



SEMIANNUAL REPORT

August 31, 2023

T. ROWE PRICE

Maryland Tax-Free Funds

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Dear Shareholder

Most major global stock and bond indexes produced positive returns during the first half of your fund's fiscal year, the six-month period ended August 31, 2023. Despite turmoil in the banking sector and a protracted debt ceiling standoff, markets in the U.S. were resilient as economic growth remained positive and corporate earnings results came in stronger than expected.

Technology companies benefited from investor enthusiasm for artificial intelligence developments and helped drive the momentum in the equity market. Growth stocks outperformed value shares, and developed market stocks generally outpaced their emerging market counterparts. Currency movements were mixed over the period, although a weaker dollar versus major European currencies was beneficial for U.S. investors in European securities.

Within the S&P 500 Index, the communication services, information technology, and consumer discretionary sectors were all lifted by the rally in tech-related companies and recorded significant gains. The financials sector partly recovered from the failure of three large regional banks during the period but still finished in negative territory.

In terms of economic news, inflation remained a primary concern for both investors and policymakers. Price increases moderated during the period but remained well above the Federal Reserve's 2% target. In response, the Fed continued to raise its short-term lending benchmark rate, lifting it to a target range of 5.25% to 5.50% by period-end, the highest level since March 2001.

In the fixed income market, U.S. Treasury yields increased as the Fed tightened monetary policy and investors priced in the possibility that the central bank may have to keep rates higher for longer than previously anticipated. In addition, Treasuries were pressured by Fitch Ratings' decision to downgrade the credit rating of U.S. government debt from the highest level, AAA, to AA+ along with expectations for higher levels of borrowing by the Treasury Department. The yield on the benchmark 10-year note climbed to 4.36% in mid-August, its highest intraday level since late 2007, before falling back to 4.09% by month-end.

Despite rising yields, returns were positive across most fixed income sectors as investors benefited from the higher coupons that have become available over the past year as well as increasing hopes that the economy might be able to avoid a recession. Tax-exempt municipal bonds were supported by limited issuance in the sector as well as generally strong balance sheets at the state and local level.

Global economies and markets have shown surprising resilience in 2023, but considerable uncertainty remains as the impact of the Fed's rate hikes has yet to be fully felt in the economy. We believe this environment makes skilled active management a critical tool for identifying risks and opportunities, and our investment teams will continue to use fundamental research to identify securities that can add value to your portfolio over the long term.

You may notice that this report no longer contains the commentary on your fund's performance and positioning that we previously included in the semiannual shareholder letters. The Securities and Exchange Commission (SEC) adopted new rules in January that will require fund reports to transition to a new format known as a Tailored Shareholder Report. This change will require a much more concise summary of performance rather than the level of detail we have provided historically while also aiming to be more visually engaging. As we prepare to make changes to the annual reports to meet the new report regulatory requirements by mid-2024, we felt the time was right to discontinue the optional six-month semiannual fund letter to focus on the changes to come.

While semiannual fund letters will no longer be produced, you may continue to access current fund information as well as insights and perspectives from our investment team on our personal investing website.

Thank you for your continued confidence in T. Rowe Price.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert M. Sharps". The signature is fluid and cursive, with a large, stylized "S" at the end.

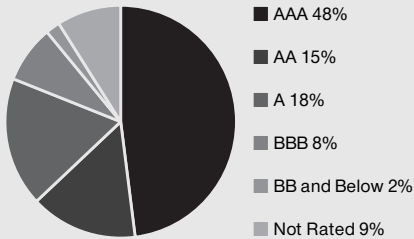
Robert Sharps
CEO and President

PORTFOLIO DIVERSIFICATION**Maryland Tax-Free Money Fund**

	Percent of Net Assets	
	2/28/23	8/31/23

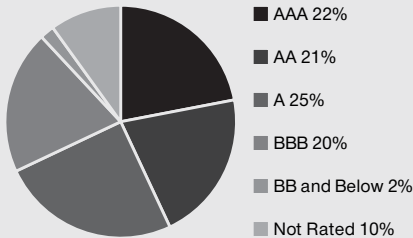
Housing	27.5%	31.2%
General Obligation—Local	22.3	24.2
Health Care	18.7	19.9
Education	8.7	6.4
Special Tax	2.7	4.9
Leasing	1.8	4.6
Water and Sewer	8.4	3.7
General Obligation—State	4.9	2.4
Other Assets	5.0	2.7
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

CREDIT QUALITY DIVERSIFICATION**Maryland Short-Term Tax-Free Bond Fund**

Based on net assets as of 8/31/23.

