

DECEMBER 31, 2009

DIVIDEND
GROWTH
FUND

Annual Report



T. ROWE PRICE[®]

T. ROWE PRICE DIVIDEND GROWTH FUND

HIGHLIGHTS

- U.S. stocks enjoyed one of the biggest rallies in history off their March lows and ended the year with substantial gains.
- The Dividend Growth Fund posted double-digit gains over the 6- and 12-month periods ended December 31, 2009, but lagged its benchmarks.
- Although 2009 was the worst year for dividends in more than 50 years, there are signs that the worst may be over as the economy recovers, earnings expectations improve, and companies focus on reinstating or increasing dividends.
- We expect modest returns going forward as the market awaits further confirmation that the economic recovery can be sustained.

The views and opinions in this report were current as of December 31, 2009. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors, and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of the fund's future investment intent. The report is certified under the Sarbanes-Oxley Act, which requires mutual funds and other public companies to affirm that, to the best of their knowledge, the information in their financial reports is fairly and accurately stated in all material respects.

REPORTS ON THE WEB

Sign up for our E-mail Program, and you can begin to receive updated fund reports and prospectuses online rather than through the mail. Log in to your account at troweprice.com for more information.

Fellow Shareholders

The global economic downturn reached a bottom in early 2009 and began to gradually improve as the year progressed, causing investors to turn their attention to the long, slow process of recovery. U.S stocks staged a historic rally from their March lows and capped the best year for domestic equities since 2003, another year in which markets strongly rebounded from a sell-off in the previous year. Markets benefited from growing signs of economic recovery, including modest but important improvements in employment, manufacturing, and real estate.

As shown in the accompanying table, the Dividend Growth Fund posted double-digit gains over the 6- and 12-month periods ended December 31, 2009. The fund performed in line with the S&P 500 Stock Index for the year but lagged its Lipper peer group. Returns for the fund’s Advisor

Periods Ended 12/31/09	Total Return	
	6 Months	12 Months
Dividend Growth Fund	19.07%	26.15%
Dividend Growth Fund– Advisor Class	18.89	25.88
S&P 500 Index	22.59	26.46
Lipper Large-Cap Core Funds Index	21.64	28.15

Class shares differed slightly due to its different fee structure. Among S&P 500 stocks, non-dividend-paying stocks substantially outpaced dividend payers, more than doubling their total return for the year. This is not an unusual occurrence following a market sell-off, particularly one as profound as what we witnessed in late 2008 and early 2009. Although

down from 2.35% six months ago, dividend yields remained relatively attractive, with an S&P 500-indicated yield of 1.95% at the end of our reporting period.

The historic stock market rally from its March lows has provided welcome relief for investors. However, we believe future gains are likely to

be more subdued as investors look for signs of sustainable economic recovery, particularly on the corporate earnings front. Following the rally, stock valuations can no longer be considered “cheap.” Most market sectors rebounded strongly off the bottom, making us slightly more cautious in the near term. Our portfolio of companies has done a remarkable job of controlling costs in a contracting economic environment. As we enter the thick of fourth-quarter earnings season, we will be paying particular attention to signs of renewed growth. Stock selection, which places a premium on our disciplined investment approach and rigorous research efforts, will play a central role as we look for higher-quality companies that can simultaneously contain costs and increase revenues.

THE DIVIDEND ENVIRONMENT

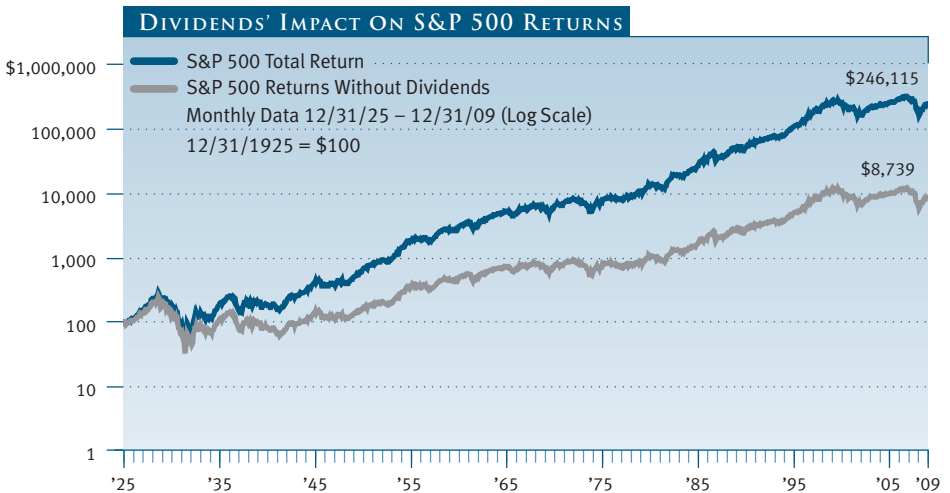
According to Standard & Poor’s, 2009 was the worst year for dividends in more than 50 years, posting the fewest increases and the most decreases since they started collecting data in 1955. Of the 7,000 publicly owned companies that report dividend information to S&P, 804 issues cut their payments in 2009—a 631% increase over the 110 issues that cut their payments in 2007 when stock markets peaked. These reductions cost investors approximately \$58 billion in income.

HOWEVER, THERE
ARE INDICATIONS
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FOR DIVIDENDS.

However, there are indications that the worst may be over for dividends. The number of dividend reductions slowed dramatically as the year progressed, with only 74 reporting reductions to S&P in the fourth quarter of 2009 versus 288 in the fourth quarter of 2008. Traditionally, strong dividend-paying companies have been concentrated in the more defensive sectors of the market, such as consumer staples and health care. Our approach has traditionally focused on sectors or industries that are out of favor, offering attractive valuation and investment opportunity. After a remarkable market recovery that mainly favored the growth-oriented, cyclical areas of the market, we have sharpened our focus on defensive holdings that may have trailed the market leaders and that still have relatively attractive valuations. In addition to the consumer staples and health care sectors, we see opportunities in the financials sector, which was a relatively poor performer in 2009. Long-term prospects remain strong for

financial companies that survived the meltdown of 2008, and we expect most of our top holdings in the sector to be among the first to restore or increase dividends.

We are obviously believers in the importance of dividends, but often a picture captures a point better than words. The accompanying chart tracks the return of \$100 invested in the S&P 500 Index in 1925 and held through 2009. Dividends accounted for over 40% of the total return during that time period. The contribution from dividends varies depending on the time period analyzed (as seen in the table), but it is reasonable to conclude that (1) it is always positive and (2) it is usually significant.



Breakdown of S&P Total Return for the Period 12/31/25 – 12/31/09

S&P 500 Average Annual Total Return	9.7%
Average Annual Return from Dividends	4.3
Average Annual Return from Capital Appreciation	5.5
% of Total Return from Dividends	43.9
% of Total Return from Capital Appreciation	56.1
Past performance cannot guarantee future results.	

Source: Ned Davis Research, Inc. © Copyright 2010.

MARKET ENVIRONMENT

Following the steepest recession since World War II, economic conditions stabilized in early 2009 and showed signs of gradual improvement

over the rest of the year. The economy expanded at a rate of 2.2% in the third quarter, a pace most economists expected to improve in the fourth quarter when final data are released. The job market remained weak, but the pace of job losses slowed substantially as the year ended. Consumers became a bit more optimistic according to sentiment gauges, and retail spending held up better than many predicted.

Government measures designed to help the economy and the credit markets played a prominent role in the turnaround. Among the most significant programs was the Federal Reserve's Term Asset-Backed Securities Loan Facility (TALF), which was steadily expanded to support the market for bundled student, auto, credit card, small business, and commercial real estate loans. The Fed also bought long-term Treasury securities in an effort to keep a lid on long-term interest rates

and increase liquidity before ending the program in October. Finally, the central bank continued its purchases of mortgage-backed securities issued by Fannie Mae, Freddie Mac, and Ginnie Mae, which helped keep mortgage rates near multi-decade lows. The prospects for continuing low rates and healthier corporate earnings stimulated investors' appetites for growth-oriented assets, including stocks.

U.S. stocks enjoyed one of the biggest rallies in history off their March lows and ended the year with substantial gains. Still, share prices for both large- and small-cap stocks remained

roughly one-quarter below the peaks they established in late 2007, while mid-caps fared somewhat better. Mid-cap shares significantly outpaced large-caps and small-caps in 2009. Growth stocks fared better than value across all market capitalizations, led by particularly strong performance in the first half of the period. All sectors in the large-capitalization S&P 500 Stock Index generated positive returns for the year. Information

SECTOR DIVERSIFICATION

	Percent of Net Assets	
	6/30/09	12/31/09
Financials	15.5%	15.4%
Information Technology	13.8	14.5
Industrials and Business Services	12.5	13.2
Consumer Discretionary	11.0	11.1
Health Care	11.5	10.6
Consumer Staples	9.8	10.2
Energy	10.8	10.1
Telecommunication Services	3.9	4.0
Materials	3.9	3.7
Utilities	2.4	2.2
Other and Reserves	4.9	5.0
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

technology (IT), materials, and consumer discretionary were the strongest sectors—and the only three sectors to outpace the overall market gain of 26.45%—while utilities and telecommunication services were the biggest market laggards.

PERFORMANCE REVIEW

All sectors contributed positively to the fund’s absolute performance for the period. Information technology, which often leads other sectors in market recoveries given its cyclical characteristics, was the largest contributor to fund returns as the pace of the economic downturn slowed. Consumer discretionary and financials were also among our best-performing sectors. With the market favoring growth, telecommunication services and utilities stocks—typically viewed as safe haven sectors—posted more modest returns for the period, although our small positions still recorded gains.

