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August 17, 2009

Ms. Elizabeth Murphy
Secretary
U.S. Securities and Exchange Commission
100 F. Street NE
Washington DC 20549

Re: Facilitating Shareholder Director Nominations
File No. S7-10-09

Dear Ms. Murphy:

On behalf of T. Rowe Price Associates, Inc. and T. Rowe Price International, Inc. (collectively "T. Rowe Price"), manager of the T. Rowe Price family of investment companies ("Price Funds"), we appreciate the opportunity to comment on the U.S. Securities and Exchange Commission's recently proposed rule to facilitate shareholder nominations of directors.

As an investment adviser who votes proxies for its clients and as investment manager of the Price Funds (over 120 funds with approximately $189 billion in assets as of June 30), T. Rowe Price is in a distinct position to evaluate the proposed rule from a perspective as both an issuer of securities (the Price Funds) and as an investor in securities (T. Rowe Price, as the Price Funds' investment adviser). T. Rowe Price, as investment adviser to the Price Funds and other accounts, has beneficial ownership of investments in equity securities of nearly 5,000 publicly-traded companies in the U.S. As an institutional investor with a long-term investment horizon, we support the Commission's intent to facilitate shareholders' rights to participate in the governance process, yet place reasonable restrictions on those rights so as not to unduly increase the potential for disruption to boards of directors. Generally speaking, we believe that the Commission has effectively and fairly addressed this balance with respect to operating companies. While conceptually we are not opposed to extending the proposed rule to investment companies, we think more work needs to be done by the Commission before proceeding as the rule does not adequately address the significant differences between the governance structures of funds and operating companies.

We would like to take the opportunity to comment in more detail on some of the specific elements of the proposed rule.

Eligibility requirements

We believe ownership of a significant economic stake should be the primary determinant of a shareholder's eligibility to use the company's proxy to nominate directors. Instead of the proposed laddered scale based on filing status (1% for large accelerated filers, 3% for

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accelerated filers and 5% for non-accelerated filers), we encourage the Commission to consider a flat 5% threshold for all companies.

A 1% threshold is too low, in our opinion, to maintain the critical balance between serving the interests of eligible nominating shareholders and serving the interests of a company's shareholder base at large. The Price Funds and other T. Rowe Price managed accounts, in the aggregate, currently hold stakes of greater than 1% of outstanding voting securities in approximately 1,000 U.S. companies. We believe the rule should be structured to encourage collaboration among investors so as to increase the likelihood that contested elections of non-controlling slates of directors take place primarily at companies where there is broad consensus among shareholders that a change in the boardroom is warranted.

The significance of a 5% ownership threshold has been well established throughout the Securities Exchange Act of 1934. Importantly, there is full transparency at this level through the beneficial ownership reporting requirements under Section 13, such that 5% shareholders would need to comply with this existing disclosure regime before they could access the corporate ballot. Furthermore, we believe the laddered 1%-3%-5% scale is not particularly relevant since most of the companies that we invest in would fall within the lowest 1% threshold, so the scale would draw artificial distinctions between like companies based solely on their filing status.

While 5% is a widely accepted level representing substantial ownership in a company, we do not see it as a level that unfairly discriminates against smaller investors, particularly in light of the proposed rule's provision that shareholders may form groups for the purpose of nominating directors. For purposes of illustration, T. Rowe Price currently reports ownership stakes of greater than 5% in more than 350 U.S. operating companies.

Turning to another key eligibility requirement, T. Rowe Price supports a one-year holding period, as proposed, measured from the date of the shareholder's notice filing. In our 2003 comment letter to the Commission on proxy access, we endorsed a two-year holding period, and we would not oppose a two-year holding requirement in Rule 14a-11 now. However, we have seen multiple examples of effective corporate governance reform, broadly supported by a company's shareholder base, that were led by active owners who had purchased their securities less than a year before. We believe the holding period should be structured so as to avoid placing unnecessary obstacles in the way of qualified shareholder-nominated directors.

With that said, we think the Commission should make clear in the rule that "beneficial ownership" equates to long-term economic ownership, as opposed to temporal, synthetic ownership through customized derivatives positions and stock borrowing. We are concerned that the beneficial ownership reporting rules under Section 13 were not intended to capture this important principle underlying proposed Rule 14a-11. The Commission should craft an ownership calculation provision as part of the final rule that requires a nominating shareholder to essentially maintain a net long position in the company's voting securities for at least one-year, without reference to synthetic positions.

We understand the concern that an investor with an objective that differs from the interests of the company's shareholder base at large could waste corporate resources by using Rule 14a-11 to attempt to advance a narrow agenda. In order to balance investors' and issuers' interests, we believe it would be fair to exclude an otherwise eligible nominee where that nominee (or a different nominee from the same nominating shareholder) was included in the company's proxy in the prior year but earned less than 10% of the votes cast.

