

T. ROWE PRICE ASSOCIATES, INC.

LEGAL DEPARTMENT

April 10, 2006

Ms. Nancy M. Morris  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-9303



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*Re: Executive Compensation and Related Party Disclosure  
File No. S7-03-06*

Dear Ms. Morris:

We are writing on behalf of T. Rowe Price Associates, Inc. (“**T. Rowe Price**”) in response to a request for comment on the Securities Exchange Commission’s proposed amendments to the SEC’s disclosure rules for executive and director compensation.

T. Rowe Price, as investment adviser to the T. Rowe Price funds and other institutional clients, is interested in the proposed executive compensation disclosure requirements from the standpoint of an investor in the equity securities of over 3,500 publicly-traded companies. T. Rowe Price and its affiliates serve as investment adviser to more than 450 separate and commingled institutional accounts and more than 90 stock, bond, and money market funds. As of December 31, 2005, T. Rowe Price had \$269.5 billion under management, including \$170.2 billion in the T. Rowe Price funds. While T. Rowe Price employs many types of investment styles in managing mutual funds and institutional portfolios, our commitment to fundamental research is our lifeblood.

When we invest our clients’ assets in a portfolio company, part of our fundamental analysis involves an assessment of the company’s management, including their compensation. In analyzing executive compensation, T. Rowe Price’s goal is to assure that a company’s compensation structure is aligned with shareholders’ long-term interests. While we evaluate executive compensation on a case-by-case basis, T. Rowe Price generally opposes compensation packages that provide what we view as excessive awards to a few senior executives or that contain excessively dilutive stock option plans. When voting on equity-based plans, T. Rowe Price bases its review on criteria such as the costs associated with the plan, plan features, dilution to shareholders and comparability to plans in the company’s peer group. In many respects the enhanced disclosure rules regarding executive compensation will make it easier for our analysts and portfolio managers to review and assess executive compensation packages.

In general, we support the SEC’s proposed amendments and endorse the comments of the Investment Company Institute in their comment letter to you dated April 7, 2006. In addition, we would like to give you our general views with respect to the proposed disclosure rules and take issue with one aspect of the proposal.

T. Rowe Price supports improvements in executive compensation disclosure, and agrees that the current rules need to be updated to reflect changes in compensation practices and the complexity in executive pay packages. In particular, we support the following proposed revisions to the executive compensation disclosure rules:

- **Expanded Summary Compensation Table** - We support the easy-to-read summary compensation table which allows an investor to find in one place the key components to each covered executive's total compensation, and a new total compensation column which sums all of the key components. This table will allow our analysts to easily compare executive compensation packages across portfolio companies in the same industry sector.
- **Compensation Discussion and Analysis (CD&A)** - We also support the new CD&A section which is modeled after the Management's Discussion & Analysis, and would replace the current compensation committee report. If the CD&A presents the company's executive compensation objectives and philosophy in detail and plain English, this would be a substantial improvement over current disclosures from compensation committees, which are often written in boilerplate and generalities. We believe there is some utility to the performance graph if it reflects the benchmarks the compensation committee considers in setting performance targets. We would recommend that some form of a performance graph be retained to provide shareholders with a comparison to test the company against its peers. The graph should reflect the performance of the peer group considered by the compensation committee, or an appropriate benchmark if the compensation committee did not consider peer group performance.
- **Expanded Disclosure of Post-Employment Benefits** - The proposal will provide increased transparency with a new table for post-employment benefits such as deferred compensation and non-qualified plans. All accrued earnings (not just accrued earnings at above market rates) under such plans will be appropriately factored into the total compensation summary table, and not hidden from investors.
- **Change-in-Control Payments** - Finally, we support the enhanced disclosures with respect to payments for change-in-control events, including estimated payment amounts (and method used to determine such amounts) for the different triggers under such arrangements. It is critical for investors to know management's incentives when faced with inevitable challenges for corporate control in order to assess their motives and predict their likely response.

**Disclosure of Top Three Paid Non-Executives.** The Commission has also requested comment on a new requirement relating to the disclosure of the total compensation paid to up to three non-executive employees who earn more than any of the named executive

officers. We object to this requirement for several reasons. First, we believe this new disclosure will provide no benefit to us as an investor since these non-executive employees, while albeit highly paid, have no ability to influence or direct the affairs of the company. This is not the type of information we currently seek from the companies we follow. Also, the identities of these individuals would likely change from year-to-year based on the amount of sales made or commissions earned, so this makes the information even more irrelevant to a long-term investor. As shareholders, executive pay and the equity incentives paid out to employees are the relevant data points -- not the compensation of the firm's top salesman or investment banker.

Second, we are concerned, as a publicly-traded investment management firm with highly-paid professionals, that our competitors (many of whom will not be subject to this disclosure requirement) will know the compensation of our highest paid investment professionals. While these non-executive employees will not be identified by name, it will be easy to discern who they are based on the position descriptions of such employees. This will make it easier for competitors to target and hire away our top-performing investment professionals. Further, we believe the disclosure requirement will adversely impact firms in the financial services sector to a greater degree than companies in other sectors, while providing little value to investors. Therefore, we strongly urge the Commission to remove this proposed disclosure requirement before adopting the final rules.

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In summary, we believe the proposed revisions to the disclosure rules on executive compensation will tighten current requirements and eliminate some of the gaps that have developed over the years. As compensation schemes have become more complex, the disclosure rules have not kept pace. We think the proposed rules, with the exception of the requirement to disclose the compensation of non-executives officers, will go a long way to providing shareholders with full transparency with respect to a company's executive compensation.

We appreciate the opportunity to comment on the proposed amendments to the executive compensation disclosure rules. Please feel free to contact us if you have any questions or need additional information.

Sincerely,



Henry H. Hopkins  
Chief Legal Counsel



Darrell N. Braman  
Associate Legal Counsel