SEMICONDUCTORS
AND SEMICONDUCTOR
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SERVICES AND
SOFTWARE.

The information technology sector was the fund’s top absolute contributor for the year, although an underweight exposure in this strong-performing sector compared with the benchmark hindered relative returns. It is not unusual for us to be underweight in information technology shares, which means that the percentage of the fund allocated to IT stocks is less than the percentage they represent in the benchmark S&P 500 Stock Index. This is because they tend to be more cyclical, less dividend friendly, and less attractively valued than our typical opportunity set. Semiconductors and semiconductor equipment, an area where we saw good value and yield, was the strongest-performing industry, followed by information technology services and software. Shares of semiconductor maker **Texas Instruments**, which we consider a very well-run company, benefited from exceptional cost controls put in place during the downturn. As the company’s end markets recover, it is in a position to continue to expand gross margins and enjoy operating leverage. Aggressive share count reduction—the number of outstanding shares is down 25% in the last 5.5 years—should further boost earnings per share. Opportunistic capital expenditures,

such as buying equipment from a distressed memory chip producer for pennies on the dollar, will benefit the company in future years. **Analog Devices** and **Xilinx** each generated strong profitability from their specialized components for smartphones, networking gear, and military and industrial applications. Visa was also a major contributor as this charge card processing company enjoyed global growth in credit and debit card use. The company is well managed and has shown strong margin improvement as the scale benefits of their business become more apparent with revenue growth over time. Software giant **Microsoft**,

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rebounding from a difficult period, was the fund's top contributor for the year. Microsoft remains dominant in desktop software and is entering a major product cycle with Windows 7 (and Office 2010) that should drive solid earnings growth. Electronic equipment supplier **Tyco Electronics** weighed on returns. (Please refer to the portfolio of investments for a complete listing of holdings and the amount each represents in the portfolio.)

An improving economic outlook boosted our consumer discretionary stocks, which were led by the media, specialty retail, and hotel industries. Modest but important improvements in consumer confidence contributed to the prospect of increased advertising expenditures that benefited media companies **Time Warner** and **Omnicom Group**. Specialty retailer **Home Depot** benefited from signs of a stabilizing housing market, modest improvements in comparable store sales, resilient margins, and cost control. **Ross Stores** was also a strong performer and serves as a good example of companies that we like to own in the consumer

sector—ones that provide a good product at a good price, preserving its relevance even in tough economic times. Reasonably resilient discretionary purchasing activity and travel spending by consumers and businesses benefited cruise line operator **Carnival** and global hotelier **Marriott**. Marriott, in particular, should receive a boost from a resumption of business travel and entertainment.

After a remarkable rebound earlier in the year, financial stocks were inconsistent fourth-quarter performers, but several stocks generated

solid second-half results. We remain focused on those companies that we believe are taking market share and will emerge as stronger competitors. Our stock selection in this sector aided relative performance, boosted primarily by positions in **American Express** and **Waddell & Reed**. American Express rose sharply in the past six months as the worst of the credit crisis passed. Expense discipline and credit underwriting have been impressive relative to most peers and reflect the company's strong management. Asset management firm Waddell & Reed has good margin expansion potential, and with top-notch management in place, its relatively small size leaves plenty of room for growth as investors return to the markets. **Goldman Sachs** also boosted performance. Goldman is a rare company among its financial peers in that it is a clear market share gainer and beneficiary from the woes that have plagued the vast majority of its competitors. We expect Goldman to use its excess capital and distressed investing expertise to generate investment opportunities for the firm, its clients, and shareholders for years beyond the end of the current downturn. Commercial bank **Wells Fargo** weighed on returns, but long-term prospects look good for this well-run company with footprints in many of the country's highest-growth markets.

The fund established several new positions over the year. We purchased shares in **Bank of America** as a deteriorating credit outlook and concerns regarding its capital sufficiency pushed the valuation to attractive levels. We believe the company will be a good performer over the next 12 to 18 months as the market begins to recognize its earnings power. Trading at just six times what we consider "normalized" earnings, Bank of America stock is among the cheapest of the large banks in our opportunity set. We initiated a position in **IBM** during the first half of the year and added to our exposure substantially in the second half. IBM is a dominant global technology player, deriving over 60% of revenues from outside the U.S. We are attracted to IBM's significant recurring revenue base, which makes it less cyclical. In addition, we believe it is attractively priced for a company generating strong earnings-per-share growth and terrific cash flow. We also initiated a position in **Sherwin-Williams**, which is the leading paint producer in the U.S. with a company-owned network of 3,300 stores. Sherwin is focused primarily on the professional painter (75% of sales), and the company is set to grow earnings strongly for multiple years on a rebound in residential construction, existing home sales, and consumer spending. **MetLife** is also a new

position for the fund. It is the largest U.S.-based life insurance company with diverse product lines spanning traditional life insurance, variable and fixed annuities, retirement services, and institutional group benefits. We believe that MetLife's valuation did not sufficiently reflect the company's solid position in the industry and long-term ability to gain share in the global life insurance market. The stock should benefit from a cyclical improvement in investment returns expected on some of the company's key portfolios and ample liquidity available to fund share buybacks or acquisitions.

We took advantage of attractive pricing to eliminate our position in diversified insurance company **Ameriprise Financial**, swapping the position into MetLife where we see a more attractive investment opportunity. We also sold our position in insurer **Axis Capital** as its valuation became less attractive and near-term fundamentals deteriorated, including declining pricing power and a challenging interest rate environment. A position in **Wyeth** was eliminated as a result of acquisition by **Pfizer**, another fund holding, although we reduced the combined position size because it had reached uncomfortable levels.

OUTLOOK

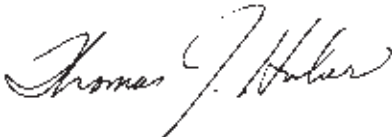
By and large, the companies in our portfolio did a good job negotiating the economic downturn by aggressively trimming costs in an effort to offset declining revenues and protect profitability. Although many companies will have significant earnings leverage when the revenue environment improves, they cannot cut their way to prosperity, and substantial headwinds remain for the economy and markets. We are still awaiting confirmation that the modest economic growth experienced in the closing quarters of 2009 can be sustained. Furthermore, the question of how we are going to pay for the massive government budget deficits looms large, and tax increases are already being proposed. Although uncertainties continue to weigh on the economy and markets, stocks should post gains in 2010, but we expect the gains to be modest in comparison to 2009's historic rally.

In this environment, stock selection is likely to play a critical role. We will be looking for companies that can continue to control costs effectively but that also enjoy reasonable revenue growth. Although high unemployment should keep a lid on credit-dependent purchases, we expect consumer spending to improve modestly and we have selectively invested in consumer discretionary stocks that we believe will lead the recovery. We also have added to our exposure in financials,

most notably in capital markets and insurance. Most of the portfolio's financial holdings have repaid the government loans received under the Troubled Asset Relief Program, which is a positive step toward reinstating dividend payments. We seek companies that we believe are gaining market share and will have substantial earnings power once they overcome recessionary pressures. We also are looking at the industrials and business services sector, where we generally seek companies that are diversified across segments, geographies, and end markets; operate businesses with high gross margins; and possess solid, long-term secular growth qualities over those that appear to be outperforming due to a cyclical upturn.

The Dividend Growth Fund will continue to reflect a collection of high-quality, larger-cap, primarily U.S.-based companies with strong earnings and cash flows that offer a combination of capital appreciation and income growth for our shareholders.

Respectfully submitted,

A handwritten signature in black ink that reads "Thomas J. Huber". The signature is written in a cursive, flowing style.

Thomas J. Huber
President of the fund and chairman of its Investment Advisory Committee

January 22, 2010

The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing the fund's investment program.

RISKS OF STOCK INVESTING

As with all stock and bond mutual funds, a fund's share price can fall because of weakness in the stock or bond markets, a particular industry, or specific holdings. Stock markets can decline for many reasons, including adverse political or economic developments, changes in investor psychology, or heavy institutional selling. The prospects for an industry or company may deteriorate because of a variety of factors, including disappointing earnings or changes in the competitive environment. In addition, the investment manager's assessment of companies held in a fund may prove incorrect, resulting in losses or poor performance even in rising markets. Funds investing in stocks with a dividend orientation may have somewhat lower potential for price appreciation than those concentrating on rapidly growing firms. Also, a company may reduce or eliminate its dividend.

GLOSSARY

Dividend yield: The annual dividend of a stock divided by the stock's price.

Beta: A measure of the market risk of a stock, showing how responsive it is to a given market index, such as the S&P 500 Stock Index. By definition, the beta of the benchmark index is 1.00. A fund with a 1.10 beta is expected to perform 10% better than the index in up markets and 10% worse in down markets. Usually, higher betas represent riskier investments.

Free cash flow: The excess cash a company generates from its operations that can be taken out of the business for the benefit of shareholders, such as dividends, share repurchases, investments, and acquisitions.

Lipper indexes: Fund benchmarks that consist of a small number (10 to 30) of the largest mutual funds in a particular category as tracked by Lipper Inc.

Price/earnings (P/E) ratio: A valuation measure calculated by dividing the price of a stock by its current or projected earnings per share. This ratio gives investors an idea of how much they are paying for current or future earnings power.

Risk/reward: The relationship between the degree of risk associated with an investment and its return potential. Typically, the higher the potential return of an investment, the greater the risk.

S&P 500 Index: An unmanaged index that tracks the stocks of 500 primarily large-capitalization U.S. companies.

