Transfer Agency and Service Agreement between T. Rowe Price Services, Inc. and T. Rowe Price Funds, dated January 1, 1995, as amended, should be inserted here.

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TRANSFER AGENCY AND SERVICE AGREEMENT

between

T. ROWE PRICE SERVICES, INC.

and

EACH OF THE PARTIES INDICATED ON APPENDIX A

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TRANSFER AGENCY AND SERVICE AGREEMENT

AGREEMENT made as of the first day of January, 1995, by and between T. ROWE PRICE SERVICES, INC., a Maryland corporation having its principal office and place of business at 100 East Pratt Street, Baltimore, Maryland 21202 ("Price Services"), and EACH FUND WHICH IS LISTED ON APPENDIX A (as such Appendix may be amended from time to time) and which evidences its agreement to be bound hereby by executing a copy of this Agreement (each such Fund individually hereinafter referred to as "the Fund", whose definition may be found in Article U);

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

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

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



limited to, individual retirement accounts, simplified employee

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pension plans, deferred compensation plans, 403(b) plans, and profit sharing, thrift, and money purchase pension plans for self-employed individuals and professional partnerships and corporations, (collectively referred to as "Retirement Plans");

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

WHEREAS, Price Services may subcontract or jointly contract with other parties, on behalf of the Funds, including, but not limited to, DST, SRI, Moore Business Forms, Boston Financial Data Services, Inc., and The Analytical Sciences Corporation, to perform certain of the functions and services described herein including services to Retirement Plans and Retirement Accounts.

Price Services may also enter into, on behalf of the Funds, certain banking relationships to perform various banking services including, but not limited to, check deposits, check disbursements, automated clearing house transactions ("ACH") and wire transfers. Subject to guidelines mutually agreed upon by the Funds and Price Services, excess balances, if any, resulting from these banking relationships will be invested and the income therefrom will be used to offset fees which would otherwise be charged to the Funds under this Agreement.

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

A. Terms of Appointment

Subject to the terms and conditions set forth in this Agreement, the Fund hereby employs and appoints Price Services to act, and Price Services agrees to act, as the Fund's transfer agent, dividend disbursing agent and agent in connection with:

(1) the Fund's authorized and issued shares of its common stock or shares of beneficial interest (all such stock and shares to be referred to as "Shares"); (2) any accumulation, open-account or similar plans provided to the shareholders of the Fund ("Shareholders"), including, without limitation, any periodic investment plan or periodic withdrawal program; and (3) certain Retirement Plan and Retirement Accounts as agreed upon by the parties.

The parties to the Agreement hereby acknowledge that from time to time, Price Services and T. Rowe Price Trust Company may enter into contracts ("Other Contracts") with employee benefit plans and/or their sponsors for the provision of certain plan participant services to Retirement Plans and Retirement Accounts.

Compensation paid to Price Services pursuant to this Agreement is with respect to the services described herein and not with respect to services provided under Other Contracts.

B. Duties of Price Services

Price Services agrees that it will perform the following services:

1. Receipt of Orders/Payments

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

- o Examine the check to determine if the check conforms to the Funds' acceptance procedures (including certain third-party check procedures). If the check conforms, Price Services will endorse the check and include the date of receipt, will process the same for payment, and deposit the net amount to the parties agreed upon designated bank account prior to such deposit in the Custodial account, and will notify the Fund and the Custodian, respectively, of such deposits (such notification to be given on a daily basis of the total amount deposited to said accounts during the prior business day);

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- o Open a new account, if necessary, and credit the account of the investor with the number of Shares to be purchased according to the price of the Fund's Shares in effect for purchases made on that date, subject to any instructions which the Fund may have given to Price Services with respect to acceptance of orders for Shares relating to payments so received by it;
- o Maintain a record of all unpaid purchases and report such information to the Fund daily;
- o Process periodic payment orders, as authorized by investors, in accordance with the payment procedures for pre-authorized checking ("PAC") and ACH purchases mutually agreed upon by both parties;
- o Receive monies from Retirement Plans and determine the proper allocation of such monies to the Retirement Accounts based upon instructions received from Retirement Plan participants or Retirement Plan

administrators ("Administrators"); and

- o Process telephone orders for purchases of Fund shares from the Shareholder's bank account (via wire or ACH) to the Fund in accordance with procedures mutually agreed upon by both parties.

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

## 2. Redemptions

Receive for acceptance redemption requests, including telephone redemptions and requests received from Administrators for distributions to participants or their designated beneficiaries or for payment of fees due the

Administrator or such other person, including Price Services, and deliver the appropriate documentation thereof to the Custodian. Price Services shall receive and stamp with the date of receipt, all requests for redemptions of Shares (including all certificates delivered to it for redemption) and shall process said redemption requests as follows, subject to the provisions of Section 7 hereof:

- o Examine the redemption request and, for written redemptions, the supporting documentation, to determine that the request is in good order and all requirements have been met;

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- o Notify the Fund on the next business day of the total number of Shares presented and covered by all such

requests;

- o As set forth in the prospectus of the Fund, and in any event, on or prior to the seventh (7th) calendar day succeeding any such request for redemption, Price Services shall, from funds available in the accounts maintained by Price Services as agent for the Funds, pay the applicable redemption price in accordance with the current prospectus of the Fund, to the investor, participant, beneficiary, Administrator or such other person, as the case may be;
- o If any request for redemption does not comply with the Fund's requirements, Price Services shall promptly notify the investor of such fact, together with the reason therefore, and shall effect such redemption at the price in effect at the time of receipt of all appropriate documents;
- o Make such withholdings as may be required under applicable Federal and State taxlaw;
- o In the event redemption proceeds for the payment of fees are to be wired through the Federal Reserve Wire



System or by bank wire, Price Services shall cause such proceeds to be wired in Federal funds to the bank account designated; and

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

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

### 3. Transfers

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

certificates of Shares, is authorized to transfer, on the records of the Fund, Shares of the Fund, including cancellation of surrendered certificates, if any, to credit

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a like amount of Shares to the transferee and to countersign, issue and deliver new certificates, if requested, for those Funds issuing certificates.

4. Confirmations

Mail all confirmations and other enclosures requested by the Fund to the shareholder, and in the case of Retirement Accounts, to the Administrators, as may be required by the Funds or by applicable Federal or state law.

5. Returned Checks and ACH Debits

In order to minimize the risk of loss to the Fund by reason of any check being returned unpaid, Price Services will promptly identify and follow-up on any check or ACH debit returned unpaid. For items returned, Price Services

may telephone the investor and/or redeposit the check or debit for collection or cancel the purchase, as deemed appropriate.

6. Redemption of Shares under Ten Day Hold

o Uncollected Funds

Shares purchased by personal, corporate, or governmental check, or by ACH will be considered uncollected until the tenth calendar date following the trade date of the trade ("Uncollected Funds");

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o Good Funds

Shares purchased by treasurer's, cashier, certified, or official check, or by wire transfer will be considered collected immediately ("Good Funds"). Absent information to the contrary (i.e., notification from

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

o Redemption of Uncollected Funds

o Shareholders making telephone requests for redemption of shares purchased with Uncollected Funds will be given two options:

1. The Shareholder will be permitted to exchange to a money market fund to preserve principal until the payment is deemed Good Funds,

2. The redemption can be processed utilizing the same procedures for written redemptions described below.

o If a written redemption request is made for shares where any portion of the payment for said shares is in Uncollected Funds, and the request is in good order, Price Services will promptly obtain the information relative to the payment necessary

to determine when the payment becomes Good Funds. The redemption will be processed in accordance with normal procedures, and the proceeds will be held until confirmation that the payment is Good Funds. On the seventh (7th) calendar day after trade date, and each day thereafter until either confirmation is received or the tenth (10th) calendar day, Price Services will call the paying institution to request confirmation that the check or ACH in question has been paid. On the tenth calendar day after trade date, the redemption proceeds will be released, regardless of whether confirmation has been received.

- o Checkwriting Redemptions.
  - o Daily, all checkwriting redemptions \$10,000 and over reported as Uncollected Funds or insufficient funds will be reviewed. An attempt will be made to contact the shareholder to make good the funds (through wire, exchange, transfer). Generally by 12:00 p.m. the same day, if the matter has not been resolved, the redemption request will be rejected and the check returned to the Shareholder.

- o All checkwriting redemptions under \$10,000 reported as Uncollected or insufficient funds will be rejected and the check returned to the Shareholder.
  
- o Confirmations of Available Funds  

The Fund expects that situations may develop whereby it would be beneficial to determine if a person who has placed an order for Shares has sufficient funds in his or her checking account to cover the payment for the Shares purchased. When this situation occurs, Price Services may call the bank in question and request that it confirm that sufficient funds to cover the purchase are currently credited to the account in question. Price Services will maintain written documentation or a recording of each telephone call which is made under the procedures outlined above. None of the above

procedures shall preclude Price Services from inquiring as to the status of any check received by it in payment for the Fund's Shares as Price Services may deem appropriate or necessary to protect both the Fund and Price Services. If a conflict arises between Section 2 and this Section 7, Section 7 will govern.

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7. Dividends, Distributions and Other Corporate Actions
  - o The Fund will promptly inform Price Services of the declaration of any dividend, distribution, stock split or any other distributions of a similar kind on account of its Capital Stock.
  - o Price Services shall act as Dividend Disbursing Agent for the Fund, and as such, shall prepare and make income and capital gain payments to investors. As

Dividend Disbursing Agent, Price Services will on or before the payment date of any such dividend or distribution, notify the Custodian of the estimated amount required to pay any portion of said dividend or distribution which is payable in cash, and the Fund agrees that on or before the payment date of such distribution, it shall instruct the Custodian to make available to Price Services sufficient funds for the cash amount to be paid out. If an investor is entitled to receive additional Shares by virtue of any such distribution or dividend, appropriate credits will be made to his or her account.

8. Unclaimed Payments and Certificates

In accordance with procedures agreed upon by both parties, report abandoned property to appropriate state and

governmental authorities of the Fund. Price Services shall,



90 days prior to the annual reporting of abandoned property to each of the states, make reasonable attempts to locate Shareholders for which (a) checks or share certificates have been returned; (b) for which accounts have aged outstanding checks; or (c) accounts with unissued shares that have been coded with stop mail and meet the dormancy period guidelines specified in the individual states. Price Services shall make reasonable attempts to contact shareholders for those accounts which have significant aged outstanding checks.

9. Books and Records

Maintain records showing for each Shareholder's account, Retirement Plan or Retirement Account, as the case may be, the following:

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

- o Pertinent information regarding the establishment and maintenance of Retirement Plans and Retirement Accounts necessary to properly administer each account;
- o Information with respect to the source of dividends and distributions allocated among income (taxable and nontaxable income), realized short-term gains and realized long-term gains;
- o Any stop or restraining order placed against a Shareholder's account;
- o Information with respect to withholdings on domestic and foreign accounts;
- o Any instructions from a Shareholder including, all forms furnished by the Fund and executed by a Shareholder with respect to (i) dividend or distribution elections, and (ii) elections with respect to payment options in connection with the redemption of Shares;
- o Any correspondence relating to the current

- o maintenance of a Shareholder's account;
- o Certificate numbers and denominations for any Shareholder holding certificates;

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- o Any information required in order for Price Services to perform the calculations contemplated under this Agreement.

Price Services shall maintain files and furnish statistical and other information as required under this Agreement and as may be agreed upon from time to time by both parties or required by applicable law. However, Price Services reserves the right to delete, change or add any information to the files maintained; provided such deletions, changes or additions do not contravene the terms of this Agreement or applicable law and do not materially

reduce the level of services described in this Agreement. Price Services shall also use its best efforts to obtain additional statistical and other information as each Fund may reasonably request for additional fees as may be agreed to by both parties.

Any such records maintained pursuant to Rule 31a-1 under the Investment Company Act of 1940 ("the Act") will be preserved for the periods and maintained in a manner prescribed in Rule 31a-2 thereunder. Disposition of such records after such prescribed periods shall be as mutually agreed upon by the Fund and Price Services. The retention of such records, which may be inspected by the Fund at

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reasonable times, shall be at the expense of the Fund. All records maintained by Price Services in connection with the performance of its duties under this Agreement will remain the property of the Fund and, in the event of termination of

this Agreement, will be delivered to the Fund as of the date of termination or at such other time as may be mutually agreed upon.

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

10. Authorized Issued and Outstanding Shares

Record the issuance of Shares of the Fund and maintain, pursuant to Rule 17Ad-10(e) of the '34 Act, a record of the total number of Shares of the Fund which are authorized,

issued and outstanding, based upon data provided to it by the Fund. Price Services shall also provide the Fund on a regular basis the total number of Shares which are authorized and issued and outstanding. Price Services shall have no obligation, when recording the issuance of Shares, to monitor the issuance of such Shares or to take cognizance of any laws relating to the issuance or sale of such Shares.

11. Tax Information

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

withholding and other tax laws.