Special considerations for dual-class or parent-controlled companies

The Commission asked market participants whether additional guidance is necessary with regard to companies that have more than one class of securities. We believe an additional framework is needed under Rule 14a-11, as such companies entail special challenges for minority shareholders. Specifically, in the case of companies where voting control is decoupled from economic control (i.e., one class of stock has greater voting rights than other classes), this structure would impede Rule 14a-11 from functioning as intended. Apart from the challenge of determining a shareholder's eligibility to nominate directors for these companies under the proposed rule, no shareholder-nominated candidates would ever be elected to the board so long as the supervoting stock is allowed to control the outcome. Dual-class companies with supervoting stock are, in our experience, often companies that would benefit the most from having the interests of non-controlling shareholders better represented in the boardroom. Publicly-traded subsidiaries controlled by privately-held parent companies also fall into this category. For this reason, we encourage the Commission to consider adding to Rule 14a-11 some means by which minority shareholders of dual-class and parent-controlled companies could meaningfully avail themselves of the rule, even if a different set of eligibility or disclosure requirements is determined to be more appropriate in these cases.

Shareholder nominee requirements

We support Rule 14a-11's requirements, as proposed, that any nominating shareholders attest they are not seeking to gain control of the board through the use of this rule. There are adequate means under the existing proxy rules for contests seeking to change control of the company.

We also support the proposed limit that shareholders can nominate candidates for no more than 25% of the board's seats, which we would define as the upper end of the range of a company's board size as disclosed in its governing documents (so long as this does not result in a change in control due to unfilled board seats). For companies with classified boards, the limit should be based on the total board size, and not just the size of the class that is up for election.

We strongly believe 25% is the appropriate level for the purpose of facilitating shareholders' access to director elections. Above that level, there would be increased risk of an eventual change of control of the board. Below that level, the universe of companies that would potentially only have to seat one successful shareholder-nominated director grows too large, assuming that fractional numbers of nominees are rounded down. We strongly believe that limiting nominating shareholders to just one candidate would not ultimately serve the interests of the shareholders who successfully elected that director to the board. The contribution that can be made by a single director who was not endorsed by the board, in our experience, is substantially less effective than the contribution that two or three directors can make. In the case of all but the smallest corporate boards, it is too easy for incumbent directors to marginalize a single outsider and limit his or her ability to be an effective representative of shareholders' interests.

With respect to the selection of nominees when there are multiple shareholders nominating candidates in excess of the 25% limit, we encourage the Commission to reconsider the rule's "first-to-file" provision. We are concerned that such a provision would result in perverse incentives for investors to focus on the speed of their recruitment and disclosure process instead of collaborating with other shareholders to find the most suitable candidates. Instead, we recommend that in case of multiple nominations, the shareholder or group with the largest economic stake in the company be permitted to nominate candidates first. If that shareholder or group nominates fewer directors than the 25% limit allows, then the next largest shareholder could also nominate a director.

Matters concerning investment companies

The Price Funds, as issuers of voting securities, are interested in Rule 14a-11 from the standpoint of providing fund shareholders with direct access to the board. Under the proposed rule, investment companies and operating companies would be subject to the same eligibility requirements and procedures for shareholder-nominated directors. It appears to us that investment companies may have been an "afterthought" in developing the Commission's proposed rule. In this regard, we endorse the comments of the Investment Company Institute as applicable to funds in their comment letter to you dated August 17, 2009.

The Price Funds maintain a single unitary board that oversees all of the fund registrants in the T. Rowe Price family. Therefore, under proposed Rule 14a-11, shareholders of a single Price Fund could elect a different board than the one that oversees the rest of the funds in the family. The Price Funds' board routinely conducts business on behalf of all of the funds in a single board session. We have concerns that this rule could create costly and unworkable operational conflicts between funds within the same family, conflicts that arise out of the substantial differences in structure and responsibilities of investment company boards and operating company boards. There are a host of business and compliance issues during the course of the year that are presented to our unitary board — some issues affect all of the funds within the complex, others only impact a few or even a single fund. However, the shareholder-nominated director, as a legal matter, would only have a vote on those matters affecting his or her fund. For example, the board annually considers the approval of the Price Funds' investment advisory agreements at a single board meeting. If a single fund has a different board due to the presence of a shareholder-nominated director, we would need to conduct a separate meeting with custom materials for the shareholder nominee and exclude that nominee from the portions of the meeting where business is conducted concerning the other funds. The Commission did not take into consideration the operational efficiencies of fund board governance in crafting a "one size fits all" rule proposal for funds and public companies.

With respect to the shareholder eligibility requirements, the proposed 1%-3%-5% ownership thresholds are based on the filing status of operating companies and have no relevance to funds. There is no ownership reporting scheme for open-end fund shareholders that is comparable to the provisions found in the Securities Exchange Act of 1934. Because funds within the same fund family typically have the same policies and procedures covering compliance, governance, and shareholder services, with any differences related to fund investment programs, we believe that the ownership thresholds should apply on a broader basis, at least for fund complexes with multiple registrants and a unitary board. For fund complexes with cluster boards covering groups of funds, the ownership thresholds should apply to those funds within each cluster. In other words, in order to ensure that a shareholder-nominee has interests in common with shareholders of other funds in the same complex, such nominating shareholders should have a significant investment in multiple funds spread across the complex. Therefore, the Commission should reconsider the proposed eligibility requirements to ensure that they reflect the unique structure of fund complexes.

For these reasons, we think the Commission should defer action on investment companies until the marketplace gains more experience with shareholder access as applied to operating companies.

We are pleased to have this opportunity to respond to the Commission's rule proposal. We believe this proposed rule and other recent actions taken by the Commission are appropriate and necessary milestones toward restoring investor confidence and improving dialogue between U.S. corporations and their shareholders, including the clients of T. Rowe Price.

Sincerely,

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