PORTFOLIO HIGHLIGHTS

TWENTY-FIVE LARGEST HOLDINGS

	Percent of Net Assets 12/31/09
Microsoft	2.2%
ExxonMobil	2.0
JPMorgan Chase	1.7
Accenture	1.6
Danaher	1.6
Wells Fargo	1.5
Schlumberger	1.4
Roper Industries	1.4
Wal-Mart Stores	1.3
AT&T	1.3
Time Warner	1.3
Visa	1.3
PepsiCo	1.3
Home Depot	1.3
Praxair	1.3
BP	1.2
Philip Morris International	1.2
Omnicom Group	1.2
American Express	1.2
Chevron	1.2
IBM	1.2
Western Union	1.2
Walgreen Co.	1.2
AON	1.1
Covidien	1.1
Total	34.3%

Note: Table excludes investments in the T. Rowe Price Reserve Investment Fund and securities lending collateral.

PORTFOLIO HIGHLIGHTS

MAJOR PORTFOLIO CHANGES

Listed in descending order of size.

Six Months Ended 12/31/09

Largest Purchases

IBM
Pfizer
Sherwin-Williams*
Kimco Realty*
PepsiCo
MetLife*
Wal-Mart Stores
Visa
BP
CareFusion*

Largest Sales

Wyeth**
Ameriprise Financial**
Axis Capital Holdings**
Albermarle**
Nokia**
Total
CVS Caremark
PNC Financial Services Group
Baxter International
Hewlett-Packard

*Position added.

**Position eliminated.

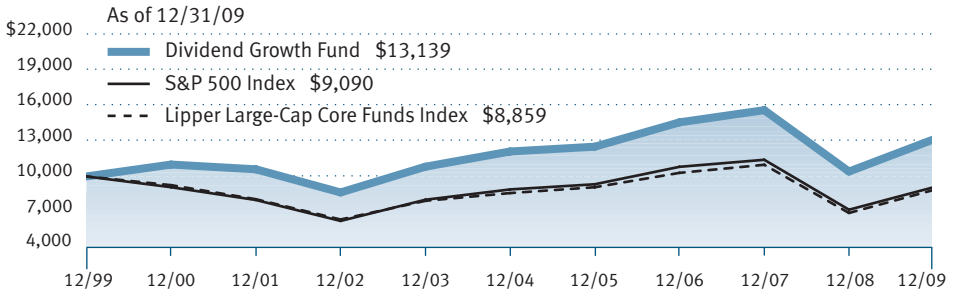
T. ROWE PRICE DIVIDEND GROWTH FUND

Performance and Expenses

GROWTH OF \$10,000

This chart shows the value of a hypothetical \$10,000 investment in the fund over the past 10 fiscal year periods or since inception (for funds lacking 10-year records). The result is compared with benchmarks, which may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from fund returns as well as mutual fund averages and indexes.

DIVIDEND GROWTH FUND



Note: Performance the for Advisor Class will vary due to its differing fee structure. See returns table below.

AVERAGE ANNUAL COMPOUND TOTAL RETURN

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

Periods Ended 12/31/09	1 Year	5 Years	10 Years	Since Inception	Inception Date
Dividend Growth Fund	26.15%	1.64%	2.77%	-	
Dividend Growth Fund- Advisor Class	25.88	-	-	0.80%	12/29/05

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-225-5132 or, for Advisor Class shares, 1-800-638-8790.

Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. Returns do not reflect taxes that the shareholder may pay on fund distributions or the redemption of fund shares. When assessing performance, investors should consider both short- and long-term returns.

EXPENSE RATIO

Dividend Growth Fund	0.73%
Dividend Growth Fund–Advisor Class	1.26

The expense ratio shown is as of the fund’s fiscal year ended 12/31/08. This number may vary from the expense ratio shown elsewhere in this report because it is based on a different time period and, if applicable, does not include fee or expense waivers.

FUND EXPENSE EXAMPLE

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the most recent six-month period and held for the entire period.

Please note that the fund has two share classes: The original share class (“investor class”) charges no distribution and service (12b-1) fee, and the Advisor Class shares are offered only through unaffiliated brokers and other financial intermediaries and charge a 0.25% 12b-1 fee. Each share class is presented separately in the table.

Actual Expenses

The first line of the following table (“Actual”) provides information about actual account values and expenses based on the fund’s actual returns. You may use the information in this line, together with your account balance, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The information on the second line of the table (“Hypothetical”) is based on hypothetical account values and expenses derived from the fund’s actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund’s actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Note: T. Rowe Price charges an annual small-account maintenance fee of \$10, generally for accounts with less than \$2,000 (\$500 for UGMA/UTMA). The fee is waived for any investor whose T. Rowe Price mutual fund accounts total \$25,000 or more, accounts employing automatic investing, and IRAs and other retirement plan accounts that utilize a prototype plan sponsored by T. Rowe Price (although a separate custodial or administrative fee may apply

FUND EXPENSE EXAMPLE (CONTINUED)

to such accounts). This fee is not included in the accompanying table. If you are subject to the fee, keep it in mind when you are estimating the ongoing expenses of investing in the fund and when comparing the expenses of this fund with other funds.

You should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

T. ROWE PRICE DIVIDEND GROWTH FUND

	Beginning Account Value 7/1/09	Ending Account Value 12/31/09	Expenses Paid During Period* 7/1/09 to 12/31/09
Investor Class			
Actual	\$1,000.00	\$1,190.70	\$3.87
Hypothetical (assumes 5% return before expenses)	1,000.00	1,021.68	3.57
Advisor Class			
Actual	1,000.00	1,188.90	5.79
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.91	5.35

*Expenses are equal to the fund's annualized expense ratio for the six-month period, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (184) divided by the days in the year (365) to reflect the half-year period. The annualized expense ratio of the Investor Class was 0.70% and the Advisor Class was 1.05%.

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Investor Class

	Year Ended				
	12/31/09 [‡]	12/31/08 [‡]	12/31/07 [‡]	12/31/06 [‡]	12/31/05 [‡]
NET ASSET VALUE					
Beginning of period	\$ 16.51	\$ 25.50	\$ 25.36	\$ 22.78	\$ 22.92
Investment activities					
Net investment income	0.30	0.37	0.37	0.35	0.25
Net realized and unrealized gain (loss)	3.97	(8.71)	1.40	3.35	0.52
Total from investment activities	4.27	(8.34)	1.77	3.70	0.77
Distributions					
Net investment income	(0.30)	(0.35)	(0.38)	(0.35)	(0.26)
Net realized gain	–	(0.30)	(1.25)	(0.77)	(0.65)
Total distributions	(0.30)	(0.65)	(1.63)	(1.12)	(0.91)

NET ASSET VALUE

End of period	\$ 20.48	\$ 16.51	\$ 25.50	\$ 25.36	\$ 22.78
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Ratios/Supplemental Data

Total return ⁽¹⁾	26.15%	(33.26)%	7.07%	16.45%	3.35%
Ratio of total expenses to average net assets	0.72%	0.73%	0.69%	0.72%	0.75%
Ratio of net investment income to average net assets	1.72%	1.71%	1.40%	1.48%	1.09%
Portfolio turnover rate	14.3%	23.1%	16.5%	19.6%	23.2%
Net assets, end of period (in millions)	\$ 1,004	\$ 682	\$ 884	\$ 871	\$ 773

[‡] Per share amounts calculated using average shares outstanding method.

⁽¹⁾ Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions.

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

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Advisor Class

	Year Ended 12/31/09 [‡]	12/31/08 [‡]	12/31/07 [‡]	12/31/06 [‡]	12/29/05 Through 12/31/05 [‡]
NET ASSET VALUE					
Beginning of period	\$ 16.51	\$ 25.47	\$ 25.37	\$ 22.78	\$ 22.88
Investment activities					
Net investment income	0.24	0.29 ⁽¹⁾	0.27 ⁽¹⁾	0.28 ⁽¹⁾	–
Net realized and unrealized gain (loss)	3.99	(8.70)	1.41	3.34	(0.10)
Total from investment activities	4.23	(8.41)	1.68	3.62	(0.10)
Distributions					
Net investment income	(0.25)	(0.25)	(0.33)	(0.26)	–
Net realized gain	–	(0.30)	(1.25)	(0.77)	–
Total distributions	(0.25)	(0.55)	(1.58)	(1.03)	–

NET ASSET VALUE

End of period	\$ 20.49	\$ 16.51	\$ 25.47	\$ 25.37	\$ 22.78
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Ratios/Supplemental Data

Total return⁽²⁾	25.88%	(33.48)%⁽¹⁾	6.71%⁽¹⁾	16.07%⁽¹⁾	(0.44)%
Ratio of total expenses to average net assets	1.05%	1.05% ⁽¹⁾	1.05% ⁽¹⁾	1.05% ⁽¹⁾	0.98% ⁽³⁾
Ratio of net investment income to average net assets	1.25%	1.29% ⁽¹⁾	1.06% ⁽¹⁾	1.15% ⁽¹⁾	(0.88)% ⁽³⁾
Portfolio turnover rate	14.3%	23.1%	16.5%	19.6%	23.2%
Net assets, end of period (in thousands)	\$ 14,280	\$ 738	\$ 3,347	\$ 313	\$ 249

[‡] Per share amounts calculated using average shares outstanding method.

⁽¹⁾ Excludes expenses in excess of a 1.05% contractual expense limitation in effect through 4/30/10.

⁽²⁾ Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions.