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12. Information to be Furnished to the Fund

Furnish to the Fund such information as may be agreed upon between the Fund and Price Services including any information that the Fund and Price Services agree is necessary to the daily operations of the business.

13. Correspondence

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

14. Lost or Stolen Securities

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

15. Telephone Services

Maintain a Telephone Servicing Staff of representatives

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("Representatives") sufficient to timely respond to all telephonic inquiries reasonably foreseeable. The Representatives will also effect telephone purchases, redemptions, exchanges, and other transactions mutually agreed upon by both parties, for those Shareholders who have authorized telephone services. The Representatives shall require each Shareholder effecting a telephone transaction



to properly identify himself/herself before the transaction is effected, in accordance with procedures agreed upon between by both parties. Procedures for processing telephone transactions will be mutually agreed upon by both parties. Price Services will also be responsible for providing Tele\*Access, PC\*Access and such other Services as may be offered by the Funds from time to time. Price Services will maintain a special Shareholder Servicing staff to service certain Shareholders with substantial relationships with the Funds.

#### 16. Proxies

Monitor the mailing of proxy cards and other material supplied to it by the Fund in connection with Shareholder meetings of the Fund and shall coordinate the receipt, examination and tabulation of returned proxies and the certification of the vote to the Fund.

17. Form N-SAR

Maintain such records, if any, as shall enable the Fund to fulfill the requirements of Form N-SAR.

18. Cooperation With Accountants

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

19. Blue Sky

Provide to the Fund or its agent, on a daily, weekly, monthly and quarterly basis, and for each state in which the Fund's Shares are sold, sales reports and other materials for blue sky compliance purposes as shall be agreed upon by the parties.

20. Other Services

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

21. Fees and Out-of-Pocket Expenses

Each Fund shall pay to Price Services and/or its agents for its Transfer Agent Services hereunder, fees computed as set forth in Schedule A attached. Except as provided below, Price Services will be responsible for all expenses relating to the providing of Services. Each Fund, however, will reimburse Price Services for the following out-of-pocket expenses and charges incurred in providing Services:

- o Postage. The cost of postage and freight for mailing materials to Shareholders and Retirement Plan participants, or their agents, including overnight delivery, UPS and other express mail services and special courier services required to transport mail between Price Services locations and mail processing vendors.
- o Proxies. The cost to mail proxy cards and other material supplied to it by the Fund and costs

related to the receipt, examination and tabulation of returned proxies and the certification of the vote to the Fund.

- o Communications
  - o Print. The printed forms used internally and externally for documentation and processing

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Shareholder and Retirement Plan participant, or their agent's inquiries and requests; paper and envelope supplies for letters, notices, and other written communications sent to Shareholders and Retirement Plan participants, or their agents.

- o Print & Mail House. The cost of internal and third party printing and mail house services, including printing of statements and reports.

- o Voice and Data. The cost of equipment (including associated maintenance), supplies and services used for communicating to and from the Shareholders of the Fund and Retirement Plan participants, or their agents, the Fund's transfer agent, other Fund offices, and other agents of either the Fund or Price Services. These charges shall include:
  - o telephone toll charges (both incoming and outgoing, local, long distance and mailgrams); and

- o data and telephone lines and associated equipment such as modems, multiplexers,

and facsimile equipment.

- o Record Retention. The cost of maintenance and supplies used to maintain, microfilm, copy, record, index, display, retrieve, and store, in microfiche or microfilm form, documents and records.
- o Disaster Recovery. The cost of services, equipment, facilities and other charges necessary to provide disaster recovery for any and all services listed in this Agreement.

Out-of-pocket costs will be billed at cost to the Funds. Allocation of monthly costs among the Funds will generally be made based upon the number of Shareholder and Retirement Accounts serviced by Price Services each month. Some invoices for these costs will contain costs for both the Funds and other funds serviced by Price Services. These costs will be allocated based on a reasonable allocation methodology. Where possible, such as in the case of inbound and outbound WATS charges, allocation will be made on the actual distribution or usage.

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C. Representations and Warranties of Price Services

Price Services represents and warrants to the Fund that:

1. It is a corporation duly organized and existing and in good standing under the laws of Maryland;
2. It is duly qualified to carry on its business in Maryland, California and Florida;
3. It is empowered under applicable laws and by its charter and by-laws to enter into and perform this Agreement;
4. All requisite corporate proceedings have been taken to authorize it to enter into and perform this Agreement;
5. It is registered with the Securities and Exchange Commission as a Transfer Agent pursuant to Section 17A of the '34 Act; and
6. It has and will continue to have access to the necessary facilities, equipment and personnel to perform its duties and obligations under this Agreement.

D. Representations and Warranties of the Fund

The Fund represents and warrants to Price Services that:

1. It is a corporation or business trust duly organized

and existing and in good standing under the laws of Maryland or Massachusetts, as the case may be;

2. It is empowered under applicable laws and by its

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Articles of Incorporation or Declaration of Trust, as the case may be, and By-Laws to enter into and perform this Agreement;

3. All proceedings required by said Articles of Incorporation or Declaration of Trust, as the case may be, and By-Laws have been taken to authorize it to enter into and perform this Agreement;

4. It is an investment company registered under the Act; and

5. A registration statement under the Securities Act of 1933 ("the '33 Act") is currently effective and will remain effective, and appropriate state securities law filings have been made and will continue to be made, with respect to all



Shares of the Fund being offered for sale.

E. Standard of Care/Indemnification

Notwithstanding anything to the contrary in this Agreement:

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

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performance of its agents and subcontractors with reasonable care.

2. The Fund shall indemnify and hold Price Services harmless from and against all losses, costs, damages, claims, actions and expenses, including reasonable expenses

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

3. Except as provided in Article L of this Agreement, Price Services shall indemnify and hold harmless the Fund from all losses, costs, damages, claims, actions and expenses, including reasonable expenses for legal counsel, incurred by the Fund resulting from the negligence or

willful misconduct of Price Services or which result from Price Services' failure to exercise reasonable care in selecting or monitoring the performance of its agents or subcontractors. The Fund shall not be entitled to such indemnification in respect of actions or omissions constituting negligence or willful misconduct of such Fund or its agents or subcontractors; unless such negligence or misconduct is attributable to Price Services.

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

- o Price Services had in place "appropriate procedures".
- o the employee(s) responsible for the error or omission had been reasonably trained and were being appropriately monitored; and
- o the error or omission did not result from wanton or reckless conduct on the part of the employee(s).

It is understood that Price Services is not obligated to have in place separate procedures to prevent each and every conceivable type of error or omission. The term "appropriate procedures" shall mean procedures reasonably designed to prevent and detect errors and omissions. In determining the reasonableness of such procedures, weight

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will be given to such factors as are appropriate, including the prior occurrence of any similar errors or omissions when such procedures were in place and transfer agent industry standards in place at the time of the occurrence.

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

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

other party advised with respect to all developments concerning such claim. The party who may be required to indemnify shall have the option to participate with the party seeking indemnification in the defense of such claim, or to defend against said claim in its own name or in the name of the other party. The party seeking indemnification shall in no case confess any claim or make any compromise in

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any case in which the other party may be required to indemnify it except with the other party's prior written consent.

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

F. Dual Interests

It is understood that some person or persons may be

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

G. Documentation

- o As requested by Price Services, the Fund shall promptly furnish to Price Services the following:
  - o A certified copy of the resolution of the Directors/Trustees of the Fund authorizing the appointment of Price Services and the execution and delivery of this Agreement;
  - o A copy of the Articles of Incorporation or Declaration of Trust, as the case may be, and By-Laws of the Fund and all amendments thereto;

- o Specimens of all forms of outstanding and new

stock/share certificates in the forms approved by the Board of Directors/Trustees of the Fund with a certificate of the Secretary of the Fund as to such approval;

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

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

- o As requested by Price Services, the Fund will also furnish from time to time the following documents:
  - o Each resolution of the Board of Directors/Trustees of the Fund authorizing the original issue of its Shares;

- o Each Registration Statement filed with the Securities and Exchange Commission and amendments and orders thereto in effect with respect to the sale of Shares with respect to the Fund;
- o A certified copy of each amendment to the Articles of Incorporation or Declaration of Trust, and the By-Laws of the Fund;
- o Certified copies of each vote of the Board of Directors/Trustees authorizing officers to give instructions to the Transfer Agent;
- o Specimens of all new certificates accompanied by the Board of Directors/Trustees' resolutions approving such forms;
- o Such other documents or opinions which Price Services, in its discretion, may reasonably deem necessary or appropriate in the proper performance of its duties; and
- o Copies of new prospectuses issued.



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

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use, and for keeping account of, such certificates, forms and devices.

H. References to Price Services

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

## I. Compliance With Governmental Rules and Regulations

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

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## J. Ownership of Software and Related Material

All computer programs, magnetic tapes, written procedures and similar items purchased and/or developed and used by Price

Services in performance of the Agreement shall be the property of Price Services and will not become the property of the Fund.

K. Quality Service Standards

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

L. As Of Transactions

For purposes of this Article L, the term "Transaction" shall mean any single or "related transaction" (as defined below) involving the purchase or redemption of Shares (including exchanges) that is processed at a time other than the time of the computation of the Fund's net asset value per Share next computed after receipt of any such transaction order by Price Services. If more than one Transaction ("Related Transaction") in the Fund is caused by or occurs as a result of the same act or omission, such transactions shall be aggregated with other transactions in the Fund and be considered as one Transaction.

o Reporting

Price Services shall:

1. Utilize a system to identify all Transactions, and shall compute the net effect of such Transactions upon the Fund on a daily, monthly and rolling 365 day basis. The monthly and rolling 365 day periods are hereafter referred to as "Cumulative".

2. Supply to the Fund, from time to time as mutually agreed upon, a report summarizing the Transactions and the daily and Cumulative net effects of such Transactions both in terms of aggregate dilution and loss ("Dilution") or gain and negative dilution ("Gain") experienced by the Fund, and the impact such Gain or Dilution has had upon the Fund's net asset value per Share.

3. With respect to any Transaction which causes Dilution to the Fund of \$25,000 or more, immediately provide the Fund: (i) a report identifying the Transaction and the Dilution resulting therefrom, (ii) the reason such Transaction was processed as described above, and (iii) the action that Price Services has or intends to take to prevent the reoccurrence of such as of processing ("Report").

- o Liability

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

2. Where a Transaction causes Dilution to a Fund of \$25,000 or more ("Significant Transaction"), Price Services will review with counsel to the Fund the Report and the circumstances surrounding the underlying Transaction to determine whether the Transaction was caused by or occurred as a result of a negligent act or omission by Price Services. If it is determined that the Dilution is the result of a negligent action or omission by Price Services, Price Services and outside

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counsel for the Fund will negotiate settlement. All such Significant Transactions will be reported to the Board at its next meeting (unless the settlement fully compensates the Fund for any Dilution). Any Significant Transaction, however, causing Dilution in excess of the lesser of \$100,000 or a penny per Share

will be promptly reported to the Board. Settlement will not be entered into with Price Services until approved by the Board. The factors the Board would be expected to consider in making any determination regarding the settlement of a Significant Transaction would include but not be limited to:

- o Procedures and controls adopted by Price Services to prevent "As Of" processing;
- o Whether such procedures and controls were being followed at the time of the Significant Transaction;
- o The absolute and relative volume of all transactions processed by Price Services on the day of the Significant Transaction;
- o The number of Transactions processed by Price Services during prior relevant periods, and the net Dilution/Gain as a result of all such transactions to the Fund and to all other Price Funds;

- o The prior response of Price Services to recommendations made by the Funds regarding improvement to the Transfer Agent's "As Of" Processing Procedures.
3. In determining Price Services' liability with respect to a Significant Transaction, an isolated error or omission will normally not be deemed to constitute negligence when it is determined that:
- o Price Services had in place "appropriate procedures".
  - o the employee(s) responsible for the error or omission had been reasonably trained and were being appropriately monitored; and
  - o the error or omission did not result from wanton or reckless conduct on the part of the employee(s).

It is understood that Price Services is not obligated to have in place separate procedures to prevent each and every conceivable type of error or omission. The term "appropriate procedures" shall mean procedures reasonably designed to prevent and detect errors and omissions. In determining the reasonableness of such procedures, weight will be given to such factors as are



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appropriate, including the prior occurrence of any similar errors or omissions when such procedures were in place and transfer agent industry standards in place at the time of the occurrence.

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

N. Notice

Any notice as required by this Agreement shall be sufficiently given (i) when sent to an authorized person of the other party at the address of such party set forth above or at such other address as such party may from time to time specify in

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writing to the other party; or (ii) as otherwise agreed upon by appropriate officers of the parties hereto.

O. Assignment

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

obligations set forth hereunder.

P. Amendment/Interpretive Provisions

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

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Q. Further Assurances

Each party agrees to perform such further acts and execute

such further documents as are necessary to effectuate the purposes hereof.