Sources: Credit ratings for the securities held in the fund are provided by Moody's, Standard & Poor's, and Fitch and are converted to the Standard & Poor's nomenclature. A rating of AAA represents the highest-rated securities, and a rating of D represents the lowest-rated securities. If the rating agencies differ, the highest rating is applied to the security. If a rating is not available, the security is classified as Not Rated. T. Rowe Price uses the rating of the underlying investment vehicle to determine the creditworthiness of credit default swaps. The fund is not rated by any agency.

CREDIT QUALITY DIVERSIFICATION**Maryland Tax-Free Bond Fund**

Based on net assets as of 8/31/23.

Sources: Credit ratings for the securities held in the fund are provided by Moody's, Standard & Poor's, and Fitch and are converted to the Standard & Poor's nomenclature. A rating of AAA represents the highest-rated securities, and a rating of D represents the lowest-rated securities. If the rating agencies differ, the highest rating is applied to the security. If a rating is not available, the security is classified as Not Rated. T. Rowe Price uses the rating of the underlying investment vehicle to determine the creditworthiness of credit default swaps. The fund is not rated by any agency.

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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 I Class shares are also available to institutionally oriented clients and impose no 12b-1 or administrative fee payment. 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 on 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 on 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 account service fee of \$20, generally for accounts with less than \$10,000. The fee is waived for any investor whose T. Rowe Price mutual fund accounts total \$50,000 or more; accounts electing to receive electronic delivery of account statements, transaction confirmations, prospectuses, and shareholder reports; or accounts of an investor who is a T. Rowe Price Personal Services or Enhanced Personal Services client (enrollment in these programs generally requires T. Rowe Price assets of at least \$250,000). 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.

FUND EXPENSE EXAMPLE (CONTINUED)**MARYLAND TAX-FREE MONEY FUND**

	Beginning Account Value 3/1/23	Ending Account Value 8/31/23	Expenses Paid During Period* 3/1/23 to 8/31/23
Investor Class			
Actual	\$1,000.00	\$1,013.60	\$2.08
Hypothetical (assumes 5% return before expenses)	1,000.00	1,023.08	2.08
I Class			
Actual	1,000.00	1,014.50	1.22
Hypothetical (assumes 5% return before expenses)	1,000.00	1,023.93	1.22

* Expenses are equal to the fund's annualized expense ratio for the 6-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), and divided by the days in the year (366) to reflect the half-year period. The annualized expense ratio of the Investor Class was 0.41%, and the I Class was 0.24%.

MARYLAND SHORT-TERM TAX-FREE BOND FUND

	Beginning Account Value 3/1/23	Ending Account Value 8/31/23	Expenses Paid During Period* 3/1/23 to 8/31/23
Investor Class			
Actual	\$1,000.00	\$1,010.20	\$2.68
Hypothetical (assumes 5% return before expenses)	1,000.00	1,022.47	2.69
I Class			
Actual	1,000.00	1,010.60	2.22
Hypothetical (assumes 5% return before expenses)	1,000.00	1,022.92	2.24

* Expenses are equal to the fund's annualized expense ratio for the 6-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), and divided by the days in the year (366) to reflect the half-year period. The annualized expense ratio of the Investor Class was 0.53%, and the I Class was 0.44%.

FUND EXPENSE EXAMPLE (CONTINUED)

MARYLAND TAX-FREE BOND FUND			
	Beginning Account Value 3/1/23	Ending Account Value 8/31/23	Expenses Paid During Period* 3/1/23 to 8/31/23
Investor Class			
Actual	\$1,000.00	\$1,012.60	\$2.48
Hypothetical (assumes 5% return before expenses)	1,000.00	1,022.67	2.49
I Class			
Actual	1,000.00	1,013.00	2.13
Hypothetical (assumes 5% return before expenses)	1,000.00	1,023.03	2.14
<p>* Expenses are equal to the fund's annualized expense ratio for the 6-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), and divided by the days in the year (366) to reflect the half-year period. The annualized expense ratio of the Investor Class was 0.49%, and the I Class was 0.42%.</p>			

T.RowePrice®

100 East Pratt Street
Baltimore, MD 21202

Call 1-800-225-5132 to 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.