⁽³⁾ Annualized

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

PORTFOLIO OF INVESTMENTS ‡	Shares/\$ Par	Value
(Cost and value in \$000s)		
COMMON STOCKS 94.8%		
CONSUMER DISCRETIONARY 11.1%		
Auto Components 0.6%		
Johnson Controls (1)	243,400	6,630
		6,630
Hotels, Restaurants & Leisure 2.5%		
Carnival (2)	230,000	7,289
Marriott, Class A (1)	378,591	10,316
McDonald's	124,600	7,780
		25,385
Leisure Equipment & Products 0.4%		
Mattel (1)	230,000	4,595
		4,595
Media 3.4%		
McGraw-Hill	262,200	8,787
Omnicom (1)	318,500	12,469
Time Warner	457,066	13,319
		34,575
Multiline Retail 1.4%		
Family Dollar Stores (1)	175,000	4,870
Target (1)	188,900	9,137
		14,007
Specialty Retail 2.8%		
Home Depot	445,200	12,880
Ross Stores (1)	232,500	9,930
Sherwin-Williams	87,200	5,376
		28,186
Total Consumer Discretionary		113,378

T. ROWE PRICE DIVIDEND GROWTH FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
CONSUMER STAPLES 10.2%		
Beverages 3.0%		
Coca-Cola	131,900	7,518
PepsiCo	212,000	12,890
Pernod-Ricard (EUR)	115,381	9,904
		30,312
Food & Staples Retailing 4.1%		
Costco Wholesale	83,800	4,958
CVS Caremark	162,700	5,241
Sysco (1)	220,300	6,155
Wal-Mart	256,900	13,731
Walgreen	324,800	11,927
		42,012
Food Products 1.2%		
General Mills	95,000	6,727
McCormick (1)	145,000	5,239
		11,966
Household Products 0.6%		
Colgate-Palmolive	77,500	6,367
		6,367
Tobacco 1.3%		
Philip Morris International	260,600	12,558
		12,558
Total Consumer Staples		103,215
ENERGY 10.1%		
Energy Equipment & Services 3.0%		
Baker Hughes	231,100	9,355
Diamond Offshore Drilling (1)	74,300	7,313

T. ROWE PRICE DIVIDEND GROWTH FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
Schlumberger	222,700	14,495
		31,163
Oil, Gas & Consumable Fuels 7.1%		
BP, ADR (1)	218,200	12,649
Chevron	159,400	12,272
CONSOL Energy	106,400	5,299
EOG Resources	37,500	3,649
ExxonMobil	305,000	20,798
Petroleo Brasileiro, ADR	159,700	6,770
Total, ADR	164,500	10,534
		71,971
Total Energy		103,134
FINANCIALS 15.2%		
Capital Markets 4.7%		
Bank of New York Mellon	291,800	8,162
Charles Schwab	317,900	5,983
Goldman Sachs	53,400	9,016
Morgan Stanley	231,100	6,841
State Street	179,200	7,802
Waddell & Reed Financial, Class A	314,700	9,611
		47,415
Commercial Banks 3.1%		
PNC Financial Services	114,800	6,060
U.S. Bancorp	470,800	10,598
Wells Fargo	558,500	15,074
		31,732
Consumer Finance 1.2%		
American Express	307,400	12,456
		12,456

T. ROWE PRICE DIVIDEND GROWTH FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
Diversified Financial Services 2.3%		
Bank of America (1)	434,800	6,548
JPMorgan Chase	406,400	16,935
		23,483
Insurance 3.1%		
AFLAC	122,600	5,670
Aon	305,000	11,694
Chubb	187,900	9,241
MetLife	128,500	4,542
		31,147
Real Estate Investment Trusts (REITs) 0.5%		
Kimco Realty, REIT (1)	387,900	5,248
		5,248
Real Estate Management & Development 0.3%		
St. Joe (1)(2)	120,700	3,487
		3,487
Total Financials		154,968
HEALTH CARE 10.6%		
Health Care Equipment & Supplies 5.7%		
Baxter International	83,200	4,882
C.R. Bard	108,200	8,429
CareFusion (2)	228,850	5,723
Covidien	237,500	11,374
Dentsply International (1)	270,000	9,496
Medtronic	245,900	10,815
Stryker	135,000	6,800
		57,519
Health Care Providers & Services 1.5%		
Cardinal Health	191,700	6,180

T. ROWE PRICE DIVIDEND GROWTH FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
CIGNA	268,150	9,458
		15,638
Pharmaceuticals 3.4%		
Abbott Laboratories	135,000	7,289
Eli Lilly	100,000	3,571
Johnson & Johnson	130,000	8,373
Novartis (CHF)	159,866	8,710
Pfizer	374,000	6,803
		34,746
Total Health Care		107,903
INDUSTRIALS & BUSINESS SERVICES 13.2%		
Aerospace & Defense 2.0%		
Lockheed Martin	134,100	10,104
Rockwell Collins (1)	182,400	10,098
		20,202
Air Freight & Logistics 1.7%		
C.H. Robinson Worldwide (1)	62,500	3,671
Expeditors International of Washington	178,800	6,210
UPS, Class B	132,500	7,601
		17,482
Commercial Services & Supplies 1.0%		
Republic Services	349,100	9,883
		9,883
Electrical Equipment 0.3%		
Rockwell Automation	60,800	2,856
		2,856
Industrial Conglomerates 2.1%		
Roper Industries (1)	264,800	13,867

T. ROWE PRICE DIVIDEND GROWTH FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
Tyco International	203,500	7,261
		21,128
Machinery 3.9%		
Danaher	212,900	16,010
Deere	122,500	6,626
Harsco (1)	193,900	6,249
Illinois Tool Works	120,900	5,802
Stanley Works (1)	100,000	5,151
		39,838
Professional Services 0.6%		
Robert Half International (1)	238,600	6,378
		6,378
Road & Rail 0.8%		
Norfolk Southern	159,300	8,351
		8,351
Trading Companies & Distributors 0.8%		
Fastenal (1)	194,900	8,116
		8,116
Total Industrials & Business Services		134,234
INFORMATION TECHNOLOGY 14.5%		
Communications Equipment 1.3%		
Cisco Systems (2)	310,000	7,421
QUALCOMM	121,900	5,639
		13,060
Computers & Peripherals 1.5%		
Hewlett-Packard	69,300	3,570
IBM	92,600	12,121
		15,691

T. ROWE PRICE DIVIDEND GROWTH FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
IT Services 5.4%		
Accenture, Class A	401,900	16,679
Automatic Data Processing	239,100	10,238
Paychex (1)	116,700	3,576
Visa, Class A (1)	149,300	13,058
Western Union	634,800	11,966
		55,517
Semiconductor & Semiconductor Equipment 4.1%		
Analog Devices	188,600	5,956
Intel	269,900	5,506
Linear Technology (1)	137,700	4,205
Microchip Technology (1)	204,900	5,955
Texas Instruments	407,900	10,630
Xilinx	370,200	9,277
		41,529
Software 2.2%		
Microsoft	720,700	21,974
		21,974
Total Information Technology		147,771
MATERIALS 3.7%		
Chemicals 2.7%		
Potash Corporation of Saskatchewan (1)	62,400	6,770
Praxair	160,000	12,850
Sigma Aldrich (1)	150,722	7,616
		27,236
Construction Materials 0.5%		
Vulcan Materials (1)	92,700	4,882
		4,882

T. ROWE PRICE DIVIDEND GROWTH FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
Metals & Mining 0.5%		
Nucor (1)	122,800	5,729
		5,729
Total Materials		37,847
TELECOMMUNICATION SERVICES 4.0%		
Diversified Telecommunication Services 1.9%		
AT&T	478,300	13,407
Telefonica SA (EUR)	194,555	5,422
		18,829
Wireless Telecommunication Services 2.1%		
Crown Castle International (2)	280,000	10,932
Vodafone, ADR (1)	450,200	10,395
		21,327
Total Telecommunication Services		40,156
UTILITIES 2.2%		
Electric Utilities 0.5%		
Exelon	112,500	5,498
		5,498
Multi-Utilities 1.7%		
Public Service Enterprise	258,200	8,585
Sempra Energy (1)	150,000	8,397
		16,982
Total Utilities		22,480
Total Common Stocks (Cost \$761,530)		965,086

T. ROWE PRICE DIVIDEND GROWTH FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
CONVERTIBLE PREFERRED STOCKS 0.2%		
FINANCIALS 0.2%		
Diversified Financial Services 0.2%		
Bank of America (2)	165,300	2,466
Total Convertible Preferred Stocks (Cost \$2,480)		2,466
BANK DEBT 0.7% (3)		
CORPORATE SECURITIES 0.7%		
Cable Operators 0.6%		
CSC Holdings, VR, 2.049%, 3/29/13	2,961,538	2,864
Weather Channel, VR, 7.25%, 9/14/15	2,962,500	2,985
		5,849
Forest Products 0.1%		
Georgia-Pacific, VR, 2.256%, 12/21/12	1,057,056	1,021
		1,021
Total Corporate Securities		6,870
Total Bank Debt (Cost \$6,258)		6,870
SHORT-TERM INVESTMENTS 4.4%		
Money Market Funds 4.4%		
T. Rowe Price Reserve Investment Fund, 0.25% (4)(5)	44,879,844	44,880
Total Short-Term Investments (Cost \$44,880)		44,880

	Shares/\$ Par	Value
(Cost and value in \$000s)		
SECURITIES LENDING COLLATERAL 7.3%		
Investments in a Pooled Account through Securities Lending Program with State Street Bank and Trust Company 7.3%		
Money Market Funds 7.3%		
T. Rowe Price Reserve Investment Fund, 0.25% (4)(5)	74,134,344	74,134
Total Investments through Securities Lending Program with State Street Bank and Trust Company		74,134
Total Securities Lending Collateral (Cost \$74,134)		74,134
Total Investments in Securities		
107.4% of Net Assets (Cost \$889,282)		\$ 1,093,436

‡ Denominated in U.S. dollars unless otherwise noted.

(1) All or a portion of this security is on loan at December 31, 2009 -- total value of such securities at period-end amounts to \$71,892. See Note 3.

(2) Non-income producing

(3) Bank debt positions may involve multiple underlying tranches. In those instances, the position presented reflects the aggregate of those respective underlying tranches and the rate presented reflects their weighted average rate.