R. Maryland Law to Apply

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

S. Merger of Agreement

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

T. Counterparts

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

U. The Parties

All references herein to "the Fund" are to each of the Funds listed on Appendix A individually, as if this Agreement were between such individual Fund and Price Services. In the case of a series Fund or trust, all references to "the Fund" are to the individual series or portfolio of such Fund or trust, or to such Fund or trust on behalf of the individual series or portfolio, as

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appropriate. The "Fund" also includes any T. Rowe Price Funds which may be established after the execution of this Agreement. Any reference in this Agreement to "the parties" shall mean Price Services and such other individual Fund as to which the matter pertains.

V. Directors, Trustees and Shareholders and Massachusetts Business Trust

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

this Agreement has been authorized by the trustees and signed by an authorized officer of the Trust, acting as such, and neither such authorization by such Trustees nor such execution and

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

W. Captions

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

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

DATED: \_\_\_\_\_ T. ROWE PRICE SERVICES, INC.

ATTEST:

\_\_\_\_\_

/s/Wayne D. O'Melia

BY:

\_\_\_\_\_  
Wayne D. O'Melia

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T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT FUND, INC.

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.

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

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE CAPITAL OPPORTUNITY FUND, INC.

T. ROWE PRICE DIVIDEND GROWTH FUND, INC

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE EQUITY SERIES, INC.  
T. Rowe Price Equity Income Portfolio  
T. Rowe Price New America Growth Portfolio  
T. Rowe Price Personal Strategy Balanced Portfolio

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

T. ROWE PRICE GNMA FUND

T. ROWE PRICE GROWTH & INCOME FUND, INC.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE HIGH YIELD FUND, INC.

T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund



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T. ROWE PRICE INTERNATIONAL FUNDS, INC.

- T. Rowe Price International Bond Fund
- T. Rowe Price International Discovery Fund
- T. Rowe Price International Stock Fund
- T. Rowe Price European Stock Fund
- T. Rowe Price New Asia Fund
- T. Rowe Price Global Government Bond Fund
- T. Rowe Price Japan Fund
- T. Rowe Price Short-Term Global Fund
- T. Rowe Price Latin America Fund
- T. Rowe Price Emerging Markets Bond Fund

T. ROWE PRICE INTERNATIONAL SERIES, INC.

- T. Rowe Price International Stock Portfolio

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW HORIZONS FUNDS, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE OTC FUND, INC.

- T. Rowe Price OTC Fund

T. ROWE PRICE PERSONAL STRATEGY FUNDS, INC.

- T. Rowe Price Personal Strategy Balanced Fund
- T. Rowe Price Personal Strategy Growth Fund
- T. Rowe Price Personal Strategy Income Fund

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

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

T. ROWE PRICE SPECTRUM FUND, INC.

- Spectrum Growth Fund
- Spectrum Income Fund

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T. ROWE PRICE STATE TAX-FREE INCOME TRUST

Maryland Tax-Free Bond Fund

Maryland Short-Term Tax-Free Bond Fund

New York Tax-Free Bond Fund

New York Tax-Free Money Fund

New Jersey Tax-Free Bond Fund

Virginia Tax-Free Bond Fund

Virginia Short-Term Tax-Free Bond Fund

Florida Insured Intermediate Tax-Free Fund

Georgia Tax-Free Bond Fund

T. ROWE PRICE SUMMIT FUNDS, INC.

T. Rowe Price Summit Cash Reserves Fund

T. Rowe Price Summit Limited-Term Bond Fund

T. Rowe Price Summit GNMA Fund

T. ROWE PRICE SUMMIT MUNICIPAL FUNDS, INC.

T. Rowe Price Summit Municipal Money Market Fund

T. Rowe Price Summit Municipal Intermediate Fund

T. Rowe Price Summit Municipal Income Fund

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

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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



California Tax-Free Bond Fund and  
California Tax-Free Money Fund

- T. Rowe Price Capital Appreciation Fund
- T. Rowe Price Capital Opportunity Fund, Inc.
- T. Rowe Price Dividend Growth Fund, Inc.
- T. Rowe Price Equity Income Fund
- T. Rowe Price Equity Series, Inc. on behalf of the
  - T. Rowe Price Equity Income Portfolio
  - T. Rowe Price New America Growth Portfolio
  - T. Rowe Price Personal Strategy Balanced Portfolio
- T. Rowe Price Fixed Income Series, Inc. on behalf of the
  - T. Rowe Price Limited-Term Bond Portfolio
- T. Rowe Price GNMA Fund
- T. Rowe Price Growth & Income Fund, Inc.
- T. Rowe Price Growth Stock Fund, Inc.
- T. Rowe Price High Yield Fund, Inc.
- T. Rowe Price Index Trust, Inc. on behalf of the
  - T. Rowe Price Equity Index Fund

Foreign Equity Fund

- T. Rowe Price International Funds, Inc. on behalf of the
  - T. Rowe Price International Bond Fund and
  - T. Rowe Price International Stock Fund
  - T. Rowe Price International Discovery Fund
  - T. Rowe Price European Stock Fund
  - T. Rowe Price New Asia Fund
  - T. Rowe Price Global Government Bond Fund
  - T. Rowe Price Japan Fund
  - T. Rowe Price Short-Term Global Fund
  - T. Rowe Price Latin America Fund
  - T. Rowe Price Emerging Markets Bond Fund
  
- T. Rowe Price International Series, Inc. on behalf of the
  - T. Rowe Price International Stock Portfolio
  
- T. Rowe Price Mid-Cap Growth Fund
  
- T. Rowe Price New America Growth Fund
  
- T. Rowe Price New Era Fund, Inc.
  
- T. Rowe Price New Horizons Fund, Inc.
  
- T. Rowe Price New Income Fund, Inc.
  
- T. Rowe Price Personal Strategy Funds, Inc.
  - T. Rowe Price Personal Strategy Balanced Fund
  - T. Rowe Price Personal Strategy Growth Fund
  - T. Rowe Price Personal Strategy Income Fund
  
- T. Rowe Price Prime Reserve Fund, Inc.
  
- T. Rowe Price OTC Fund, Inc. on behalf of the
  - T. Rowe Price OTC Fund
  
- T. Rowe Price Science & Technology Fund, Inc.
  
- T. Rowe Price Short-Term Bond Fund, Inc.
  
- T. Rowe Price Small-Cap Value Fund, Inc.

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- T. Rowe Price Spectrum Fund, Inc. on behalf of the
  - Spectrum Growth Fund
  - Spectrum Income Fund
  
- T. Rowe Price State Tax-Free Income Trust on behalf of the
  - Maryland Tax-Free Bond Fund
  - Maryland Short-Term Tax-Free Bond Fund
  - New York Tax-Free Bond Fund
  - New York Tax-Free Money Fund
  - New Jersey Tax-Free Bond Fund
  - Virginia Tax-Free Bond Fund
  - Virginia Short-Term Tax-Free Bond Fund
  - Georgia Tax-Free Bond Fund
  - Florida Insured Intermediate Tax-Free Fund
  
- T. Rowe Price Tax-Exempt Money Fund, Inc.
  
- T. Rowe Price Tax-Free High Yield Fund, Inc.
  
- T. Rowe Price Tax-Free Income Fund, Inc.
  
- T. Rowe Price Tax-Free Insured Intermediate Bond Fund, Inc.
  
- T. Rowe Price Tax-Free Short-Intermediate Fund, Inc.
  
- T. Rowe Price U.S. Treasury Funds, Inc. on behalf of the
  - U.S. Treasury Intermediate Fund
  - U.S. Treasury Long-Term Fund
  - U.S. Treasury Money Fund
  
- T. Rowe Price Value Fund, Inc.
  
- T. Rowe Price Summit Funds, Inc. on behalf of the
  - T. Rowe Price Summit Cash Reserves Fund
  - T. Rowe Price Summit Limited-Term Bond Fund
  - T. Rowe Price Summit GNMA Fund

T. Rowe Price Summit Municipal Funds, Inc. on behalf of the  
T. Rowe Price Summit Municipal Money Market Fund  
T. Rowe Price Summit Municipal Intermediate Fund  
T. Rowe Price Summit Municipal Income Fund

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SCHEDULE A - FEE SCHEDULE

Effective January 1, 1995 to December 31, 1995,  
For the account of:

THE T. ROWE PRICE FUNDS

EQUITY FUNDS

T. Rowe Price New American Growth Fund  
T. Rowe Price Growth Stock Fund, Inc.  
T. Rowe Price New Horizons Fund, Inc.  
T. Rowe Price New Era Fund, Inc.  
T. Rowe Price International Stock Fund  
T. Rowe Price Equity Income Fund  
T. Rowe Price Growth & Income Fund, Inc.  
T. Rowe Price Capital Appreciation Fund  
T. Rowe Price Science & Technology Fund, Inc.  
T. Rowe Price Small Capital Value Fund, Inc.  
T. Rowe Price International Discovery Fund  
Foreign Equity Fund  
T. Rowe Price Equity Index Fund

T. Rowe Price European Stock Fund  
T. Rowe Price New Asia Fund  
T. Rowe Price Spectrum Growth Fund  
T. Rowe Price Japan Fund  
T. Rowe Price Latin America Fund  
T. Rowe Price Balanced Fund, Inc.  
T. Rowe Price Dividend Growth Fund, Inc.  
T. Rowe Price Mid-Cap Growth Fund, Inc.  
T. Rowe Price Over-the-Counter Fund, Inc.  
T. Rowe Price Blue Chip Growth Fund, Inc.  
T. Rowe Price Capital Opportunity Fund, Inc.  
T. Rowe Price International Stock Portfolio  
T. Rowe Price Personal Strategy Balanced Fund  
T. Rowe Price Personal Strategy Growth Fund  
T. Rowe Price Value Fund, Inc.  
T. Rowe Price Equity Income Portfolio  
T. Rowe Price New America Growth Portfolio  
T. Rowe Price Personal Strategy Balanced Portfolio

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#### BOND FUNDS

T. Rowe Price New Income Fund, Inc.  
T. Rowe Price Tax-Free Income Fund, Inc.  
T. Rowe Price New Jersey Tax-Free Bond Fund  
T. Rowe Price Virginia Tax-Free Bond Fund  
T. Rowe Price Virginia Short-Term Tax-Free Bond Fund



T. Rowe Price Short Term Bond Fund, Inc.  
T. Rowe Price Tax-Free Short Intermediate Fund, Inc.  
T. Rowe Price High Yield Fund, Inc.  
T. Rowe Price Tax-Free High Yield Fund, Inc.  
T. Rowe Price Adjustable Rate U.S. Government Fund, Inc.  
T. Rowe Price GNMA Fund  
T. Rowe Price New York Tax-Free Bond Fund  
T. Rowe Price California Tax-Free Bond Fund  
T. Rowe Price International Bond Fund  
T. Rowe Price Maryland Short-Term Tax-Free Bond Fund  
T. Rowe Price Maryland Tax-Free Bond Fund  
T. Rowe Price U.S. Treasury Intermediate Fund  
T. Rowe Price U.S. Treasury Long-Term Fund  
T. Rowe Price Global Government Bond Fund  
T. Rowe Price Spectrum Income Fund  
T. Rowe Price Short-term Global Bond Fund  
T. Rowe Price Tax-Free Insured Intermediate Fund, Inc.  
T. Rowe Price Georgia Tax-Free Bond Fund  
T. Rowe Price Florida Insured Intermediate Tax-Free Fund  
T. Rowe Price Summit Limited-Term Bond Fund  
T. Rowe Price Summit GNMA Fund  
T. Rowe Price Summit Municipal Intermediate Fund  
T. Rowe Price Summit Municipal Income Fund  
T. Rowe Price Limited-Term Bond Portfolio  
T. Rowe Price Emerging Markets Bond Fund  
T. Rowe Price Personal Strategy Income Fund

#### Money Market Funds

T. Rowe Price Prime Reserve Fund, Inc.  
T. Rowe Price Tax-Exempt Money Fund, Inc.  
T. Rowe Price U.S. Treasury Money Fund  
T. Rowe Price New York Tax-Free Money Fund  
T. Rowe Price California Tax-Free Money Fund  
T. Rowe Price Summit Cash Reserves Fund  
T. Rowe Price Summit Municipal Money Market Fund

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The following fees for services provided by T. Rowe Price Services, Inc. (TRPS) and vendors will be billed by TRPS for 1995:

I. T. Rowe Price Services Maintenance and Transaction Charges - Billable Monthly

A. Base Fee

1. Per Fund - Beginning January 1, 1995, chargeable at the rate of \$1,000 per month to each Fund shown on the previous page. The fee is waived for new Funds for the first 6 months after effective date.
2. Monthly - \$5,987,000 payable in twelve monthly installments of \$498,917.

B. Per Account Annual Fee - \$3.63 for each Equity, Bond, and Money Market Account serviced.

The Per Account Annual Fee will be billed monthly at a rate of 1/12 of the annual fee for each. Fund account serviced during the month. Accounts serviced is defined as all open accounts at month end plus accounts which closed during the month.