SEMIANNUAL REPORT | Financial Statements

August 31, 2023

TMDXX

T. ROWE PRICE

**Maryland Tax-Free Money
Fund**

TWNXX

**Maryland Tax-Free Money
Fund– I Class**

For more insights from T. Rowe Price
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T. ROWE PRICE MARYLAND TAX-FREE MONEY FUND

(Unaudited)

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Investor Class

	6 Months Ended 8/31/23	Year Ended 2/28/23	2/28/22	2/28/21	2/29/20	2/28/19
NET ASSET VALUE						
Beginning of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Investment activities						
Net investment income ⁽¹⁾⁽²⁾	0.01	0.01 ⁽³⁾	— ^{(3) (4)}	— ^{(3) (4)}	0.01	0.01
Net realized and unrealized gain/loss	— ⁽⁴⁾	— ⁽⁴⁾	— ⁽⁴⁾	— ⁽⁴⁾	— ⁽⁴⁾	— ⁽⁴⁾
Total from investment activities	0.01	0.01	— ⁽⁴⁾	— ⁽⁴⁾	0.01	0.01
Distributions						
Net investment income	(0.01)	(0.01)	— ⁽⁴⁾	— ⁽⁴⁾	(0.01)	(0.01)
NET ASSET VALUE						
End of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00

(Unaudited)

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Investor Class

	6 Months Ended 8/31/23	Year Ended 2/28/23	2/28/22	2/28/21	2/29/20	2/28/19
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Ratios/Supplemental Data

Total return⁽²⁾⁽⁵⁾	1.36%	1.11%⁽³⁾	0.02%⁽³⁾	0.22%⁽³⁾	1.03%	1.06%
Ratios to average net assets: ⁽²⁾						
Gross expenses before waivers/ payments by Price Associates ⁽⁶⁾	0.72% ⁽⁷⁾	0.67%	0.67%	0.69%	0.77%	0.72%
Net expenses after waivers/payments by Price Associates	0.41% ⁽⁷⁾	0.40% ⁽³⁾	0.07% ⁽³⁾	0.21% ⁽³⁾	0.42%	0.41%
Net investment income	2.64% ⁽⁷⁾	1.07% ⁽³⁾	0.01% ⁽³⁾	0.24% ⁽³⁾	1.02%	1.04%
Net assets, end of period (in thousands)	\$18,335	\$20,761	\$32,173	\$50,818	\$48,648	\$51,281

⁽¹⁾ Per share amounts calculated using average shares outstanding method.⁽²⁾ See Note 5 for details of expense-related arrangements with Price Associates.⁽³⁾ See Note 5. Includes the effect of voluntary management fee waivers and operating expense reimbursements (0.01%, 0.35% and 0.20% of average net assets) for the years ended 2/28/23, 2/28/22 and 2/28/21, respectively.⁽⁴⁾ Amounts round to less than \$0.01 per share.⁽⁵⁾ 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, and payment of no redemption or account fees, if applicable. Total return is not annualized for periods less than one year.⁽⁶⁾ See Note 5. Prior to 2/29/20, the gross expense ratios presented are net of a management fee waiver in effect during the period, as applicable.⁽⁷⁾ Annualized

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

T. ROWE PRICE MARYLAND TAX-FREE MONEY FUND

(Unaudited)

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

I Class

	6 Months Ended 8/31/23	Year Ended 2/28/23	2/28/22	2/28/21	2/29/20	2/28/19
NET ASSET VALUE						
Beginning of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Investment activities						
Net investment income ⁽¹⁾⁽²⁾	0.01	0.01 ⁽³⁾	— ^{(3) (4)}	— ^{(3) (4)}	0.01	0.01
Net realized and unrealized gain/loss	— ⁽⁴⁾	— ⁽⁴⁾	— ⁽⁴⁾	— ⁽⁴⁾	— ⁽⁴⁾	— ⁽⁴⁾
Total from investment activities	0.01	0.01	— ⁽⁴⁾	— ⁽⁴⁾	0.01	0.01
Distributions						
Net investment income	(0.01)	(0.01)	— ⁽⁴⁾	— ⁽⁴⁾	(0.01)	(0.01)
NET ASSET VALUE						
End of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00

T. ROWE PRICE MARYLAND TAX-FREE MONEY FUND

(Unaudited)