(4) Seven-day yield

(5) Affiliated Companies

ADR American Depository Receipts

CHF Swiss Franc

EUR Euro

REIT Real Estate Investment Trust

VR Variable Rate; rate shown is effective rate at period-end.

Affiliated Companies

(\$000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control. Based on the fund's relative ownership, the following securities were considered affiliated companies for all or some portion of the year ended December 31, 2009. Purchase and sales cost and investment income reflect all activity for the period then ended.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 12/31/09	Value 12/31/08
T. Rowe Price Reserve Investment Fund, 0.25%	▫	▫	\$ 153 [^]	\$ 119,014	\$ 46,054
Totals			<u>\$ 153</u>	<u>\$ 119,014</u>	<u>\$ 46,054</u>

▫ Purchase and sale information not shown for cash management funds.

[^] Excludes earnings on securities lending collateral investments, which are subject to rebates and fees as described in Note 3.

Amounts reflected on the accompanying financial statements include the following amounts related to affiliated companies:

Investment in securities, at cost	<u>\$ 119,014</u>
Dividend income	153
Interest income	-
Investment income	<u>\$ 153</u>
Realized gain (loss) on securities	<u>\$ -</u>
Capital gain distributions from mutual funds	<u>\$ -</u>

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

STATEMENT OF ASSETS AND LIABILITIES

(\$000s, except shares and per share amounts)

Assets

Investments in securities, at value (cost \$889,282)	\$ 1,093,436
Receivable for shares sold	2,151
Dividends and interest receivable	1,499
Other assets	288
Total assets	<u>1,097,374</u>

Liabilities

Obligation to return securities lending collateral	74,134
Payable for investment securities purchased	3,968
Payable for shares redeemed	735
Investment management fees payable	431
Due to affiliates	125
Other liabilities	93
Total liabilities	<u>79,486</u>

NET ASSETS**\$ 1,017,888****Net Assets Consist of:**

Undistributed net investment income	\$ 425
Accumulated undistributed net realized loss	(66,729)
Net unrealized gain	204,181
Paid-in capital applicable to 49,694,102 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares authorized	<u>880,011</u>

NET ASSETS**\$ 1,017,888****NET ASSET VALUE PER SHARE****Investor Class****(\$1,003,608,235 / 48,997,017 shares outstanding) \$ 20.48****Advisor Class****(\$14,279,935 / 697,085 shares outstanding) \$ 20.49**

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

STATEMENT OF OPERATIONS

(\$000s)

		Year Ended 12/31/09
Investment Income (Loss)		
Income		
Dividend	\$	18,653
Interest		665
Securities lending		72
Other		11
Total income		<u>19,401</u>
Expenses		
Investment management		4,034
Shareholder servicing		
Investor Class	\$	1,323
Advisor Class		11
		<u>1,334</u>
Rule 12b-1 fees		
Advisor Class		20
Prospectus and shareholder reports		
Investor Class		84
Advisor Class		3
		<u>87</u>
Custody and accounting		155
Registration		76
Legal and audit		35
Directors		9
Miscellaneous		13
Repayments of fees and expenses		
Expenses repaid to manager		6
Total expenses		<u>5,769</u>
Net investment income		<u>13,632</u>

STATEMENT OF OPERATIONS

(\$000s)

	Year Ended 12/31/09
Realized and Unrealized Gain (Loss)	
Net realized gain (loss)	
Securities	(36,909)
Foreign currency transactions	(21)
Net realized loss	(36,930)
Change in net unrealized gain (loss)	
Securities	220,223
Other assets and liabilities denominated in foreign currencies	12
Change in net unrealized gain	220,235
Net realized and unrealized gain	183,305
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 196,937

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

STATEMENT OF CHANGES IN NET ASSETS

(\$000s)

	Year Ended	
	12/31/09	12/31/08
Increase (Decrease) in Net Assets		
Operations		
Net investment income	\$ 13,632	\$ 13,318
Net realized loss	(36,930)	(29,828)
Change in net unrealized gain (loss)	220,235	(285,788)
Increase (decrease) in net assets from operations	196,937	(302,298)
Distributions to shareholders		
Net investment income		
Investor Class	(13,501)	(12,870)
Advisor Class	(123)	(11)
Net realized gain		
Investor Class	-	(10,273)
Advisor Class	-	(16)
Decrease in net assets from distributions	(13,624)	(23,170)
Capital share transactions*		
Shares sold		
Investor Class	309,558	242,446
Advisor Class	12,921	1,751
Distributions reinvested		
Investor Class	12,177	21,369
Advisor Class	123	27
Shares redeemed		
Investor Class	(181,234)	(141,262)
Advisor Class	(1,530)	(3,777)
Increase in net assets from capital share transactions	152,015	120,554
Net Assets		
Increase (decrease) during period	335,328	(204,914)
Beginning of period	682,560	887,474
End of period	\$ 1,017,888	\$ 682,560
Undistributed net investment income	425	437

STATEMENT OF CHANGES IN NET ASSETS

(000s)

	Year Ended 12/31/09	12/31/08
*Share information		
Shares sold		
Investor Class	17,365	12,419
Advisor Class	730	75
Distributions reinvested		
Investor Class	680	1,011
Advisor Class	6	2
Shares redeemed		
Investor Class	(10,356)	(6,794)
Advisor Class	(84)	(163)
Increase in shares outstanding	8,341	6,550

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

NOTES TO FINANCIAL STATEMENTS

T. Rowe Price Dividend Growth Fund, Inc. (the fund), is registered under the Investment Company Act of 1940 (the 1940 Act) as a diversified, open-end management investment company. The fund seeks to provide increasing dividend income over time, long-term growth of capital, and a reasonable level of current income through investments primarily in dividend-paying stocks. The fund has two classes of shares: the Dividend Growth Fund original share class, referred to in this report as the Investor Class, offered since December 30, 1992, and the Dividend Growth Fund—Advisor Class (Advisor Class), offered since December 29, 2005. Advisor Class shares are sold only through unaffiliated brokers and other unaffiliated financial intermediaries that are compensated by the class for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan. Each class has exclusive voting rights on matters related solely to that class; separate voting rights on matters that relate to both classes; and, in all other respects, the same rights and obligations as the other class.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which require the use of estimates made by fund management. Fund management believes that estimates and security valuations are appropriate; however, actual results may differ from those estimates, and the security valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale of the securities. Further, fund management believes that no events have occurred between December 31, 2009, the date of this report, and February 25, 2010, the date of issuance of the financial statements, that require adjustment of, or disclosure in, the accompanying financial statements.

Investment Transactions, Investment Income, and Distributions Income and expenses are recorded on the accrual basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Distributions to shareholders are

recorded on the ex-dividend date. Income distributions are declared and paid by each class quarterly. Capital gain distributions, if any, are generally declared and paid by the fund, annually.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the date of the transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

Class Accounting The Advisor Class pays distribution, shareholder servicing, and/or certain administrative expenses in the form of Rule 12b-1 fees, in an amount not exceeding 0.25% of the class's average daily net assets. Shareholder servicing, prospectus, and shareholder report expenses incurred by each class are charged directly to the class to which they relate. Expenses common to both classes, investment income, and realized and unrealized gains and losses are allocated to the classes based upon the relative daily net assets of each class.

Rebates and Credits Subject to best execution, the fund may direct certain security trades to brokers who have agreed to rebate a portion of the related brokerage commission to the fund in cash. Commission rebates are reflected as realized gain on securities in the accompanying financial statements and totaled \$5,000 for the year ended December 31, 2009. Additionally, the fund earns credits on temporarily uninvested cash balances held at the custodian, which reduce the fund's custody charges. Custody expense in the accompanying financial statements is presented before reduction for credits.

New Accounting Pronouncement On January 1, 2009, the fund adopted new accounting guidance that requires enhanced disclosures about derivative and hedging activities, including how such activities are accounted for and their effect on financial position, performance, and cash flows. Adoption of this guidance had no impact on the fund's net assets or results of operations.

NOTE 2 - VALUATION

The fund's investments are reported at fair value as defined under GAAP. The fund determines the values of its assets and liabilities and computes its net asset value per share at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day that the NYSE is open for business.

Valuation Methods Equity securities listed or regularly traded on a securities exchange or in the over-the-counter (OTC) market are valued at the last quoted sale price or, for certain markets, the official closing price at the time the valuations are made, except for OTC Bulletin Board securities, which are valued at the mean of the latest bid and asked prices. A security that 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 are valued at the mean of the latest bid and asked prices for domestic securities and the last quoted sale price for international securities.

Debt securities are generally traded in the OTC market. Securities with remaining maturities of one year or more at the time of acquisition are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service, which considers the yield or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities. Securities with remaining maturities of less than one year at the time of acquisition generally use amortized cost in local currency to approximate fair value. However, if amortized cost is deemed not to reflect fair value or the fund holds a significant amount of such securities with remaining maturities of more than 60 days, the securities are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service.

Investments in mutual funds are valued at the mutual fund's closing net asset value per share on the day of valuation.

Other investments, including restricted securities, and those financial instruments 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 the T. Rowe Price Valuation Committee, established by the fund's Board of Directors.

For valuation purposes, the last quoted prices of non-U.S. equity securities may be adjusted under the circumstances described below. If the fund determines that developments between the close of a foreign market and the close of the NYSE will, in its judgment, materially affect the value of some or all of its portfolio securities, the fund will adjust the previous closing prices to reflect what it believes to be the fair value of the securities as of the close of the NYSE. In deciding whether it is necessary to adjust closing prices to reflect fair value, the fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. A fund may also fair value securities in other situations, such as when a particular foreign market is closed but the fund is open. The fund uses outside pricing services to provide it with closing prices and information to evaluate and/or

adjust those prices. The fund cannot predict how often it will use closing prices and how often it will determine it necessary to adjust those prices to reflect fair value. As a means of evaluating its security valuation process, the fund routinely compares closing prices, the next day's opening prices in the same markets, and adjusted prices.