C. Transaction Fees

1. New Account Fees

- a. \$3.00 for every account opened, including fiduciary accounts, excluding those opened by exchange and those established as described in (b) below.
- b. A fee of \$1.00 will be assessed for accounts established within the model and list functions programs and under the agreement that the registrant's name will be quality controlled subsequent to its establishment.

2. Non-Automated Transactions

- a. \$1.05 for each non-automated transaction and maintenance item processed for the Fund Group as a whole during a month. The non-automated transaction count will include all manually

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processed price dependent and maintenance transactions. Also, the number of new account setups will be excluded from the number of non-automated transactions.

- b. Fee to be charged to the Funds based on each Fund's number of total non-automated transactions and maintenance.
- c. Fee to be billed monthly for that month.
- d. NOTE: The transaction count should not include correction of transactions caused by non-shareholder errors.

D. Telephone Fee

Billed at the rate of \$5.20 per call for shareholder servicing calls received in excess of 34,000 calls per month. Calls received in Retail Services are allocated to the Funds based on accounts serviced and calls received in Telephone Services are allocated based on actual calls received.

E. Items Scanned

\$.29 will be billed for each document page scanned. It will be allocated based on the number of items indexed to

each Fund.

F. Tele\*Access

Base fee, per month for all calls is \$50,000.

G. Institutional Electronic Interface

Maximum fee calculated is 10 basis points or less per Fund.

10 basis points < \$500 million

8 basis points > \$500 million < \$1 billion

5 basis points > \$1 billion < \$2 billion

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H. Correspondence

\$4.20 billed for each shareholder correspondence request completed in writing or by phone. Allocated to the Funds based on accounts serviced.

I. Telephone Transaction Fee

Each price dependent transaction initiated through the Telephone Services Group will be charged \$.50.

II. Vendor Fees

A. DST

1. Annual Open Account Fee

- a. \$1.82 for each Equity Fund account serviced.
- b. \$4.33 for each Bond Fund account serviced.
- c. \$4.33 for each Money Market Fund account serviced.

The Open Account Fee will be billed monthly at a rate of 1/12 of the annual fee for each Fund account serviced during the month.

2. Closed Account Fee (Annualized)

Payable at an annual rate of \$1.48. The Closed Account Fee will be billed monthly at a rate of 1/12 of the annual rate and will be charged in the month following the month during which such account is closed and shall cease to be charged in the month following the Purge Date.

3. Fiduciary Sub-Accounting

Payable at the rate of \$1.00 per month for each fiduciary account. Fiduciary accounts closed during the prior year will not be included as billable items.

4. Annual Base Fee Per Fund

Annual Fee of \$7,422.00 will be charged at a monthly rate of \$618.50. The fee is waived for the first six (6) months after a new Fund is effective. The definition of new Fund excludes Funds created by mergers, purchases, or reorganizations.

5. Bank Account Reconciliation System (Comp/Recon)

Annual charge of \$120,000 payable at a rate of \$10,000 per month.

6. TRAC 2000 - \$7.00 per participant, per year; For TRAC+ \$5.00 per participant, per year.

7. Voice Response Unit

a. \$500 Set-up Fee will be charged for each investment company unit.

b. \$2,500 Maintenance Fee will be billed each month.

c. \$.50 will be billed per call connected to the VRU.

8. Contingent Deferred Sales Charge.

Billed to each Fund utilizing this service at an annual rate of \$1.06 per open account.

B. State Street Bank

1. NSCC Settlements

a. \$11.65 for net redemptions

b. \$ 5.30 per net purchases

2. Checkwriting Fees

\$.585 for each checkwriting item processed (i.e. those resulting in either redemptions or returned as non-processable). This includes signature card maintenance and verification, manual or special processing of checks, stop payment processing,

settlement functions, and postage and mailing expenses to return canceled checks to shareholders.

3. ACH Transactions

\$.06 for each ACH transaction processed by the Bank and submitted to the ACH network.

4. Internal Book Transfers

\$1.11 billed for money movement between TRP DDA's at the Bank. Money is transferred by debit and credit memos.

or Recon WT \$.70 -\$ .35 credit  
-\$ .35 debit

5. Wire Fees

\$4.12 for each incoming, manual, and internal bank transfer wire; \$3.87 for each outgoing transmission wire.

6. Paid checks

\$.19 for each paid check processed.

7. DDA Research

\$1.06 per request.

8. Nightly Audits

\$.0310 per page for the audit of the DST nightly

update.

10. VAX Computer Usage

Billed at the rate of \$8,709.56 per month which covers both:

- a. System Fee - for use of sub-systems such as capital stock interface, PDPS, Direct Deposit, etc.
- b. Communication Fee - charge for the line, modems, and statistical multiplexers.

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11. Abandoned Property

Services based on the following fee schedule:

- a. Administrative charge                    \$125/Fund
- b. Processing charges                     \$1.00/account
- c. Due Diligence Mailings                \$1.35/account
- d. Labor will be charged based on the number of hours required.
- e. Lost shareholder recovery             \$2.25/account  
initial attempt  
\$5.00/s/o any s/o  
located  
\$500.00 one time  
set up charge

12. Account maintenance \$16.49 per account per month

13. Reporting (SSCAN) for selected accounts - \$51.54 per



account per month

14. FDIC Passthrough - charged at prevailing FDIC rates

C. J.P. Morgan Bank

1. Wire Transfer Fees

Annual Account Maintenance	\$250.00
Annual MORCOM/CASH	
First Account	\$5,000.00
Subsequent Accounts	\$3,000.00
Batch File Transfer (BFT)	
Transmission	\$15.00 each
(capped at 10 per month)	
BFT Per Outgoing Wire	
Peak (8 a.m. and 8 p.m.)	\$0.064
Off Peak (8 p.m. and 8 a.m.)	\$0.032
Outgoing Wires	
Straight-through (Repetitive or Freetype)	
80% of total volume	\$3.25
Book Transfer (IBT)	\$1.50
Repair (Freeform)	\$7.00
Zero Balance Transfer	\$1.00

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Incoming Wires	
Fed or CHIPS	\$3.25
Book (IBT)	\$1.50

FDIC Passthrough - charged at prevailing FDIC rates

2. Controlled Disbursement Fees

Annual Account Maintenance (capped at 6 accounts)	\$760.00 per account
Annual MORCOM Next Day	\$1,385.00 per account
Annual MORCOM Check	\$715.00 per account
Batch File Transfer (BFT) Transmission (capped at 10 per month)	\$15.00 each
Same Day Match Pay (Dividend & Redemption Checks)	
DCD Match	\$2,500.00 per account
TRPS Matches	.005 per item
Checks Paid	
Up to 500,000 items	\$0.051
Up to 750,000 items	\$0.042
Up to 1,000,000 items	\$0.035
Stops	
On-line	\$3.00
Returned Checks	\$5.00 per item

3. The bank may charge interest at a rate in excess of normal borrowing rates if the TRPS balance is overdrawn or is in a negative collected balance status.

D. First National Bank of Maryland

1. Internal Fund Transfer	\$6.00	
2. Returned Items	\$2.70	
3. Deposit Items	Charge varies	
	1	
4. Deposit Tickets	\$.45	
5. Return/redeposit items	\$3.00	
6. Deposit Corrections	\$4.50	
7. Check copy	\$9.00	
8. First Facts		
CDA Repetitive Wire	\$3.95	
System Reports/Per Module	\$27.00	
Per Report Previous Day	\$1.80	
Per Report Current Day	\$3.60	
9. Account maintenance	\$11.25	
10. Debit item	\$.54	
11. Credit transaction	\$.54	
12. Foreign Deposit Check amount \$1,000-\$4,999		\$7.50
\$5,000-19,999	\$15.00	
< \$20,000	\$20.00	
13. ACH Debit	\$.117	
14. Tax Deposits	\$.90	
15. Film - Monthly	\$121.50	
16. TRPS may be charged interest when TRPS's balance at FNB is in a negative collected balance status. TRPS may also receive balance credits on a positive investable balance		
17. FDIC Passthrough charged at prevailing FDIC rates		

III. New Funds

Funds added during the term of this contract may have their Maintenance and Transaction charges and other charges (Section I) waived for a period of time, as agreed to by TRPS and Fund Directors, following the establishment of the Fund. Out-of-pocket expenses will be billed to the Fund from the Fund's inception.

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1Charge varies by District, \$ .0247 to \$ .1147

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IN WITNESS WHEREOF, T.Rowe Price Funds and T.Rowe Price Services, Inc. have agreed upon this fee schedule to be executed in their names and on their behalf through their duly authorized officers:

T. ROWE PRICE FUNDS

T. ROWE PRICE SERVICES, INC.

NAME \_\_\_\_\_

NAME \_\_\_\_\_

TITLE \_\_\_\_\_

TITLE \_\_\_\_\_

DATE \_\_\_\_\_

DATE \_\_\_\_\_

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AMENDMENT NO. 1  
TRANSFER AGENCY AND SERVICE AGREEMENT  
Between  
T. ROWE PRICE SERVICES, INC.  
And  
THE T. ROWE PRICE FUNDS

The Transfer Agency and Service Agreement of January 1,  
1995, between T. Rowe Price Services, Inc. and each of the

Parties listed on Appendix A thereto is hereby amended, as of January 25, 1995, by adding thereto the T. Rowe Price Emerging Markets Stock Fund, a separate series of the T. Rowe Price International Funds, Inc.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.

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

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE CAPITAL OPPORTUNITY FUND, INC.

T. ROWE PRICE DIVIDEND GROWTH FUND, INC

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE EQUITY SERIES, INC.

T. Rowe Price Equity Income Portfolio

T. Rowe Price New America Growth Portfolio

T. Rowe Price Personal Strategy Balanced  
Portfolio

T. ROWE PRICE FIXED INCOME SERIES, INC.

T. Rowe Price Limited-Term Bond Portfolio

T. ROWE PRICE GNMA FUND

T. ROWE PRICE GROWTH & INCOME FUND, INC.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE HIGH YIELD FUND, INC.

T. ROWE PRICE INDEX TRUST, INC.

T. Rowe Price Equity Index Fund

INSTITUTIONAL INTERNATIONAL FUNDS, INC.

Foreign Equity Fund

T. ROWE PRICE INTERNATIONAL EQUITY FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

T. Rowe Price International Bond Fund

T. Rowe Price International Discovery Fund

T. Rowe Price International Stock Fund

T. Rowe Price European Stock Fund

T. Rowe Price New Asia Fund

T. Rowe Price Global Government Bond Fund

T. Rowe Price Japan Fund

T. Rowe Price Short-Term Global Fund

T. Rowe Price Latin America Fund

T. Rowe Price Emerging Markets Bond Fund

T. Rowe Price Emerging Markets Stock Fund

T. ROWE PRICE INTERNATIONAL SERIES, INC.

T. Rowe Price International Stock Portfolio

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

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW HORIZONS FUNDS, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE OTC FUND, INC.

T. Rowe Price OTC Fund

T. ROWE PRICE PERSONAL STRATEGY FUNDS, INC.

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T. Rowe Price Personal Strategy Growth Fund  
T. Rowe Price Personal Strategy Income Fund

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

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

T. ROWE PRICE SPECTRUM FUND, INC.

Spectrum Growth Fund  
Spectrum Income Fund

T. ROWE PRICE STATE TAX-FREE INCOME TRUST

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

T. ROWE PRICE SUMMIT FUNDS, INC.

T. Rowe Price Summit Cash Reserves Fund  
T. Rowe Price Summit Limited-Term Bond Fund  
T. Rowe Price Summit GNMA Fund



T. ROWE PRICE SUMMIT MUNICIPAL FUNDS, INC.  
T. Rowe Price Summit Municipal Money Market  
Fund  
T. Rowe Price Summit Municipal Intermediate  
Fund  
T. Rowe Price Summit Municipal Income Fund  
  
T. ROWE PRICE TAX-EXEMPT MONEY FUND, INC.  
  
T. ROWE PRICE TAX-FREE HIGH YIELD FUND, INC.  
  
T. ROWE PRICE TAX-FREE INCOME FUND, INC.  
  
T. ROWE PRICE TAX-FREE INSURED INTERMEDIATE  
FUND, INC.

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

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

T. ROWE PRICE VALUE FUND, INC.

Attest:

/s/Patricia S. Butcher

/s/Carmen F. Deyesu

\_\_\_\_\_  
Patricia S. Butcher,  
Assistant Secretary

\_\_\_\_\_  
By: Carmen F. Deyesu

Attest:

T. ROWE PRICE SERVICES, INC.

/s/Barbara A. Van Horn

/s/Henry H. Hopkins

---

Barbara A. Van Horn,  
Assistant Secretary

---

By: Henry H. Hopkins,  
Vice President

The Agreement between T. Rowe Price Associates, Inc. and  
T. Rowe Price Funds for Fund Accounting Services, dated January  
1, 1995, as amended, should be inserted here.