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

I Class

	6 Months Ended 8/31/23	Year Ended 2/28/23	2/28/22	2/28/21	2/29/20	2/28/19
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Ratios/Supplemental Data

Total return⁽²⁾⁽⁵⁾	1.45%	1.27%⁽³⁾	0.02%⁽³⁾	0.23%⁽³⁾	1.11%	1.14%
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Ratios to average net assets:⁽²⁾

Gross expenses before waivers/ payments by Price Associates ⁽⁶⁾	0.49% ⁽⁷⁾	0.46%	0.52%	0.61%	0.69%	0.59%
Net expenses after waivers/payments by Price Associates	0.24% ⁽⁷⁾	0.24% ⁽³⁾	0.07% ⁽³⁾	0.18% ⁽³⁾	0.33%	0.33%
Net investment income	2.81% ⁽⁷⁾	1.31% ⁽³⁾	0.01% ⁽³⁾	0.18% ⁽³⁾	1.09%	1.18%
Net assets, end of period (in thousands)	\$76,074	\$78,878	\$60,978	\$49,804	\$35,510	\$28,657

⁽¹⁾ Per share amounts calculated using average shares outstanding method.

⁽²⁾ See Note 5 for details of expense-related arrangements with Price Associates.

⁽³⁾ See Note 5. Includes the effect of voluntary management fee waivers and operating expense reimbursements (0.00%, 0.19% and 0.15% of average net assets) for the years ended 2/28/23, 2/28/22 and 2/28/21, respectively.

⁽⁴⁾ Amounts round to less than \$0.01 per share.

⁽⁵⁾ 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, and payment of no redemption or account fees, if applicable. Total return is not annualized for periods less than one year.

⁽⁶⁾ See Note 5. Prior to 2/29/20, the gross expense ratios presented are net of a management fee waiver in effect during the period, as applicable.

⁽⁷⁾ Annualized

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

T. ROWE PRICE MARYLAND TAX-FREE MONEY FUND

August 31, 2023 (Unaudited)

PORTFOLIO OF INVESTMENTS†

Par

\$ Value

(Amounts in 000s)

NON-FINANCIAL COMPANY COMMERCIAL PAPER 5.9%

Maryland HHEFA, Johns Hopkins Health Systems, Series B, TECP, 3.10%, 9/13/23	4,550	4,550
Tennessee, Series A, TECP, 3.85%, 1/25/24	1,000	1,000
Total Non-Financial Company Commercial Paper (Cost \$5,550)		5,550

OTHER MUNICIPAL SECURITY 37.8%

Anne Arundel County, GO, 5.00%, 10/1/23	1,000	1,002
Anne Arundel County, Series 2023, GO, 5.00%, 10/1/23	900	901
Anne Arundel County, Consolidated General Improvement, GO, 5.00%, 10/1/23	200	200
Anne Arundel County, Consolidated General Improvement, GO, 5.00%, 4/1/24	500	505
Baltimore County, GO, 5.00%, 2/1/24	555	560
Baltimore County, Consolidated Public Improvement, GO, 5.00%, 3/1/24	3,105	3,131
Baltimore County, Metropolitan Dist. Bonds, 76th Issue, GO, 5.00%, 2/1/24	100	101
Baltimore County, Metropolitan Dist. Bonds, Tender Option Bond Trust Receipts, Series 2018-XF0682, GO, VRTR, 4.11%, 9/8/23 (1)	200	200
Baltimore County, Metropolitan Dist. Bonds, Tender Option Bond Trust Receipts, Series 2022-XF3014, VRTR, 4.12%, 9/8/23 (1)	4,450	4,450
Baltimore County, Public Improvement, Series B, GO, 4.50%, 9/1/23	100	100
Carroll County, GO, 5.00%, 11/1/23	200	200
Carroll County, County Commissioners Consolidated Public Improvement, GO, 5.00%, 11/1/23	250	251
Charles County, Consolidated Public Improvement, GO, 4.00%, 10/1/23	325	325
Charles County, Consolidated Public Improvement, GO, 5.00%, 10/1/23	150	150
Frederick City, Series C, GO, 4.00%, 3/1/24	300	301
Frederick City, Public Improvement, GO, 5.00%, 12/1/23	120	121
Harford County, GO, 5.00%, 10/1/23	1,405	1,408
Howard County, Series D, GO, 5.00%, 2/15/24	3,300	3,325
Howard County, Consolidated Public Improvement, Series B, GO, 5.00%, 2/15/24	250	253
Howard County, Consolidated Public Improvement Project, Series A, GO, 5.00%, 2/15/24	100	101
Maryland DOT, Series 2015, 5.00%, 12/15/23	360	362
Maryland DOT, Series 2016, 4.00%, 9/1/23	335	335
Maryland DOT, Series 2017, 5.00%, 9/1/23	655	655
Maryland DOT, Series 2019, 5.00%, 10/1/23	635	636