Valuation Inputs Various inputs are used to determine the value of the fund's financial instruments. These inputs are summarized in the three broad levels listed below:

Level 1 – quoted prices in active markets for identical securities

Level 2 – observable inputs other than Level 1 quoted prices (including, but not limited to, quoted prices for similar securities, interest rates, prepayment speeds, and credit risk)

Level 3 – unobservable inputs

Observable inputs are those based on market data obtained from sources independent of the fund, and unobservable inputs reflect the fund's own assumptions based on the best information available. The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level. For example, non-U.S. equity securities actively traded in foreign markets generally are reflected in Level 2 despite the availability of closing prices because the fund evaluates and determines whether those closing prices reflect fair value at the close of the NYSE or require adjustment, as described above. The following table summarizes the fund's financial instruments, based on the inputs used to determine their values on December 31, 2009:

(\$000s)	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total Value
Investments in Securities, except:	\$ 121,480	\$ —	\$ —	\$ 121,480
Common Stocks	941,050	24,036	—	965,086
Bank Debt	—	6,870	—	6,870
Total	\$ 1,062,530	\$ 30,906	\$ —	\$ 1,093,436

NOTE 3 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Securities Lending The fund lends its securities to approved brokers to earn additional income. It receives as collateral cash and U.S. government securities valued at 102% to 105% of the value of the securities on loan. Cash collateral is invested by the fund's lending agent(s) in accordance with investment guidelines approved by fund management. Although risk is mitigated by the collateral, the fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities or if collateral investments decline in value. Securities lending revenue recognized by the fund consists of earnings on invested collateral and borrowing fees, net of any rebates to the borrower and compensation to the lending agent. On December 31, 2009, the value of loaned securities was \$71,892,000; aggregate collateral received included U.S. government securities valued at \$226,000.

Other Purchases and sales of portfolio securities other than short-term securities aggregated \$263,678,000 and \$108,831,000, respectively, for the year ended December 31, 2009.

NOTE 4 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences.

The fund files U.S. federal, state, and local tax returns as required. The fund's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after filing of the tax return but could be longer in certain circumstances.

Reclassifications between income and gain relate primarily to the character of currency gains and losses. For the year ended December 31, 2009, the following

reclassifications were recorded to reflect tax character; there was no impact on results of operations or net assets:

(\$000s)	
Undistributed net investment income	\$ (20)
Undistributed net realized gain	20

Distributions during the years ended December 31, 2009 and December 31, 2008, were characterized for tax purposes as follows:

(\$000s)	December 31	
	2009	2008
Ordinary income	\$ 13,624	\$ 13,434
Long-term capital gain	—	9,736
Total distributions	\$ 13,624	\$ 23,170

At December 31, 2009, the tax-basis cost of investments and components of net assets were as follows:

(\$000s)	
Cost of investments	\$ 893,160
Unrealized appreciation	\$ 213,577
Unrealized depreciation	(13,274)
Net unrealized appreciation (depreciation)	200,303
Undistributed ordinary income	425
Capital loss carryforwards	(62,626)
Post-October loss deferrals	(225)
Paid-in capital	880,011
Net assets	\$ 1,017,888

The difference between book-basis and tax-basis net unrealized appreciation (depreciation) is attributable to the deferral of losses from wash sales for tax purposes. The fund intends to retain realized gains to the extent of available capital loss carryforwards. The fund's unused capital loss carryforwards as of

December 31, 2009, expire: \$18,589,000 in fiscal 2016, and \$44,037,000 in fiscal 2017. In accordance with federal income tax regulations applicable to investment companies, recognition of capital losses on certain transactions realized between November 1 and the fund's year end is deferred for tax purposes until the subsequent year (post-October loss deferrals); however, such losses are recognized for financial reporting purposes in the year realized.

NOTE 5 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (the manager or Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. The investment management agreement between the fund and the manager provides for an annual investment management fee, which is computed daily and paid monthly. The fee consists of an individual fund fee, equal to 0.20% of the fund's average daily net assets, and a group fee. The group fee rate is calculated based on the combined net assets of certain mutual funds sponsored by Price Associates (the group) applied to a graduated fee schedule, with rates ranging from 0.48% for the first \$1 billion of assets to 0.285% for assets in excess of \$220 billion. The fund's group fee is determined by applying the group fee rate to the fund's average daily net assets. At December 31, 2009, the effective annual group fee rate was 0.30%.

The Advisor Class is also subject to a contractual expense limitation through April 30, 2010. During the limitation period, the manager is required to waive its management fee and reimburse the fund for any expenses, excluding interest, taxes, brokerage commissions, and extraordinary expenses, that would otherwise cause the classes ratio of annualized total expenses to average net assets (expense ratio) to exceed its expense limitation of 1.05%. The fund is required to repay the manager for expenses previously reimbursed and management fees waived to the extent the fund's net assets have grown or expenses have declined sufficiently to allow repayment without causing the fund's expense ratio to exceed its expense limitation. However, no repayment will be made more than three years after the date of any reimbursement or waiver or later than April 30, 2012. Pursuant to this agreement, expenses in the amount of \$6,000 were repaid to the manager during the year ended December 31, 2009. Including these amounts, expenses previously reimbursed by the manager in the amount of less than \$1,000 remain subject to repayment as of 12/31/09.

In addition, the fund has entered into service agreements with Price Associates and two wholly owned subsidiaries of Price Associates (collectively, Price). Price

Associates computes the daily share prices and provides certain other administrative services to the fund. T. Rowe Price Services, Inc., provides shareholder and administrative services in its capacity as the fund's transfer and dividend disbursing agent. T. Rowe Price Retirement Plan Services, Inc., provides subaccounting and recordkeeping services for certain retirement accounts invested in the Investor Class. For the year ended December 31, 2009, expenses incurred pursuant to these service agreements were \$84,000 for Price Associates; \$660,000 for T. Rowe Price Services, Inc.; and \$211,000 for T. Rowe Price Retirement Plan Services, Inc. The total amount payable at period-end pursuant to these service agreements is reflected as Due to Affiliates in the accompanying financial statements.

The fund may invest in the T. Rowe Price Reserve Investment Fund and the T. Rowe Price Government Reserve Investment Fund (collectively, the T. Rowe Price Reserve Investment Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The T. Rowe Price Reserve Investment Funds are offered as cash management options to mutual funds, trusts, and other accounts managed by Price Associates and/or its affiliates and are not available for direct purchase by members of the public. The T. Rowe Price Reserve Investment Funds pay no investment management fees.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors and Shareholders of
T. Rowe Price Dividend Growth Fund, Inc.**

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of T. Rowe Price Dividend Growth Fund, Inc. (the “Fund”) at December 31, 2009, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the fiscal periods presented in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2009 by correspondence with the custodian and brokers, and confirmation of the underlying fund by correspondence with the transfer agent, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Baltimore, Maryland
February 25, 2010

TAX INFORMATION (UNAUDITED) FOR THE TAX YEAR ENDED 12/31/09

We are providing this information as required by the Internal Revenue Code. The amounts shown may differ from those elsewhere in this report because of differences between tax and financial reporting requirements.

For taxable non-corporate shareholders, \$13,612,000 of the fund's income represents qualified dividend income subject to the 15% rate category.

For corporate shareholders, \$13,612,000 of the fund's income qualifies for the dividends-received deduction.

INFORMATION ON PROXY VOTING POLICIES, PROCEDURES, AND RECORDS

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information, which you may request by calling 1-800-225-5132 or by accessing the SEC's Web site, www.sec.gov. The description of our proxy voting policies and procedures is also available on our Web site, www.troweprice.com. To access it, click on the words "Our Company" at the top of our corporate homepage. Then, when the next page appears, click on the words "Proxy Voting Policies" on the left side of the page.

Each fund's most recent annual proxy voting record is available on our Web site and through the SEC's Web site. To access it through our Web site, follow the directions above, then click on the words "Proxy Voting Records" on the right side of the Proxy Voting Policies page.

HOW TO OBTAIN QUARTERLY PORTFOLIO HOLDINGS

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's Web site (www.sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 450 Fifth St. N.W., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

ABOUT THE FUND'S DIRECTORS AND OFFICERS

Your fund is governed by a Board of Directors (Board) that meets regularly to review a wide variety of matters affecting the fund, including performance, investment programs, compliance matters, advisory fees and expenses, service providers, and other business affairs. The Board elects the fund's officers, who are listed in the final table. At least 75% of Board members are independent of T. Rowe Price Associates, Inc. (T. Rowe Price), and T. Rowe Price International, Inc. (T. Rowe Price International); "inside" or "interested" directors are employees or officers of T. Rowe Price. The business address of each director and officer is 100 East Pratt Street, Baltimore, Maryland 21202. The Statement of Additional Information includes additional information about the directors and is available without charge by calling a T. Rowe Price representative at 1-800-225-5132.