PAGE 1

AGREEMENT  
between  
T. ROWE PRICE ASSOCIATES, INC.  
and  
THE T. ROWE PRICE FUNDS  
for  
FUND ACCOUNTING SERVICES

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PAGE 4

AGREEMENT made as of the first day of January, 1995, by and between T. ROWE PRICE ASSOCIATES, INC., a Maryland corporation having its principal office and place of business at 100 East Pratt Street, Baltimore, Maryland 21202 ("Price Associates"), and each Fund which is listed on Appendix A (as such Appendix may be amended from time to time) and which evidences its agreement to be bound hereby by executing a copy of this Agreement (each such Fund individually hereinafter referred to as "the Fund", whose definition may be found in Article T);

WHEREAS, Price Associates has the capability of providing the Funds with certain accounting services ("Accounting Services");

WHEREAS, the Fund desires to appoint Price Associates to provide these Accounting Services and Price Associates desires to accept such appointment;

WHEREAS, the Board of Directors of the Fund has authorized the Fund to utilize various pricing services for the purpose of providing to Price Associates securities prices for the calculation of the Fund's net asset value.

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

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A. Terms of Appointment/Duties of Price Associates

Subject to the terms and conditions set forth in this Agreement, the Fund hereby employs and appoints Price Associates to provide, and Price Associates agrees to provide, the following Accounting Services:

- a. Maintain for each Fund a daily trial balance, a general ledger, subsidiary records and capital stock accounts;
- b. Maintain for each Fund an investment ledger, including amortized bond and foreign dollar denominated costs where applicable;
- c. Maintain for each Fund all records relating to the Fund's income and expenses;
- d. Provide for the daily valuation of each Fund's portfolio securities and the computation of each Fund's



daily net asset value per share. Such daily valuations shall be made in accordance with the valuation policies established by each of the Fund's Board of Directors including, but not limited to, the utilization of such pricing valuation sources and/or pricing services as determined by the Boards. Price Associates shall have no liability for any losses or damages incurred by the Fund as a result of erroneous portfolio security evaluations provided by such designated sources and/or

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pricing services; provided that, Price Associates reasonably believes the prices are accurate, has adhered to its normal verification control procedures, and has otherwise met the standard of care as set forth in Article G of this Agreement;

- e. Provide daily cash flow and transaction status information to each Fund's adviser;

- f. Prepare for each Fund such financial information that is reasonably necessary for shareholder reports, reports to the Board of Directors and to the officers of the Fund, and reports to the Securities and Exchange Commission and the Internal Revenue Service and other Federal and state regulatory agencies;
- g. Provide each Fund with such advice that may be reasonably necessary to properly account for all financial transactions and to maintain the Fund's accounting procedures and records so as to insure compliance with generally accepted accounting and tax practices and rules;
- h. Maintain for each Fund all records that may be reasonably required in connection with the audit performed by each Fund's independent accountant, the Securities and Exchange Commission, the Internal

Revenue Service or such other Federal or state regulatory agencies; and

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

B. Fees and Out-of-Pocket Expenses

Each Fund shall pay to Price Associates for its Accounting Services hereunder, fees as set forth in the Schedule attached hereto. In addition, each Fund will reimburse Price Associates for out-of-pocket expenses such as postage, printed forms, voice and data transmissions, record retention, disaster recovery, third party vendors, equipment leases and other similar items as may be agreed upon between Price Associates and the Fund. Some invoices will contain costs for both the Funds and other funds services by Price Associates. In these cases, a reasonable allocation methodology will be used to allocate these costs to the Funds.

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C. Representations and Warrantees of Price Associates

Price Associates represents and warrants to the Fund that:

1. It is a corporation duly organized and existing in good standing under the laws of Maryland.

2. It is duly qualified to carry on its business in Maryland.

3. It is empowered under applicable laws and by its charter and By-Laws to enter into and perform this Agreement.

4. All requisite corporate proceedings have been taken to authorize it to enter into and perform this Agreement.

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

D. Representations and Warrantees of the Fund

The Fund represents and warrants to Price Associates that:

1. It is a corporation or business trust, as the case may be, duly organized and existing and in good standing under the

laws of Maryland or Massachusetts, as the case may be.

2. It is empowered under applicable laws and by its Articles of Incorporation or Declaration of Trust, as the case may be, and By-Laws have been taken to authorize it to enter into and perform this Agreement.

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3. All proceedings required by said Articles of Incorporation or Declaration of Trust, as the case may be, and By-Laws have been taken to authorize it to enter into and perform this Agreement.

E. Ownership of Software and Related Material

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

F. Quality Service Standards

Price Associates and the Fund may, from time to time, agree to certain quality service standards, with respect to Price Associates' services hereunder.

G. Standard of Care/Indemnification

Notwithstanding anything to the contrary in this Agreement:

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

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2. The Fund shall indemnify and hold Price Associates harmless from and against all losses, costs, damages, claims,

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

3. Price Associates shall indemnify and hold harmless the Fund from all losses, costs, damages, claims, actions and expenses, including reasonable expenses for legal counsel, incurred by the Fund resulting from the negligence or willful misconduct of Price Associates or which result from Price Associates' failure to exercise reasonable care in selecting or monitoring the performance of its agents or subcontractors. The Fund shall not be entitled to such indemnification with respect

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to actions or omissions constituting negligence or willful misconduct of such Fund or its agents or subcontractors; unless such negligence or misconduct is attributable to Price Associates.

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

5. In order that the indemnification provisions contained in this Article F shall apply, upon the assertion of a claim for which either party may be required to indemnify the other, the party seeking indemnification shall promptly notify the other party of such assertion, and shall keep the other party advised with respect to all developments concerning such claim. The party who may be required to indemnify shall have the option to participate with the party seeking indemnification in the defense of such claim, or to defend against said claim in its own name or in the name of the other party. The party seeking



indemnification shall in no case confess any claim or make any compromise in any case in which the other party may be required

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to indemnify it except with the other party's prior written consent.

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

#### H. Dual Interests

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

#### I. Documentation

As requested by Price Associates, the Fund shall promptly furnish to Price Associates such documents as it may reasonably request and as are necessary for Price Associates to carry out its responsibilities hereunder.

J. Recordkeeping/Confidentiality

1. Price Associates shall keep records relating to the services to be performed hereunder, in the form and manner as it may deem advisable, provided that Price Associates shall keep all

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records in such form and in such manner as required by applicable law, including the Investment Company Act of 1940 ("the Act") and the Securities Exchange Act of 1934 ("the '34 Act").

2. Price Associates and the Fund agree that all books, records, information and data pertaining to the business of the

other party which are exchanged or received pursuant to the negotiation or the carrying out of this Agreement shall remain confidential, and shall not be voluntarily disclosed to any other person, except: (a) after prior notification to and approval in writing by the other party hereto, which approval shall not be unreasonably withheld and may not be withheld where Price Associates or Fund may be exposed to civil or criminal contempt proceedings for failure to comply; (b) when requested to divulge such information by duly constituted governmental authorities; or (c) after so requested by the other party hereto.

K. Compliance With Governmental Rules and Regulations

Except as otherwise provided in the Agreement and except for the accuracy of information furnished to the Funds by Price Associates, each Fund assumes full responsibility for the preparation, contents and distribution of its prospectuses, and for complying with all applicable requirements of the Act, the '34 Act, the Securities Act of 1933 (the "33 Act"), and any laws,

rules and regulations of governmental authorities having jurisdiction over the Funds.

L. Term and Termination of Agreement

1. This Agreement shall run for a period of one (1) year from the date first written above and will be renewed from year to year thereafter unless terminated by either party as provided hereunder.

2. This Agreement may be terminated by the Fund upon sixty (60) days' written notice to Price Associates; and by Price Associates, upon three hundred sixty-five (365) days' writing notice to the Fund.

3. Upon termination hereof, the Fund shall pay to Price Associates such compensation as may be due as of the date of such termination, and shall likewise reimburse for out-of-pocket expenses related to its services hereunder.

M. Notice

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

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N. Assignment

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

O. Amendment/Interpretive Provisions

The parties by mutual written agreement may amend this Agreement at any time. In addition, in connection with the operation of this Agreement, Price Associates and the Fund may agree from time to time on such provisions interpretive of or in addition to the provisions of this Agreement as may in their joint opinion be consistent with the general tenor of this Agreement. Any such interpretive or additional provisions are to

be signed by all parties and annexed hereto, but no such provision shall contravene any applicable Federal or state law or regulation and no such interpretive or additional provision shall be deemed to be an amendment of this Agreement.

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P. Further Assurances

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

Q. Maryland Law to Apply

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

R. Merger of Agreement

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

S. Counterparts

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

T. The Parties

All references herein to "the Fund" are to each of the Funds listed on Appendix A individually, as if this Agreement were between such individual Fund and Price Associates. In the case of a series Fund or trust, all references to "the Fund" are to the individual series or portfolio of such Fund or trust, or to such Fund or trust on behalf of the individual series or

PAGE 17

portfolio, as appropriate. The "Fund" also includes any T. Rowe

Price Funds which may be established after the execution of this Agreement. Any reference in this Agreement to "the parties" shall mean Price Associates and such other individual Fund as to which the matter pertains.

U. Directors, Trustees and Shareholders and Massachusetts Business Trust

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



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

V. Captions

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

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

DATED: \_\_\_\_\_

T. ROWE PRICE ASSOCIATES, INC.

ATTEST:

/s/Barbara A. Van Horn

/s/Alvin M. Younger, Jr.

\_\_\_\_\_  
Barbara A. Van Horn,  
Assistant Secretary

BY: \_\_\_\_\_

Managing Director

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T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT  
FUND, INC.

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND

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

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE CAPITAL OPPORTUNITY FUND, INC.

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T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE EQUITY SERIES, INC.

T. Rowe Price Equity Income Portfolio

T. Rowe Price New America Growth Portfolio

T. Rowe Price Personal Strategy Balanced

Portfolio

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T. Rowe Price Limited-Term Bond Portfolio

T. ROWE PRICE GNMA FUND

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T. ROWE PRICE HIGH YIELD FUND, INC.

T. ROWE PRICE INDEX TRUST, INC.

T. Rowe Price Equity Index Fund

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

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T. ROWE PRICE INTERNATIONAL FUNDS, INC.  
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T. Rowe Price International Discovery Fund  
T. Rowe Price International Stock Fund  
T. Rowe Price European Stock Fund  
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T. Rowe Price OTC Fund

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

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

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

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

U.S. Treasury Intermediate Fund  
U.S. Treasury Long-Term Fund  
U.S. Treasury Money Fund

T. ROWE PRICE SUMMIT FUNDS, INC.

T. Rowe Price Summit Cash Reserves Fund  
T. Rowe Price Summit Limited-Term Bond Fund  
T. Rowe Price Summit GNMA Fund

T. ROWE PRICE SUMMIT MUNICIPAL FUNDS, INC.

T. Rowe Price Summit Municipal Money Market Fund  
T. Rowe Price Summit Municipal Intermediate Fund  
T. Rowe Price Summit Municipal Income Fund

DATED: \_\_\_\_\_

ATTEST:

/s/Patricia S. Butcher

/s/Carmen F. Deyesu



T. Rowe Price Equity Series, Inc. on behalf of the:

- T. Rowe Price Equity Income Portfolio
- T. Rowe Price New America Growth Portfolio
- T. Rowe Price Personal Strategy Balanced Portfolio

T. Rowe Price Fixed Income Series, Inc. on behalf of the:

- T. Rowe Price Limited-Term Bond Portfolio

T. Rowe Price GNMA Fund

T. Rowe Price Growth & Income Fund, Inc.

T. Rowe Price Growth Stock Fund, Inc.

T. Rowe Price High Yield Fund, Inc.

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T. Rowe Price Index Trust, Inc. on behalf of the:

- T. Rowe Price Equity Index Fund

Institutional International Funds, Inc. on behalf of the:

- Foreign Equity Fund

T. Rowe Price International Equity Fund, Inc.

T. Rowe Price International Funds, Inc. on behalf of the:

- T. Rowe Price International Bond Fund

T. Rowe Price International Stock Fund  
T. Rowe Price International Discovery Fund  
T. Rowe Price European Stock Fund  
T. Rowe Price New Asia Fund  
T. Rowe Price Global Government Bond Fund  
T. Rowe Price Japan Fund  
T. Rowe Price Short-Term Global Fund  
T. Rowe Price Latin American Fund  
T. Rowe Price Emerging Markets Bond Fund

T. Rowe Price Mid-Cap Growth Fund

T. Rowe Price New America Growth Fund

T. Rowe Price New Era Fund, Inc.

T. Rowe Price New Horizons Fund, Inc.

T. Rowe Price New Income Fund, Inc.

T. Rowe Price OTC Fund, Inc. on behalf of  
the:  
    T. Rowe Price OTC Fund

T. Rowe Price Prime Reserve Fund, Inc.

T. Rowe Price Science & Technology Fund, Inc.

T. Rowe Price Short-Term Bond Fund, Inc.

T. Rowe Price Small-Cap Value Fund, Inc.



T. Rowe Price Spectrum Fund, Inc. on behalf of the:

Spectrum Growth Fund  
Spectrum Income Fund

T. Rowe Price State Tax-Free Income Trust on behalf of the:

Maryland Tax-Free Bond Fund,  
Maryland Short-Term Tax-Free Bond Fund  
New York Tax-Free Bond Fund and  
New York Tax-Free Money Fund  
New Jersey Tax-Free Bond Fund  
Virginia Tax-Free Bond Fund  
Virginia Short-Term Tax-Free Bond Fund  
Florida Insured Intermediate Tax-Free Bond Fund  
Georgia Tax-Free Bond Fund