	Par	\$ Value
(Amounts in 000s)		
Maryland DOT, Series 2020, 5.00%, 10/1/23	2,500	2,505
Montgomery County, Trinity Health Credit Group, Series 2013MD, VR, 3.50%, 9/1/23 (2)	4,300	4,300
Montgomery County, Trinity Health Credit Group, Series 2013MD, VR, 3.50%, 9/1/23 (Tender)	4,500	4,500
Prince George's County, Univ. of Maryland Capital Region Medical Center, Tender Option Bond Trust Receipts, Series XG0214, COP, VRTR, 2.99%, 9/8/23 (1)	1,275	1,275
Queen Anne's County, GO, 5.00%, 10/1/23	250	250
School Dist. of Broward County, Series 2023, TAN, 5.00%, 6/28/24	1,500	1,518
Univ. System of Maryland Auxiliary Facility and Tuition Revenue Bonds, Series 2014-A, 5.00%, 4/1/24	200	203
Univ. System of Maryland Auxiliary Facility and Tuition Revenue Bonds, Series 2022-A, 5.00%, 4/1/24	120	121
Univ. System of Maryland Auxiliary Facility and Tuition Revenue Bonds, Series B, 5.00%, 4/1/24	1,000	1,010
Univ. System of Maryland Auxiliary Facility and Tuition Revenue Bonds, Series D, 4.00%, 10/1/23	400	400
Total Other Municipal Security (Cost \$35,655)		35,655
VARIABLE RATE DEMAND NOTES 60.0%		
Howard County Housing Commission, Beech's Farm Apartments, VRDN, 4.04%, 9/8/23	4,350	4,350
Maryland CDA, Multi-Family, Fort Washington, Series A, VRDN, 4.10%, 9/8/23 (3)	4,515	4,515
Maryland CDA, Multi-Family, Kirkwood Housing, Series G, VRDN, 4.10%, 9/8/23	4,350	4,350
Maryland CDA, Multi-Family, Park View, Cantonsville, Series B, VRDN, 4.05%, 9/8/23 (3)	4,350	4,350
Maryland CDA, Residential, Series G, VRDN, 4.08%, 9/8/23 (3)	3,045	3,045
Maryland CDA, Residential, Series J, VRDN, 4.08%, 9/8/23 (3)	1,045	1,045
Maryland Economic Dev., Howard Hughes Medical, Series A, VRDN, 4.06%, 9/8/23	4,490	4,490
Maryland HHEFA, Johns Hopkins Univ., Series A, VRDN, 4.05%, 9/8/23	4,250	4,250
Maryland HHEFA, Pooled Loan Program, Series A, VRDN, 3.97%, 9/8/23	4,150	4,150
Maryland HHEFA, Pooled Loan Program, Series B, VRDN, 4.00%, 9/8/23	250	250
Maryland HHEFA, Univ. of Maryland Medical System, Series D, VRDN, 3.93%, 9/1/23	955	955
Maryland Stadium Auth., Football Stadium, VRDN, 4.00%, 9/8/23	4,320	4,320
Maryland Transportation Auth., BWI Airport Passenger Fac., Series C, VRDN, 4.20%, 9/8/23 (3)	2,260	2,260
Montgomery County, Series E, GO, VRDN, 4.05%, 9/1/23	3,225	3,225

	Par	\$ Value
(Amounts in 000s)		
Montgomery County Housing Opportunities Commission, Series B, VRDN, 4.11%, 9/8/23 (3)	395	395
Montgomery County Housing Opportunities Commission, Series C, VRDN, 4.04%, 9/8/23	1,425	1,425
Montgomery County Housing Opportunities Commission, Series D, VRDN, 4.04%, 9/8/23	2,500	2,500
Montgomery County Housing Opportunities Commission, Housing Dev., Series A, VRDN, 4.05%, 9/8/23	3,325	3,325
Washington Suburban Sanitary Commission, Series B, GO, VRDN, BAN, 3.97%, 9/1/23	3,500	3,500
Total Variable Rate Demand Notes (Cost \$56,700)		56,700
Total Investments in Securities		
103.7% of Net Assets (Cost \$97,905)	\$	97,905

‡ Par is denominated in U.S. dollars unless otherwise noted.