Independent Directors

Name	Year of Birth Year Elected*	Principal Occupation(s) During Past Five Years and Directorships of Other Public Companies
William R. Brody, M.D., Ph.D. (1944) 2009	President and Trustee, Salk Institute for Biological Studies (2009 to present); Director, Novartis, Inc. (2009 to present); Director, IBM (2007 to present); President and Trustee, Johns Hopkins University (1996 to 2009); Chairman of Executive Committee and Trustee, Johns Hopkins Health System (1996 to 2009)	
Jeremiah E. Casey (1940) 2005	Director, National Life Insurance (2001 to 2005); Director, The Rouse Company, real estate developers (1990 to 2004)	
Anthony W. Deering (1945) 2001	Chairman, Exeter Capital, LLC, a private investment firm (2004 to present); Director, Under Armour (2008 to present); Director, Vornado Real Estate Investment Trust (2004 to present); Director, Mercantile Bankshares (2002 to 2007); Member, Advisory Board, Deutsche Bank North America (2004 to present); Director, Chairman of the Board, and Chief Executive Officer, The Rouse Company, real estate developers (1997 to 2004)	
Donald W. Dick, Jr. (1943) 1991	Principal, EuroCapital Advisors, LLC, an acquisition and management advisory firm (1995 to present)	
Karen N. Horn (1943) 2003	Director, Eli Lilly and Company (1987 to present); Director, Simon Property Group (2004 to present); Director, Norfolk Southern (2008 to present); Director, Georgia Pacific (2004 to 2005)	
Theo C. Rodgers (1941) 2005	President, A&R Development Corporation (1977 to present)	

*Each independent director oversees 124 T. Rowe Price portfolios and serves until retirement, resignation, or election of a successor.

Independent Directors (continued)

Name (Year of Birth) Year Elected*	Principal Occupation(s) During Past Five Years and Directorships of Other Public Companies
John G. Schreiber (1946) 2001	Owner/President, Centaur Capital Partners, Inc., a real estate investment company (1991 to present); Partner, Blackstone Real Estate Advisors, L.P. (1992 to present)
Mark R. Tercek (1957) 2009	President and Chief Executive Officer, The Nature Conservancy (2008 to present); Managing Director, The Goldman Sachs Group, Inc. (1984 to 2008)

*Each independent director oversees 124 T. Rowe Price portfolios and serves until retirement, resignation, or election of a successor.

Inside Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) During Past Five Years and Directorships of Other Public Companies
Edward C. Bernard (1956) 2006 [124]	Director and Vice President, T. Rowe Price; Vice Chairman of the Board, Director, and Vice President, T. Rowe Price Group, Inc.; Chairman of the Board, Director, and President, T. Rowe Price Investment Services, Inc.; Chairman of the Board and Director, T. Rowe Price Global Asset Management Limited, T. Rowe Price Global Investment Services Limited, T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Savings Bank, and T. Rowe Price Services, Inc.; Director, T. Rowe Price International, Inc.; Chief Executive Officer, Chairman of the Board, Director, and President, T. Rowe Price Trust Company; Chairman of the Board, all funds
Brian C. Rogers, CFA, CIC (1955) 2006 [69]	Chief Investment Officer, Director, and Vice President, T. Rowe Price; Chairman of the Board, Chief Investment Officer, Director, and Vice President, T. Rowe Price Group, Inc.; Vice President, T. Rowe Price Trust Company

*Each inside director serves until retirement, resignation, or election of a successor.

Officers

Name (Year of Birth)	Position Held With Dividend Growth Fund	Principal Occupation(s)
Peter J. Bates, CFA (1974)	Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Roger L. Fiery III, CPA (1959)	Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, Inc., and T. Rowe Price Trust Company
John R. Gilner (1961)	Chief Compliance Officer	Chief Compliance Officer and Vice President, T. Rowe Price; Vice President, T. Rowe Price Group, Inc., and T. Rowe Price Investment Services, Inc.
Gregory S. Golczewski (1966)	Vice President	Vice President, T. Rowe Price and T. Rowe Price Trust Company
Gregory K. Hinkle, CPA (1958)	Treasurer	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company; formerly Partner, PricewaterhouseCoopers LLP (to 2007)
Thomas J. Huber, CFA (1966)	President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
David M. Lee, CFA (1962)	Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Patricia B. Lippert (1953)	Secretary	Assistant Vice President, T. Rowe Price and T. Rowe Price Investment Services, Inc.
Daniel Martino, CFA (1974)	Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.; formerly Research Analyst and Co-portfolio Manager, Taurus Asset Management (to 2006), Onex Public Markets Group (to 2006), and MFS Investment Management (to 2005)
Jason Nogueira, CFA (1974)	Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
David Oestreicher (1967)	Vice President	Director and Vice President, T. Rowe Price Investment Services, Inc., T. Rowe Price Trust Company, and T. Rowe Price Services, Inc.; Vice President, T. Rowe Price, T. Rowe Price Global Asset Management Limited, T. Rowe Price Global Investment Services Limited, T. Rowe Price Group, Inc., T. Rowe Price International, Inc., and T. Rowe Price Retirement Plan Services, Inc.

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least five years.

Officers (continued)

Name (Year of Birth)	Position Held With Dividend Growth Fund	Principal Occupation(s)
Timothy E. Parker, CFA (1974)	Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Robert T. Quinn, Jr. (1972)	Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Deborah D. Seidel (1962)	Vice President	Vice President, T. Rowe Price, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.
Gabriel Solomon (1977)	Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
William J. Stromberg, CFA (1960)	Vice President	Director and Vice President, T. Rowe Price; Vice President, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Eric L. Veiel, CFA (1972)	Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.; formerly Senior Equity Analyst, Wachovia Securities (to 2005)
Julie L. Waples (1970)	Vice President	Vice President, T. Rowe Price

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least five years.

INVESTMENT SERVICES AND INFORMATION

KNOWLEDGEABLE SERVICE REPRESENTATIVES

By Phone: 1-800-225-5132. Available Monday through Friday from 8 a.m. until 10 p.m. ET and Saturday from 8:30 a.m. until 5 p.m. ET.

In Person at a T. Rowe Price Investor Center. Please visit the Web at troweprice.com/investorcenter or call 1-800-225-5132 to locate a center near you.

ACCOUNT SERVICES

Automated 24-Hour Services Including Tele* AccessSM and account access through the T. Rowe Price Web site at troweprice.com.

Automatic Investing. From your bank account or paycheck.

Automatic Withdrawal. Scheduled, periodic redemptions.

IRA Rebalancing. Automatically rebalance to ensure that your accounts reflect your desired asset allocations.

BROKERAGE SERVICES[‡]

Trade stocks, mutual funds, ETFs, bonds, options, CDs, precious metals, and more at competitive commissions.

INVESTMENT INFORMATION

Consolidated Statement. Overview of all of your accounts.

Shareholder Reports. Manager reviews of their strategies and results.

T. Rowe Price Report. Quarterly investment newsletter.

T. Rowe Price Investor. Quarterly publication of insightful financial articles.

Insights. Educational reports on investment strategies and markets.

Investment Guides. Investors Portfolio Review; International Investing Guide; Guide to Bond Funds; On Track Retirement Savings Guide; and Retirement Readiness Guide.

FINANCIAL INTERMEDIARIES AND ADVISORS

By Phone: 1-877-804-2315. Contact us Monday through Friday from 8:30 a.m. until 6 p.m. ET.

By Mail: T. Rowe Price, Financial Institution Services, P.O. Box 89000, Baltimore, MD 21289-4232.

CUSTOMERS WHO TRADE THROUGH A FINANCIAL INTERMEDIARY

Please contact your intermediary or financial professional for assistance.

[‡] Option trading involves additional risk and is not suitable for all investors. Brokerage services offered by T. Rowe Price Investment Services, Inc., member FINRA/SIPC.

troweprice.com

LOG IN AND MANAGE YOUR INVESTMENTS ONLINE

troweprice.com/access

We offer a consolidated view of your T. Rowe Price mutual fund and brokerage accounts. You can sort accounts, customize their groupings, and/or grant View Access to others as you see fit. Analyze your portfolio with **Portfolio Growth Tracker**. Track the historical growth of your mutual fund investments over time. The analysis consists of three components: Activity Summary, Asset Allocation, and Net Investment versus Market Value.

ONLINE SERVICING

troweprice.com/paperless

Enroll to receive your transaction confirmations, investor statements, prospectuses, and shareholder reports online instead of by U.S. mail. You will receive an e-mail with a link to our Web site informing you that your document is available to view online, print, or download. For your convenience and recordkeeping purposes, you will continue to receive your end-of-year summary statement by mail.

Join our E-mail Program to receive market and fund information by e-mail.

Receive timely market reports, performance of T. Rowe Price mutual funds, investment and market insights from T. Rowe Price managers, and more.

INVESTMENT GUIDANCE AND TOOLS

troweprice.com/planningtools

Personal Guides provide you with information that can help you, in a few easy steps, match investments with your financial objectives.

Morningstar® Portfolio Manager (formerly Portfolio Tracker) enables you to track, rebalance, and analyze your portfolio.

Morningstar Portfolio X-Ray® is a comprehensive tool that provides an in-depth examination of your exposure to different sectors, stock types, sub-asset classes, and global diversification.

FINANCIAL INTERMEDIARIES AND ADVISORS

troweprice.com/financialintermediaries

This secure site is designed for professional financial intermediaries and advisors. Financial professionals may access daily prices and historical performance of mutual funds; view market research, manager commentary, and sales ideas; and access literature and forms. For U.S. technical assistance, call 1-888-358-8490 or e-mail us at onlinehelp@troweprice.com. For non-U.S. technical assistance, call +1 (410) 345 4400 or contact us via e-mail.

T. ROWE PRICE RETIREMENT SERVICES

T. Rowe Price offers unique retirement services that can help you meet a broad variety of planning challenges. Our retirement tools are suitable for individuals, the self-employed, small businesses, corporations, and nonprofit organizations. For more information, call **1-800-IRA-5000** or visit our Web site at **troweprice.com/retirement**.

INVESTMENT ACCOUNTS

Rollover IRAs. When you are changing jobs, retiring, or deciding what to do with the money left in a former employer's retirement plan, a Rollover IRA can be the smart move. Call toll-free 1-800-IRA-5000. Our rollover specialists can open your account over the phone and handle most of the paperwork for you. They'll even contact your former employer to help move your money.