T. Rowe Price Tax-Exempt Money Fund, Inc.

T. Rowe Price Tax-Free Insured Intermediate Bond Fund, Inc.

T. Rowe Price Tax-Free High Yield Fund, Inc.

T. Rowe Price Tax-Free Income Fund, Inc.

T. Rowe Price Tax-Free Short-Intermediate Fund, Inc.

T. Rowe Price U.S. Treasury Funds, Inc. on behalf of the:

U.S. Treasury Intermediate Fund  
U.S. Treasury Long-Term Fund  
U.S. Treasury Money Fund

T. Rowe Price Summit Funds, Inc. on behalf of the:

T. Rowe Price Summit Cash Reserves Fund  
T. Rowe Price Summit Limited-Term Bond Fund  
T. Rowe Price Summit GNMA Fund

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T. Rowe Price Summit Municipal Funds, Inc. on  
behalf of the:

T. Rowe Price Summit Municipal Money  
Market Fund

T. Rowe Price Summit Municipal  
Intermediate Fund

T. Rowe Price Summit Municipal Income Fund

T. Rowe Price Value Fund, Inc.

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FUND ACCOUNTING SERVICES FEE SCHEDULE

Between

T. ROWE PRICE ASSOCIATES, INC.

And

THE T. ROWE PRICE FUNDS

January 1, 1995 to December 31, 1995

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FUND ACCOUNTING SERVICES  
1995 FEE SCHEDULE

A. Fee Structure

1. Base Fee		
Domestic Funds		\$60,000 each
International Funds		\$100,000 each
Spectrum Funds		\$35,000 each

Per Fund fee for basic recordkeeping  
and financial reporting

2. Individual Fund Fee

Total fees reflecting special characteristics of each Fund \$ 933,000

3. Stock Lending Fee

Allocated to each Fund based on ratio of net earnings from stock loans \$ 75,000

4. Additional Funds

Domestic Funds		\$60,000 each
International Funds		\$100,000 each
Spectrum Funds		\$35,000 each

B. Total Cost Per Fund

Growth Stock Fund	\$ 114,000
New Horizons Fund	95,000
Equity Income Fund	85,000
New Era Fund	72,000
International Stock Fund	115,000
Growth & Income Fund	85,000
New America Growth Fund	70,000
Capital Appreciation Fund	85,000
Small-Cap Value Fund	60,000
Foreign Equity Fund	105,000
International Discovery Fund	125,000
Science & Technology Fund	60,000
High Yield Fund	165,000
Tax-Free Income Fund	110,000

New Income Fund	100,000
Tax-Free High Yield Fund	110,000
European Stock Fund	100,000
Equity Index Fund	60,000
New Asia Fund	110,000
Spectrum Growth Fund	35,000
GNMA Fund	120,000
International Bond Fund	125,000
Balanced Fund	90,000
Maryland Bond Fund	81,000
Tax-Free Short Intermediate Fund	85,000
Short-Term Bond Fund	120,000
California Bond Fund	72,000
New York Bond Fund	72,000
U.S. Treasury Short-Intermediate Fund	60,000
U.S. Treasury Long-Term Bond Fund	60,000
Spectrum Income Fund	35,000
Prime Reserve Fund	85,000
Tax-Exempt Money Fund	93,000
U.S. Treasury Money Fund	60,000
California Money Fund	67,000
New York Money Fund	67,000
Adjustable Rate Government Fund	110,000
Virginia Bond Fund	60,000
New Jersey Bond Fund	60,000
Global Government Bond Fund	100,000
OTC Fund	85,000
Japan Fund	100,000
Mid-Cap Growth Fund	60,000
Short-Term Global Fund	110,000
Maryland Short-Term Tax-Free Bond Fund	60,000
Florida Insured Intermediate Tax-Free Fund	60,000
Georgia Tax-Free Bond Fund	60,000
Tax-Free Insured Intermediate Bond Fund	60,000
Blue Chip Growth Fund	60,000
Dividend Growth Fund	65,000
Latin America Fund	110,000
Summit Cash Reserve Fund	60,000
Summit Limited-Term Bond Fund	60,000
Summit GNMA Fund	60,000
Summit Municipal Money Market Fund	60,000

Summit Municipal Intermediate Fund	60,000
Summit Municipal Income Fund	60,000
International Stock Portfolio	100,000
Personal Strategy Income Fund	70,000
Equity Income Portfolio	60,000
Personal Strategy Balanced Fund	70,000

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New America Growth Portfolio	60,000
Personal Strategy Growth Fund	70,000
Limited-Term Bond Portfolio	60,000

IN WITNESS WHEREOF, T. Rowe Price Funds and T. Rowe Price Associates, Inc. have agreed upon this fee schedule to be executed in their names and on their behalf through their duly authorized officers:

T. ROWE PRICE FUNDS

T. ROWE PRICE ASSOCIATES, INC.

Name /s/Carmen F. Deyesu  
Carmen F. Deyesu

Name /s/Alvin M. Younger  
Alvin M. Younger

Title Treasurer

Title Treasurer and Managing Director

Date \_\_\_\_\_

Date \_\_\_\_\_

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AMENDMENT NO. 1

AGREEMENT  
between  
T. ROWE PRICE ASSOCIATES, INC.  
and  
THE T. ROWE PRICE FUNDS  
for  
FUND ACCOUNTING SERVICES

The Agreement for Fund Accounting Services of January 1,



1995, between T. Rowe Price Associates, Inc. and each of the Parties listed on Appendix A thereto is hereby amended, as of January 25, 1995, by adding thereto the T. Rowe Price Emerging Markets Stock Fund, a separate series of the T. Rowe Price International Funds, Inc.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT FUND, INC.

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.

T. ROWE PRICE CALIFORNIA TAX-FREE INCOME TRUST

California Tax-Free Bond Fund

California Tax-Free Money Fund

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE CAPITAL OPPORTUNITY FUND, INC.

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE EQUITY SERIES, INC.

T. Rowe Price Equity Income Portfolio

T. Rowe Price New America Growth Portfolio

T. Rowe Price Personal Strategy Balanced Portfolio

T. ROWE PRICE GNMA FUND

T. ROWE PRICE GROWTH & INCOME FUND, INC.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE HIGH YIELD FUND, INC.

T. ROWE PRICE INDEX TRUST, INC.

T. Rowe Price Equity Index Fund

INSTITUTIONAL INTERNATIONAL FUNDS, INC.

Foreign Equity Fund

T. ROWE PRICE INTERNATIONAL EQUITY FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.

T. Rowe Price International Bond Fund

T. Rowe Price International Discovery Fund

T. Rowe Price International Stock Fund

T. Rowe Price European Stock Fund

T. Rowe Price New Asia Fund

T. Rowe Price Global Government Bond Fund

T. Rowe Price Japan Fund

T. Rowe Price Short-Term Global Fund

T. Rowe Price Latin America Fund

T. Rowe Price Emerging Markets Bond Fund

T. Rowe Price Emerging Markets Stock Fund

T. ROWE PRICE INTERNATIONAL SERIES, INC.

T. Rowe Price International Stock Portfolio

T. ROWE PRICE MID-CAP GROWTH FUND

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW HORIZONS FUNDS, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE OTC FUND, INC.

T. Rowe Price OTC Fund

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

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

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

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

T. ROWE PRICE STATE TAX-FREE INCOME TRUST  
Maryland Tax-Free Bond Fund  
Maryland Short-Term Tax-Free Bond Fund  
New York Tax-Free Bond Fund  
New York Tax-Free Money Fund  
New Jersey Tax-Free Bond Fund  
Virginia Tax-Free Bond Fund  
Virginia Short-Term Tax-Free Bond Fund  
Florida Insured Intermediate Tax-Free Fund  
Georgia Tax-Free Bond Fund

T. ROWE PRICE SUMMIT FUNDS, INC.  
T. Rowe Price Summit Cash Reserves Fund  
T. Rowe Price Summit Limited-Term Bond Fund  
T. Rowe Price Summit GNMA Fund

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

T. Rowe Price Summit Municipal Intermediate  
Fund

T. Rowe Price Summit Municipal Income Fund

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

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

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

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T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

U.S. Treasury Intermediate Fund

U.S. Treasury Long-Term Fund

U.S. Treasury Money Fund

T. ROWE PRICE VALUE FUND, INC.

Attest:

/s/Patricia S. Butcher      /s/Carmen F. Deyesu

Patricia S. Butcher,  
Assistant Secretary

By: Carmen F. Deyesu

Attest:

T. ROWE PRICE ASSOCIATES, INC.

/s/Barbara A. Van Horn

/s/Henry H. Hopkins

---

Barbara A. Van Horn,  
Assistant Secretary

---

By: Henry H. Hopkins,  
Managing Director

The Agreement between T. Rowe Price Retirement Plan Services, Inc. and the Taxable Funds, dated January 1, 1995, as amended, should be inserted here.

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AGREEMENT

between

T. ROWE PRICE RETIREMENT PLAN SERVICES, INC.

and

EACH OF THE PARTIES INDICATED ON APPENDIX A

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AGREEMENT, made as of the first day of January, 1995, by and between T. ROWE PRICE RETIREMENT PLAN SERVICES, INC., a Maryland corporation having its principal office and place of business at 100 East Pratt Street, Baltimore, Maryland 21202 ("RPS"), and EACH FUND WHICH IS LISTED ON APPENDIX A (as such Appendix may be amended from time to time) and which evidences its agreement to be bound hereby by executing a copy of this Agreement (each Fund hereinafter referred to as "the Fund") whose definition may be found in Article T;

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

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

WHEREAS, RPS represents that it is registered with the

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Section 17A of the Securities Exchange Act of 1934 ("the '34 Act").

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

WHEREAS, the Fund desires to contract with RPS the foregoing

functions and services described herein in connection with the Retirement Plans and Retirement Accounts;

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

A. Terms of Appointment

Subject to the terms and conditions set forth in this Agreement, the Fund hereby employs and appoints RPS to perform the services and functions described herein in connection with

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certain Retirement Plan and Retirement Accounts as agreed upon by the parties.

B. Duties of RPS:

RPS agrees that it will perform the following services:

1. Purchases - Retirement Plans and Retirement Accounts

After RPS has received monies from Retirement Plans and has determined the proper allocation of such monies to the

Retirement Accounts or Retirement Plan participants ("Participants") based upon instructions received from Participants, Retirement Plans or their designees, or Retirement Plan Administrator(s) ("Administrator(s)"), RPS will, as a responsibility under the Agreement:

- a. Transmit by check or wire the aggregate money allocated to each Fund to the Fund's custodian;
- b. In the case of a new Participant, establish and maintain a Retirement Account for such Participant; and
- c. Compute the number of shares of each Fund to which the Participant is entitled according to the price of such Fund shares as provided by such Fund for purchases made at that time and date, and credit each such Account with the number of shares of the Fund so purchased.

2. Retirement Plans - Redemptions to Cover Distributions.

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

- a. Compute the amount due for shares to be redeemed from each Retirement Account or compute the number of shares to be redeemed from each such Retirement Account for such distributions and the total number of all shares of each Fund to be redeemed in accordance with the price per share at that time and date of such Fund as calculated and provided by the Fund. After such computation, inform the Fund of the amount necessary to be redeemed. Distribute to Participants or their designated beneficiaries the amount to be disbursed.
- b. After RPS has received instructions from the Administrator regarding disbursements to be made regarding the payment of fees due the Administrator, or other persons including RPS, RPS will, as a responsibility under this Agreement:

- i. Compute the number of shares to be redeemed from each Retirement Account to pay for such disbursements and the total number of all shares to be redeemed in accordance with the price per share at that time and date, of such Fund as calculated and provided by the Fund;
  - ii. Effect the necessary redemption from the Fund's custodian to cover such disbursements; and
  - iii. Mail to the Administrator or such other person as designated by the Administrator the amount to be disbursed.
- c. Other Provisions
- i. If any instruction tendered by an Administrator to redeem shares in a Retirement Account is not satisfactory to RPS, RPS shall promptly notify the Administrator of such fact together with the reason therefor;

ii. The authority of RPS to perform its responsibilities under Paragraph B(2) with respect to each Fund shall be suspended upon receipt of notification by such Fund of the suspension of the determination of the Fund's net asset value per

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share and shall remain suspended until proper notification; and

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

### 3. Exchanges

Effect exchanges of shares of the Funds upon receipt of appropriate instructions from the Administrator and/or



Participant.