(1) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration only to qualified institutional buyers. Total value of such securities at period-end amounts to \$5,925 and represents 6.3% of net assets.

(2) When-issued security

(3) Interest subject to alternative minimum tax.

BAN Bond Anticipation Note

CDA Community Development Administration/Authority

COP Certificate of Participation

DOT Department of Transportation

GO General Obligation

HHEFA Health & Higher Educational Facility Authority

TAN Tax Anticipation Note

TECP Tax-Exempt Commercial Paper

VR Variable Rate; rate shown is effective rate at period-end. The rates for certain variable rate securities are not based on a published reference rate and spread but are determined by the issuer or agent and based on current market conditions.

VRDN Variable Rate Demand Note under which the holder has the right to sell the security to the issuer or the issuer's agent at a predetermined price on specified dates; such specified dates are considered the effective maturity for purposes of the fund's weighted average maturity; rate shown is effective rate at period-end and maturity date shown is the date principal can be demanded. Certain VRDN rates are not based on a published reference rate and spread but may adjust periodically.

VRTR Variable Rate Trust Receipt is a synthetic variable rate instrument which entitles the holder to sell the security to the issuer or its agent at a predetermined price on specified dates; such specified dates are considered the effective maturity for purposes of the fund's weighted average maturity; rate shown is effective rate at period-end; and maturity date shown is the date principal can be demanded. Certain VRTR rates are not based on a published reference rate and spread but may adjust periodically.

August 31, 2023 (Unaudited)

STATEMENT OF ASSETS AND LIABILITIES

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

Assets

Investments in securities, at value (cost \$97,905)	\$	97,905
Interest receivable		718
Receivable for shares sold		57
Cash		46
Due from affiliates		2
Other assets		32
Total assets		<u>98,760</u>

Liabilities

Payable for investment securities purchased		4,300
Investment management fees payable		15
Payable for shares redeemed		5
Other liabilities		31
Total liabilities		<u>4,351</u>

NET ASSETS**\$ 94,409****Net Assets Consist of:**

Total distributable earnings (loss)	\$	(9)
Paid-in capital applicable to 94,375,379 shares of \$0.0001 par value capital stock outstanding; 2,000,000,000 shares of the Corporation authorized		<u>94,418</u>

NET ASSETS**\$ 94,409****NET ASSET VALUE PER SHARE****Investor Class****(Net assets: \$18,335; Shares outstanding: 18,328,929)** **\$ 1.00****I Class****(Net assets: \$76,074; Shares outstanding: 76,046,450)** **\$ 1.00**

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

T. ROWE PRICE MARYLAND TAX-FREE MONEY FUND

(Unaudited)

STATEMENT OF OPERATIONS

(\$000s)

		6 Months Ended 8/31/23
Investment Income (Loss)		
Interest income		\$ 1,492
Expenses		
Investment management		93
Shareholder servicing		
Investor Class	\$ 22	
I Class	5	27
Prospectus and shareholder reports		
Investor Class	3	
I Class	2	5
Custody and accounting		90
Registration		21
Legal and audit		15
Proxy and annual meeting		1
Miscellaneous		11
Waived / paid by Price Associates		(125)
Total expenses		138
Net investment income		1,354
INCREASE IN NET ASSETS FROM OPERATIONS		\$ 1,354

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

(Unaudited)

STATEMENT OF CHANGES IN NET ASSETS

(\$000s)

	6 Months Ended 8/31/23	Year Ended 2/28/23
Increase (Decrease) in Net Assets		
Operations		
Net investment income	\$ 1,354	\$ 1,305
Increase in net assets from operations	1,354	1,305
Distributions to shareholders		
Net earnings		
Investor Class	(266)	(253)
I Class	(1,114)	(1,034)
Decrease in net assets from distributions	(1,380)	(1,287)
Capital share transactions*		
Shares sold		
Investor Class	6,670	22,567
I Class	10,379	55,345
Distributions reinvested		
Investor Class	258	245
I Class	1,101	1,020
Shares redeemed		
Investor Class	(9,348)	(34,221)
I Class	(14,264)	(38,486)
Increase (decrease) in net assets from capital share transactions	(5,204)	6,470
Net Assets		
Increase (decrease) during period	(5,230)	6,488
Beginning of period	99,639	93,151
End of period	\$ 94,409	\$ 99,639

* Capital share transactions at net asset value of \$1.00 per share.