Roth IRAs. Your contributions can grow tax-deferred for retirement and distributions are potentially tax-free. Open your account over the phone by calling 1-800-IRA-5000 or online at troweprice.com/ira.

Traditional IRAs. Call 1-800-IRA-5000 or visit troweprice.com/ira to open one of these tax-deferred retirement accounts. In some cases, contributions may be tax-deductible.

Small Business Retirement Plans. If you're self-employed or run a small business or professional practice, T. Rowe Price can help you establish a cost-effective retirement plan that's easy to set up and maintain.

403(b) Custodial Accounts. For those employed by a school, university, church, or other nonprofit organization.

INVESTMENT GUIDANCE

T. Rowe Price Advisory Planning Services offers a wide range of services that provide expert advice based on your individual needs and financial goals, including consultations with an advisory counselor. Please contact one of our specialists at **1-800-844-9424** to determine the most appropriate service to fit your needs.*

* Services offered by T. Rowe Price Advisory Services, Inc., a federally registered investment adviser. There may be costs associated with these services.

COLLEGE PLANNING

With the costs of college steadily increasing, it's critical to plan early. Our college planning information and college savings products can help you meet your educational investment goals. For more information, visit our Web site at troweprice.com/college, where you will find the **Saving for College Personal Guide**, an interactive tool that can help you determine how much you should save, estimate future tuition costs, and review college savings options. In a few easy steps, the guide provides you with information and a Personalized Action Plan. To speak with a college planning specialist, please call **1-800-638-5660**.

Education Savings Accounts (formerly Education IRAs). This education investment account permits contributions up to a total of \$2,000 per year per beneficiary to help pay for educational costs at eligible schools, including elementary, secondary, and post-secondary institutions. Withdrawals from Education Savings Accounts are tax-free if the proceeds are used for qualified educational expenses.

College Savings Plans (529 Plans). To help families prepare for college education costs, T. Rowe Price manages three 529 plans that are open to all U.S. residents. Any earnings on contributions are tax-deferred, and distributions are exempt from federal income taxes when used for qualified educational expenses. Also, these plans offer high contribution limits and affordable systematic investing.

T. Rowe Price manages the T. Rowe Price College Savings Plan, a national 529 plan offered by the Education Trust of Alaska; the Maryland College Investment Plan; and the University of Alaska College Savings Plan. The Maryland College Investment Plan offers certain potential benefits for Maryland residents, and the University of Alaska College Savings Plan offers potential benefits for Alaska residents.

Earnings on a distribution not used for qualified expenses may be subject to income taxes and a 10% federal penalty. Please note that the availability of tax or other benefits may be conditioned on meeting certain requirements such as residency, purpose for or timing of distributions, or other factors, as applicable.

Please visit our Web site or call 1-800-638-5660 to obtain the applicable plan disclosure document, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. Please consider, before investing, whether your or your beneficiary's home state offers any state tax or other benefits that are only available for investments in that state's plan. T. Rowe Price Investment Services, Inc., Distributor/Underwriter.

SAVINGS BANK

Now there's a way to get more than great rates from your next CD. T. Rowe Price Savings Bank gives you the benefits of FDIC insurance and predictable interest payments, plus world-class service from a name you trust.*

You can use a Savings Bank CD account to expand your investment mix and help to reduce your portfolio's overall risk. For accounts of \$5,000 or more that have terms of 91 days or longer, interest can remain on deposit or be transferred to an account you have elsewhere.

T. Rowe Price Savings Bank offers:

- FDIC insurance
- Competitive interest rates
- Low minimum deposit of \$1,000 for Classic CDs
- Higher rates with Mini-Jumbo and Jumbo CDs
- **Smart Ladder CDsSM**
- IRA accounts**
- Terms from 30 days to 60 months***
- Flexible options to invest interest payments****
- Annual statements
- Automatic renewal feature

Smart Ladder CDs

Opening CDs that mature at different times can help to hedge against sharp swings in interest rates. This approach, known as CD laddering, generally lets you lock in higher rates with the longer-maturity CDs if rates fall. However, if rates rise again in the next few years, you'll have money available to invest from CDs with upcoming maturities.

Smart Ladder CDs offer a convenient way to create a CD ladder. With a minimum deposit of \$25,000 and a single application, we'll set up your CD ladder, manage the annual renewals, and offer you the highest current interest rates based on your total minimum deposit and applicable terms.

* T. Rowe Price Savings Bank is a member of the FDIC and offers CD products. Other T. Rowe Price affiliates, including T. Rowe Price Investment Services, Inc., are separate entities. While the Savings Bank's CDs are FDIC-insured, all other products offered by T. Rowe Price affiliates are not FDIC-insured and are not deposits of or guaranteed by the Savings Bank. Such products are subject to investment risk, including possible loss of the principal amount invested.

** Please read the Traditional and Roth IRA Summary & Agreement before investing.

*** IRA CDs available from six months to 60 months.

**** Available for accounts of \$5,000 or more that have terms of 91 days or longer.

THE T. ROWE PRICE PROGRAM FOR CHARITABLE GIVINGSM

Simplify your giving.

The Program for Charitable Giving is a donor-advised fund (a public charity) that provides a simple way to support your favorite charities while achieving attractive tax savings.

The Program lets you do all your charitable giving through one convenient account. Our donor relations specialists take care of the administrative details, so you spend less time writing checks and keeping records.

Lock in your charitable deduction now.

You can establish a Program account with a minimum contribution of \$10,000 or more. Your contributions are fully deductible (up to allowable IRS limits) in the tax year when they are made. Donation amounts above IRS limits can be carried over and deducted in future years.

The Program also makes it easy to contribute long-term appreciated securities. You simply transfer the securities in kind to your Program account. You can deduct the full market value and do not have to pay capital gains taxes.

Recommend grants to support your favorite charities.

Once your account is established, you have the flexibility to recommend grants to your favorite charities whenever you like—this year or in the future. The Program confirms that your charity qualifies for a grant and is in good standing with the IRS.

Benefit from the investment expertise of T. Rowe Price.

You advise how your account's balance is invested among six professionally managed investment pools. This means your donations have the potential to grow over time and produce additional funds for your charities. All investment pools are subject to market risk, including possible loss of principal.

Save with low fees.

The Program's administrative fees are among the lowest in the industry, and there is no minimum annual fee. Since you'll also save with low investment management fees, there is the potential for more money to be available for your charities.

It's easy to start giving more efficiently with the Program.

You can call a donor relations specialist at **1-800-690-0438** to learn more about the Program, receive printed information, or help you open your Program account. You'll also find everything you need to open an account online at **ProgramForGiving.org**.

The T. Rowe Price Program for Charitable GivingSM is an independent, nonprofit corporation founded by T. Rowe Price to assist individuals with planning and managing their charitable giving. The Program has contracted with various T. Rowe Price companies to provide operational, recordkeeping, and investment management services to the Program.

T. ROWE PRICE MUTUAL FUNDS

This page contains supplementary information that is not part of the shareholder report.

STOCK FUNDS

Domestic

Blue Chip Growth*
Capital Appreciation*
Capital Opportunity*
Diversified Mid-Cap Growth
Diversified Small-Cap Growth
Dividend Growth*
Equity Income*
Equity Index 500
Extended Equity Market Index
Financial Services
Growth & Income
Growth Stock*
Health Sciences
Media & Telecommunications
Mid-Cap Growth*
Mid-Cap Value*
New America Growth*
New Era
New Horizons
Real Estate*
Science & Technology*
Small-Cap Stock*
Small-Cap Value*
Spectrum Growth
Tax-Efficient Equity
Total Equity Market Index
U.S. Large-Cap Core*
Value*

ASSET ALLOCATION FUNDS

Balanced
Personal Strategy Balanced
Personal Strategy Growth
Personal Strategy Income
Retirement 2005*
Retirement 2010*
Retirement 2015*
Retirement 2020*

ASSET ALLOCATION FUNDS (CONT.)

Retirement 2025*
Retirement 2030*
Retirement 2035*
Retirement 2040*
Retirement 2045*
Retirement 2050*
Retirement 2055*
Retirement Income*

BOND FUNDS

Domestic Taxable

Corporate Income
GNMA
High Yield*
Inflation Protected Bond
New Income*
Short-Term Bond*
Spectrum Income
Strategic Income*
Summit GNMA
U.S. Bond Index
U.S. Treasury Intermediate
U.S. Treasury Long-Term

Domestic Tax-Free

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

MONEY MARKET FUNDS

Taxable

Prime Reserve
Summit Cash Reserves
U.S. Treasury Money

Tax-Free

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

INTERNATIONAL/GLOBAL FUNDS

Stock

Africa & Middle East
Emerging Europe & Mediterranean
Emerging Markets Stock
European Stock
Global Infrastructure*
Global Large-Cap Stock*
Global Real Estate*
Global Stock*
Global Technology
International Discovery
International Equity Index
International Growth & Income*
International Stock*
Japan
Latin America
New Asia
Overseas Stock
Spectrum International

Bond

Emerging Markets Bond
International Bond*

For more information about T. Rowe Price funds or services, please contact us directly at 1-800-225-5132. Request a prospectus or summary prospectus; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.**

Investments in the money market funds are not insured or guaranteed by the FDIC or any other government agency. Although the funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the funds.

* T. Rowe Price Advisor and R Classes may be available for these funds. T. Rowe Price Advisor and R Classes are offered only through financial intermediaries. For more information about T. Rowe Price Advisor and R Classes, contact your financial professional or call T. Rowe Price at 1-877-804-2315.

** Summary prospectuses are not currently available for all funds.



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