4. Shares held by Retirement Accounts will be

Noncertificate Shares

RPS will have neither responsibility nor authority to issue stock certificates evidencing ownership of Fund shares held by Participants. All shares held in Retirement Accounts maintained by RPS shall be noncertificated shares.

5. Books and Records

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

- a. Names, addresses and tax identification numbers, when provided;
- b. Number of shares held;

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- c. Historical information regarding the account of each Participant and/or Retirement Plan, including

- dividends and distributions invested in shares;
- d. Pertinent information regarding the establishment and maintenance of Retirement Plans and Retirement Accounts necessary to properly administer each account.
  - e. Any instructions from a Participant or Administrator including, all forms furnished by the Fund and executed by a Participant with respect to elections with respect to payment options in connection with the redemption of shares; or distribution elections, if applicable; and
  - f. Any information required in order for RPS to perform the calculations contemplated under this Agreement.

Any such records maintained pursuant to Rule 31a-1 under the Investment Company Act of 1940 ("the Act") will be preserved for the periods prescribed in Rule 31a-2 thereunder. Disposition of such records after such prescribed periods shall be as mutually agreed upon from time to time by RPS and the Funds. The retention of such records, which may be inspected by the Fund at reasonable times, shall be at the expense of the Funds. All records maintained by

RPS in connection with the performance of its duties under this Agreement will remain the property of the Funds and, in the event of termination of this Agreement, will be delivered to the Fund as of the date of termination or at such other time as may be mutually agreed upon.

6. Tax Information

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

7. Other Information to be furnished to the Funds

RPS will furnish to the Fund, such information, including shareholder lists and statistical information as may be agreed upon from time to time between RPS and the Fund.

8. Correspondence

RPS will promptly and fully answer correspondence from Administrators and in some cases, Participants, relating to

Retirement Accounts, transfer agent procedures, and such other correspondence as may from time to time be mutually agreed upon with the Funds. Unless otherwise instructed,

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copies of all correspondence will be retained by RPS in accordance with applicable law.

9. Mailings/Confirmation Statements

RPS will be responsible for mailing all confirmations and other enclosures and mailings, as requested by the Administrators and as may be required of the Funds by applicable Federal or state law.

10. Proxies

RPS shall monitor the mailing of proxy cards and other material supplied to it by the Fund in connection with shareholder meetings of the Fund and shall coordinate the receipt, examination and tabulation of returned proxies and the certification of the vote to the Fund.

11. Form N-SAR

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

12. Withholding

The Fund and RPS shall agree to procedures to be followed with respect to RPS's responsibilities in connection with compliance for federal withholding for Participants.

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C. Fees and Out-of-Pocket Expenses

Each Fund shall pay to RPS for its services hereunder fees computed as set forth in the Schedule attached hereto. Except as provided below, RPS will be responsible for all expenses relating to the providing of services. Each Fund, however, will reimburse

RPS for the following out-of-pocket expenses and charges incurred in providing services:

1. Postage. The cost of postage and freight for mailing materials to Participants, or their agents, including overnight delivery, UPS and other express mail services and special courier services required to transport mail between RPS locations and mail processing vendors.
2. Proxies. The cost to mail proxy cards and other material supplied to it by the Fund and costs related to the receipt, examination and tabulation of returned proxies and the certification of the vote to the Fund.
3. Communications
  - a. Print. The printed forms used internally and externally for documentation and processing Participant, or their agent's, inquiries and requests; paper and envelope supplies for letters, notices, and other written communications sent to Administrators and Participants, or their agents.

- b. Print & Mail House. The cost of internal and third party printing and mail house services, including printing of statements and reports.
- c. Voice and Data. The cost of equipment (including associated maintenance), supplies and services used for communicating to and from the Participants, or their agents, the Fund's transfer agent, other Fund offices, and other agents of either the Fund or RPS. These charges shall include:
  - o telephone toll charges (both incoming and outgoing, local, long distance and mailgrams); and
  - o data and telephone lines and associated equipment such as modems, multiplexers, and facsimile equipment.
- 4. Record Retention. The cost of maintenance and supplies used to maintain, microfilm, copy, record, index, display, retrieve, and store, in microfiche or microfilm form, documents and records.
- 5. Disaster Recovery. The cost of services, equipment, facilities and other charges necessary to provide disaster recovery for any and all services listed in this Agreement.

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D. Representations and Warranties of RPS

RPS represents and warrants to the Fund that:

1. It is a corporation duly organized and existing and in good standing under the laws of Maryland.
2. It is duly qualified to carry on its business in Maryland.
3. It is empowered under applicable laws and by its charter and by-laws to enter into and perform this Agreement.
4. All requisite corporate proceedings have been taken to authorize it to enter into and perform this Agreement.
5. It has and will continue to have access to the necessary facilities, equipment and personnel to perform its duties and obligations under this Agreement.
6. It is registered with the Securities and Exchange Commission as a Transfer Agent pursuant to Section 17A of the '34 Act.



E. Representations and Warranties of the Fund

The Fund represents and warrants to RPS that:

1. It is a corporation or business trust duly organized and existing and in good standing under the laws of Maryland, or Massachusetts, as the case may be.
2. It is empowered under applicable laws and by its Articles of Incorporation or Declaration of Trust, as the

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case may be, and By-Laws to enter into and perform this Agreement.

3. All proceedings required by said Articles of Incorporation or Declaration of Trust, as the case may be, and By-Laws have been taken to authorize it to enter into and perform this Agreement.

4. It is an investment company registered under the Act.

5. A registration statement under the Securities Act of

1933 ("the '33 Act") is currently effective and will remain effective, and appropriate state securities law filing have been made and will continue to be made, with respect to all shares of the Fund being offered for sale.

F. Standard of Care/Indemnification

Notwithstanding anything to the contrary in this Agreement:

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

2. The Fund shall indemnify and hold RPS harmless from and against all losses, costs, damages, claims, actions and

expenses, including reasonable expenses for legal counsel,

incurred by RPS resulting from: (i) any action or omission by RPS or its agents or subcontractors in the performance of their duties hereunder; (ii) RPS acting upon instructions believed by it to have been executed by a duly authorized officer of the Fund; or (iii) RPS acting upon information provided by the Fund in form and under policies agreed to by RPS and the Fund. RPS shall not be entitled to such indemnification in respect of actions or omissions constituting negligence or willful misconduct of RPS or where RPS has not exercised reasonable care in selecting or monitoring the performance of its agents or subcontractors.

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

constituting negligence or willful misconduct of such Fund or its agents or subcontractors; unless such negligence or misconduct is attributable to RPS.

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

- o RPS had in place "appropriate procedures".
- o the employees responsible for the error or omission had been reasonably trained and were being appropriately monitored; and
- o the error or omission did not result from wanton or reckless conduct on the part of the employees.

It is understood that RPS is not obligated to have in place separate procedures to prevent each and every conceivable type of error or omission. The term "appropriate procedures" shall mean procedures reasonably designed to prevent and detect errors and omissions. In determining the reasonableness of such procedures, weight will be given to such factors as are appropriate, including the prior

occurrence of any similar errors or omissions when such procedures were in place and transfer agent industry standards in place at the time of the occurrence.

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

6. In order that the indemnification provisions contained in this Article F shall apply, upon the assertion of a claim for which either party may be required to indemnify the other, the party seeking indemnification shall promptly

notify the other party of such assertion, and shall keep the other party advised with respect to all developments concerning such claim. The party who may be required to indemnify shall have the option to participate with the party seeking indemnification in the defense of such claim, or to defend against said claim in its own name or in the name of the other party. The party seeking indemnification shall in no case confess any claim or make any compromise in any case in which the other party may be required to

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indemnify it except with the other party's prior written consent.

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

this Agreement.

G. Dual Interests

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

H. Documentation

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

- a. A certified copy of the resolution of the Directors/Trustees of the Fund authorizing the appointment of RPS and the execution and delivery of this Agreement;
- b. A copy of the Articles of Incorporation or Declaration of Trust, as the case may be, and By-Laws of the Fund and all amendments thereto;

- c. Specimens of all forms of outstanding and new stock/share certificates in the forms approved by the Board of Directors/Trustees of the Fund with a certificate of the Secretary of the Fund as to such approval;
- d. All account application forms and other documents relating to shareholders' accounts;
- e. An opinion of counsel for the Fund with respect to the validity of the stock, the number of Shares authorized, the status of redeemed Shares, and the number of Shares with respect to which a Registration Statement has been filed and is in effect; and
- f. A copy of the Fund's current prospectus.

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

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

- a. Each resolution of the Board of Directors/Trustees of the Fund authorizing the original issue of its shares;



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- b. Each Registration Statement filed with the Securities and Exchange Commission and amendments and orders thereto in effect with respect to the sale of shares with respect to the Fund;
- c. A certified copy of each amendment to the Articles of Incorporation or Declaration of Trust, and the By-Laws of the Fund;
- d. Certified copies of each vote of the Board of Directors/Trustees authorizing officers to give instructions to the Fund;
- e. Specimens of all new certificates accompanied by the Board of Directors/Trustees' resolutions approving such forms;
- f. Such other documents or opinions which RPS, in its

discretion, may reasonably deem necessary or appropriate in the proper performance of its duties; and

g. Copies of new prospectuses issued.

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

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#### I. Recordkeeping/Confidentiality

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

2. RPS and the Fund agree that all books, records,

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

#### J. Ownership of Software and Related Material

All computer programs, magnetic tapes, written procedures and similar items purchased and/or developed and used by RPS in

performance of the Agreement shall be the property of RPS and will not become the property of the Fund.

K. As Of Transactions

For purposes of this Article K, the term "Transaction" shall mean any single or "related transaction" (as defined below) involving the purchase or redemption of shares (including exchanges) that are processed at a time other than the time of the computation of the Fund's net asset value per share next computed after receipt of any such transaction order by RPS. If more than one Transaction ("Related Transaction") in the Fund is caused by or occurs as a result of the same act or omission, such transactions shall be aggregated with other transactions in the Fund and be considered as one Transaction.

1. Reporting

RPS shall:

- a. Utilize a system to identify all Transactions, and shall compute the net effect of such Transactions upon the Fund on a daily, monthly and rolling 365 day basis. The Monthly and rolling 365 day periods are hereinafter referred to as ("Cumulative").

- b. Supply to the Fund, from time to time as mutually agreed upon, a report summarizing the Transactions and the daily and Cumulative net effects of such Transactions both in terms of aggregate dilution and loss ("Dilution") or gain and negative dilution ("Gain") experienced by the Fund, and the impact such Gain or Dilution has had upon the Fund's net asset value per share.
- c. With respect to any Transaction which causes Dilution to the Fund of \$25,000 or more, immediately provide the Fund: (i) a report identifying the Transaction and the Dilution resulting therefrom, (ii) the reason such Transaction was processed as described above, and (iii) the action that RPS has or intends to take to prevent the reoccurrence of such as of processing ("Report").

2. Liability

- a. It will be the normal practice of the Fund not to hold

RPS liable with respect to any Transaction which causes Dilution to any single Fund of less than \$25,000. RPS will, however, closely monitor for each Fund the daily and Cumulative Gain/Dilution which is caused by Transactions of less than \$25,000. When the Cumulative

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Dilution to any Fund exceeds 3/10 of 1% per share, RPS, in consultation with counsel to the Fund, will make appropriate inquiry to determine whether it should take any remedial action. RPS will report to the Board of Directors/Trustees of the Fund ("Board"), as appropriate, any action it has taken.

- b. Where a Transaction causes Dilution to a Fund of \$25,000 or more ("Significant Transaction"), RPS will review with counsel to the Fund, the Report and the circumstances surrounding the underlying Transaction to

determine whether the Transaction was caused by or occurred as a result of a negligent act or omission by RPS. If it is determined that the Dilution is the result of a negligent action or omission by RPS, RPS and outside counsel for the Fund, as appropriate, will negotiate settlement. All such Significant Transactions will be reported to the Board at its next meeting (unless the settlement fully compensates the Fund for any Dilution). Any Significant Transaction, however, causing Dilution in excess of the lesser of \$100,000 or a penny per share will be promptly reported to the Board. Settlement will not be entered into with

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RPS until approved by the Board. The factors the Board or the Funds would be expected to consider in making

any determination regarding the settlement of a Significant Transaction would include but not be limited to:

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

c. In determining RPS' liability with respect to a Significant Transaction, an isolated error or omission will normally not be deemed to constitute negligence when it is determined that:



- o RPS had in place "appropriate procedures".
- o the employees responsible for the error or omission had been reasonably trained and were being appropriately monitored; and
- o the error or omission did not result from wanton or reckless conduct on the part of the employees.

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

L. Term and Termination of Agreement

1. This Agreement shall run for a period of one (1) year from the date first written above and will be renewed from

year to year thereafter unless terminated by either party as provided hereunder.

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2. This Agreement may be terminated by the Funds upon one hundred twenty (120) days' written notice to RPS; and by RPS, upon three hundred sixty-five (365) days' writing notice to the Fund.