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

NOTES TO FINANCIAL STATEMENTS

T. Rowe Price State Tax-Free Funds, Inc. (the corporation) is registered under the Investment Company Act of 1940 (the 1940 Act). The Maryland Tax-Free Money Fund (the fund) is a diversified, open-end management investment company established by the corporation. The fund seeks to provide preservation of capital, liquidity, and, consistent with these objectives, the highest level of income exempt from federal and Maryland state and local income taxes. The fund intends to operate as a retail money market fund and has the ability to impose liquidity fees on redemptions if the fund's Board of Directors determine that doing so is in the best interests of the shareholders. The fund has two classes of shares: the Maryland Tax-Free Money Fund (Investor Class) and the Maryland Tax-Free Money Fund-I Class (I Class). I Class shares require a \$500,000 initial investment minimum, although the minimum generally is waived or reduced for financial intermediaries, eligible retirement plans, and certain other accounts. 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 fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity.

Investment Transactions, Investment Income, and Distributions Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Income tax-related interest and penalties, if incurred, are recorded as income tax expense. Distributions to shareholders are recorded on the ex-dividend date. Income distributions, if any, are declared by each class daily and paid monthly. A capital gain distribution, if any, may also be declared and paid by the fund annually.

Class Accounting Shareholder servicing, prospectus, and shareholder report expenses incurred by each class are charged directly to the class to which they relate. Expenses common to all classes and investment income are allocated to the classes based upon the relative daily net assets of each class's settled shares; realized and unrealized gains and losses are allocated based upon the relative daily net assets of each class's outstanding shares.

Capital Transactions Each investor's interest in the net assets of the fund is represented by fund shares. The fund's net asset value (NAV) per share is computed at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day the NYSE is open for business. However, the NAV per share may be calculated at a time other than the normal close of the NYSE if trading on the NYSE is restricted, if the NYSE closes earlier, or as may be permitted by the SEC. Purchases and redemptions of fund shares are transacted at the next-computed NAV per share, after receipt of the transaction order by T. Rowe Price Associates, Inc., or its agents.

New Accounting Guidance The FASB issued Accounting Standards Update (ASU), ASU 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting in March 2020 and ASU 2021-01 in January 2021 which provided further amendments and clarifications to Topic 848. These ASUs provide optional, temporary relief with respect to the financial reporting of contracts subject to certain types of modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR), and other interbank-offered based reference rates, through December 31, 2022. In December 2022, FASB issued ASU 2022-06 which defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. Management intends to rely upon the relief provided under Topic 848, which is not expected to have a material impact on the fund's financial statements.

Indemnification In the normal course of business, the fund may provide indemnification in connection with its officers and directors, service providers, and/or private company investments. The fund's maximum exposure under these arrangements is unknown; however, the risk of material loss is currently considered to be remote.

NOTE 2 - VALUATION

The fund's financial instruments are valued at the close of the NYSE and are reported at fair value, which GAAP defines as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities other than financial instruments, including

short-term receivables and payables, are carried at cost, or estimated realizable value, if less, which approximates fair value. The fund's Board of Directors (the Board) has designated T. Rowe Price Associates, Inc. as the fund's valuation designee (Valuation Designee). Subject to oversight by the Board, the Valuation Designee performs the following functions in performing fair value determinations: assesses and manages valuation risks; establishes and applies fair value methodologies; tests fair value methodologies; and evaluates pricing vendors and pricing agents. The duties and responsibilities of the Valuation Designee are performed by its Valuation Committee. The Valuation Designee provides periodic reporting to the Board on valuation matters.