3. Upon termination hereof, the Fund shall pay to RPS such compensation as may be due as of the date of such termination, and shall likewise reimburse for out-of-pocket expenses related to its services hereunder.

M. Notice

Any notice as required by this Agreement shall be sufficiently given (i) when sent to an authorized person of the other party at the address of such party set forth above or at such other address as such party may from time to time specify in

writing to the other party; or (ii) as otherwise agreed upon by appropriate officers of the parties hereto.

N. Assignment

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

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O. Amendment/Interpretive Provisions

The parties by mutual written agreement may amend this Agreement at any time. In addition, in connection with the operation of this Agreement, RPS and the Fund may agree from time to time on such provisions interpretive of or in addition to the

provisions of this Agreement as may in their joint opinion be consistent with the general tenor of this Agreement. Any such interpretive or additional provisions are to be signed by all parties and annexed hereto, but no such provision shall contravene any applicable federal or state law or regulation and no such interpretive or additional provision shall be deemed to be an amendment of this Agreement.

P. Further Assurances

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

Q. Maryland Law to Apply

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

R. Merger of Agreement

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

S. Counterparts

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

T. The Parties

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

Any reference in this Agreement to "the parties" shall mean the Funds and RPS.

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U. Directors, Trustees and Shareholders and Massachusetts  
Business Trust

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

an authorized officer of the Trust, acting as such, and neither such authorization by such Trustees nor such execution and delivery by such officer shall be deemed to have been made by any of them, but shall bind only the trust property of the Trust as provided in its Declaration of Trust.

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V. Captions

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

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

T. ROWE PRICE RETIREMENT PLAN  
SERVICES, INC.

DATED: \_\_\_\_\_

ATTEST:

/s/Charles E. Vieth

By: \_\_\_\_\_

Charles E. Vieth

T. ROWE PRICE ADJUSTABLE RATE U.S GOVERNMENT FUND,  
INC.

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE CAPITAL OPPORTUNITY FUND, INC.

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE GROWTH & INCOME FUND, INC.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE HIGH YIELD FUND, INC.



T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

T. ROWE PRICE INTERNATIONAL FUNDS, INC.  
T. Rowe Price International Bond Fund  
T. Rowe Price International Discovery Fund  
T. Rowe Price International Stock Fund  
T. Rowe Price European Stock Fund  
T. Rowe Price New Asia Fund  
T. Rowe Price Global Government Bond Fund  
T. Rowe Price Japan Fund  
T. Rowe Price Short-Term Global Fund  
T. Rowe Price Latin America Fund  
T. Rowe Price Emerging Markets Bond Fund

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

T. ROWE PRICE OTC FUND, INC.  
T. Rowe Price OTC Fund

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW HORIZONS FUNDS, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

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

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

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



APPENDIX A

The following Funds are parties to this Agreement, and have so indicated their intention to be bound by such Agreement by executing the Agreement on the dates indicated thereon.

T. Rowe Price Adjustable Rate U.S. Government Fund, Inc.

T. Rowe Price Balanced Fund, Inc.

T. Rowe Price Blue Chip Growth Fund, Inc.

T. Rowe Price Capital Appreciation Fund

T. Rowe Price Capital Opportunity Fund, Inc.

T. Rowe Price Dividend Growth Fund, Inc.

T. Rowe Price Equity Income Fund

T. Rowe Price GNMA Fund

T. Rowe Price Growth & Income Fund, Inc.

T. Rowe Price Growth Stock Fund, Inc.

T. Rowe Price High Yield Fund, Inc.

T. Rowe Price Index Trust, Inc. on behalf of  
the

T. Rowe Price Equity Index Fund

Institutional International Funds, Inc. on  
behalf of the

Foreign Equity Fund

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T. Rowe Price International Funds, Inc. on  
behalf of the

T. Rowe Price International Bond Fund and

T. Rowe Price International Stock Fund

T. Rowe Price International Discovery Fund

T. Rowe Price European Stock Fund

T. Rowe Price New Asia Fund

T. Rowe Price Global Government Bond Fund

T. Rowe Price Japan Fund  
T. Rowe Price Short-Term Global Fund  
T. Rowe Price Latin America Fund  
T. Rowe Price Emerging Markets Bond Fund

T. Rowe Price Mid-Cap Growth Fund, Inc.

T. Rowe Price New America Growth Fund

T. Rowe Price New Era Fund, Inc.

T. Rowe Price New Horizons Fund, Inc.

T. Rowe Price New Income Fund, Inc.

T. Rowe Price OTC Fund, Inc. on behalf of the  
T. Rowe Price OTC Fund

T. Rowe Price Personal Strategy Funds, Inc.  
on behalf of the  
T. Rowe Price Personal Strategy Balanced  
Fund  
T. Rowe Price Personal Strategy Growth Fund  
T. Rowe Price Personal Strategy Income Fund

T. Rowe Price Prime Reserve Fund, Inc.

T. Rowe Price Science & Technology Fund, Inc.

T. Rowe Price Short-Term Bond Fund, Inc.

T. Rowe Price Small-Cap Value Fund, Inc.

T. Rowe Price Spectrum Fund, Inc. on behalf  
of the  
Spectrum Growth Fund  
Spectrum Income Fund

T. Rowe Price Value Fund, Inc.

T. Rowe Price U.S. Treasury Funds, Inc. on  
behalf of the  
U.S. Treasury Intermediate Fund  
U.S. Treasury Long-Term Fund  
U.S. Treasury Money Fund

T. Rowe Price Summit Funds, Inc.  
T. Rowe Price Summit Cash Reserves Fund  
T. Rowe Price Summit Limited-Term Bond Fund  
T. Rowe Price Summit GNMA Fund

T. Rowe Price Summit Municipal Funds, Inc.  
T. Rowe Price Summit Municipal Money Market  
Fund  
T. Rowe Price Summit Municipal Intermediate  
Fund  
T. Rowe Price Summit Municipal Income Fund

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T. ROWE PRICE RETIREMENT PLAN SERVICES, INC.

FEE SCHEDULE

Fees for transfer agent services performed for retirement plan accounts serviced by T. Rowe Price Retirement Plan Services, Inc. ("RPS").

Effective January 1, 1995 to December 31, 1995.

A. Base Fee

A monthly base fee of \$500,000 (\$6,000,000 per year) allocated pro rata by account.

B. Per Participant Fee

A monthly per participant fee of \$3.583 for each active (non-zero balance) participant being serviced at the end of the month. This fee will be allocated among the Funds based on the relative percentage of T. Rowe Price assets at the end of the month.

C. Per Transaction Fee

A fee for each Account transaction will be charged at the rate of \$.15 per transaction, except for dividend transactions.

D. Institutional Support Group (ISG) Telephone Call

A fee of \$5.24 per ISG telephone call will be charged to the Fund(s) involved in the telephone call.

E. New Participant Fee

A one-time new participant fee of \$3.31 will be charged each time a participant is added to the records.

F. Perks Fee

Fees for PERKS plans will be \$10 per account, maximum \$40 per participant, capped at 25 basis points.

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G. Billing Procedures

RPS will render a monthly invoice which shall include: the number of participants in existence at month-end and the Fund's pro rata share; the assets by Fund at month-end; the number of transactions recorded during the month for each Fund; and the number of new participants added during the month and the Fund's pro rata share. RPS will render a separate invoice for out-of-pocket expenses for which RPS is entitled to reimbursement under the Agreement and the Fund's pro rata share.

H. New Funds



Funds added during the term of this Agreement may have their Maintenance and Transaction charges waived for a period of time agreed upon between RPS and the Funds following the establishment of the Fund. Out-of-pocket expenses will be billed to the Fund from the Fund's inception.

IN WITNESS WHEREOF, T. Rowe Price Funds and T. Rowe Price Retirement Plan Services, Inc. have agreed upon this fee schedule to be executed in their names and on their behalf through their duly authorized officers:

T. ROWE PRICE FUNDS

T. ROWE PRICE RETIREMENT PLAN SERVICES, INC.

Name /s/Carmen F. Deyesu

Name /s/Charles E. Vieth

Title Treasurer

Title President

Date \_\_\_\_\_

Date \_\_\_\_\_

AMENDMENT NO. 1

AGREEMENT

between

T. ROWE PRICE RETIREMENT PLAN SERVICES, INC.

and

EACH OF THE PARTIES INDICATED ON APPENDIX A

The Retirement Plan Services Contract of January 1, 1995, between T. Rowe Price Retirement Plan Services, Inc. and each of the Parties listed on Appendix A thereto is hereby amended, as of January 25, 1995, by adding thereto the T. Rowe Price Emerging Markets Stock Fund, a separate series of the T. Rowe Price International Funds, Inc.

T. ROWE PRICE ADJUSTABLE RATE U.S. GOVERNMENT FUND, INC.

T. ROWE PRICE BALANCED FUND, INC.

T. ROWE PRICE BLUE CHIP GROWTH FUND, INC.

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

T. ROWE PRICE CAPITAL APPRECIATION FUND

T. ROWE PRICE CAPITAL OPPORTUNITY FUND, INC.

T. ROWE PRICE DIVIDEND GROWTH FUND, INC.

T. ROWE PRICE EQUITY INCOME FUND

T. ROWE PRICE GNMA FUND

T. ROWE PRICE GROWTH & INCOME FUND, INC.

T. ROWE PRICE GROWTH STOCK FUND, INC.

T. ROWE PRICE HIGH YIELD FUND, INC.

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T. ROWE PRICE INDEX TRUST, INC.  
T. Rowe Price Equity Index Fund

INSTITUTIONAL INTERNATIONAL FUNDS, INC.  
Foreign Equity Fund

T. ROWE PRICE INTERNATIONAL EQUITY FUND, INC.

T. ROWE PRICE INTERNATIONAL FUNDS, INC.  
T. Rowe Price International Bond Fund  
T. Rowe Price International Discovery Fund  
T. Rowe Price International Stock Fund  
T. Rowe Price European Stock Fund  
T. Rowe Price New Asia Fund  
T. Rowe Price Global Government Bond Fund  
T. Rowe Price Japan Fund  
T. Rowe Price Short-Term Global Fund  
T. Rowe Price Latin America Fund  
T. Rowe Price Emerging Markets Bond Fund  
T. Rowe Price Emerging Markets Stock Fund

T. ROWE PRICE MID-CAP GROWTH FUND

T. ROWE PRICE NEW AMERICA GROWTH FUND

T. ROWE PRICE NEW ERA FUND, INC.

T. ROWE PRICE NEW HORIZONS FUNDS, INC.

T. ROWE PRICE NEW INCOME FUND, INC.

T. ROWE PRICE OTC FUND, INC.

T. Rowe Price OTC Fund

T. ROWE PRICE PRIME RESERVE FUND, INC.

T. ROWE PRICE SCIENCE & TECHNOLOGY FUND, INC.

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

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

T. ROWE PRICE SPECTRUM FUND, INC.

Spectrum Growth Fund

Spectrum Income Fund

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T. ROWE PRICE STATE TAX-FREE INCOME TRUST

Maryland Tax-Free Bond Fund

Maryland Short-Term Tax-Free Bond Fund

New York Tax-Free Bond Fund

New York Tax-Free Money Fund

New Jersey Tax-Free Bond Fund

Virginia Tax-Free Bond Fund

Florida Insured Intermediate Tax-Free Fund

Georgia Tax-Free Bond Fund

T. ROWE PRICE SUMMIT FUNDS, INC.

T. Rowe Price Summit Cash Reserves Fund

T. Rowe Price Summit Limited-Term Bond Fund

T. Rowe Price Summit GNMA Fund

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

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

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

T. ROWE PRICE TAX-FREE INCOME FUND, INC.

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

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

T. ROWE PRICE VALUE FUND, INC.

Attest:

/s/Patricia S. Butcher

/s/Carmen F. Deyesu

\_\_\_\_\_  
Patricia S. Butcher,  
Assistant Secretary

\_\_\_\_\_  
By: Carmen F. Deyesu

Attest:

T. ROWE PRICE RETIREMENT PLAN  
SERVICES, INC.

/s/Barbara A. Van Horn

/s/Henry H. Hopkins

\_\_\_\_\_  
Barbara A. Van Horn,  
Assistant Secretary

\_\_\_\_\_  
By: Henry H. Hopkins,  
Vice President



CONSENT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors  
of the T. Rowe Price Equity Index Fund

We consent to the incorporation by reference in Post-Effective Amendment No. 6 to the Registration Statement of the T. Rowe Price Equity Index Fund (the "Fund"), on Form N-1A (File No. 33-32859) of our report dated January 23, 1995 on our audit of the financial statements and financial highlights of the Fund, which report is included in the Annual Report to Shareholders for the year ended December 31, 1994 which is incorporated by reference in the Registration Statement. We also consent to the reference to our Firm under the caption "Financial Highlights" in the Prospectus and "Independent Accountants" in the Statement of Additional Information.

/s/Coopers & Lybrand L.L.P.  
COOPERS & LYBRAND L.L.P.  
Baltimore, Maryland  
February 22, 1995





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