Various valuation techniques and inputs are used to determine the fair value of financial instruments. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical financial instruments that the fund can access at the reporting date
- Level 2 – inputs other than Level 1 quoted prices that are observable, either directly or indirectly (including, but not limited to, quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets, interest rates and yield curves, implied volatilities, and credit spreads)
- Level 3 – unobservable inputs (including the Valuation Designee's assumptions in determining fair value)

Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions market participants would use to price the financial instrument. Unobservable inputs are those for which market data are not available and are developed using the best information available about the assumptions that market participants would use to price the financial instrument. GAAP requires valuation techniques to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level but rather the degree of judgment used in determining those values.

In accordance with Rule 2a-7 under the 1940 Act, the fund values its securities at amortized cost, which approximates fair value. Securities for which amortized cost is deemed not to reflect fair value are stated at fair value as determined in good faith by the Valuation Designee, in accordance with fair valuation policies and procedures. On August 31, 2023, all of the fund's financial instruments were classified as Level 2 in the fair value hierarchy.

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.

Restricted Securities The fund invests in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

When-Issued Securities The fund enters into when-issued purchase or sale commitments, pursuant to which it agrees to purchase or sell, respectively, an authorized but not yet issued security for a fixed unit price, with payment and delivery not due until issuance of the security on a scheduled future date. When-issued securities may be new securities or securities issued through a corporate action, such as a reorganization or restructuring. Until settlement, the fund maintains liquid assets sufficient to settle its commitment to purchase a when-issued security or, in the case of a sale commitment, the fund maintains an entitlement to the security to be sold. Amounts realized on when-issued transactions are included in realized gain/loss on securities in the accompanying financial statements.

NOTE 4 - FEDERAL INCOME TAXES

Generally, 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 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 amount and character of tax-basis distributions and composition of net assets are finalized at fiscal year-end; accordingly, tax-basis balances have not been determined as of the date of this report.

The fund intends to retain realized gains to the extent of available capital loss carryforwards. Net realized capital losses may be carried forward indefinitely to offset future realized capital gains. As of February 28, 2023, the fund had \$5,000 of available capital loss carryforwards.

At August 31, 2023, the cost of investments (including derivatives, if any) for federal income tax purposes was \$97,905,000.

NOTE 5 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management agreement between the fund and Price Associates provides for an annual investment management fee equal to 0.19% of the fund's average daily net assets. The fee is computed daily and paid monthly.

The Investor Class is subject to a contractual expense limitation through the expense limitation date indicated in the table below. During the limitation period, Price Associates is required to waive its management fee or pay any expenses (excluding interest; expenses related to borrowings, taxes, and brokerage; non-recurring, extraordinary expenses; and acquired fund fees and expenses) that would otherwise cause the class's ratio of annualized total expenses to average net assets (net expense ratio) to exceed its expense limitation. The class is required to repay Price Associates for expenses previously waived/paid to the extent the class's net assets grow or expenses decline sufficiently to allow repayment without causing the class's net expense ratio (after the repayment is taken into account) to exceed the lesser of: (1) the expense limitation in place at the time such amounts were waived; or (2) the class's current expense limitation. However, no repayment will be made more than three years after the date of a payment or waiver.

The I Class is also subject to an operating expense limitation (I Class Limit) pursuant to which Price Associates is contractually required to pay all operating expenses of the I Class, excluding management fees; interest; expenses related to borrowings, taxes, and brokerage; non-recurring, extraordinary expenses; and acquired fund fees and expenses, to the extent such operating expenses, on an annualized basis, exceed the I Class Limit. This agreement will continue through the expense limitation date indicated in the table below, and may be renewed, revised, or revoked only with approval of the fund's Board. The I Class is required to repay Price Associates for expenses previously paid to the extent the class's net assets grow or expenses decline sufficiently to allow repayment without causing the class's operating expenses (after the repayment is taken into account) to exceed the lesser of: (1) the I Class Limit in place at the time such amounts were paid; or (2) the current I Class Limit. However, no repayment will be made more than three years after the date of a payment or waiver.

Pursuant to these agreements, expenses were waived/paid by and/or repaid to Price Associates during the six months ended August 31, 2023 as indicated in the table below. Including these amounts, expenses previously waived/paid by Price Associates in the amount of \$665,000 remain subject to repayment by the fund at August 31, 2023. Any repayment of expenses previously waived/paid by Price Associates during the period would be included in the net investment income and expense ratios presented on the accompanying Financial Highlights.

	Investor Class	I Class
Expense limitation/I Class Limit	0.41%	0.05%
Expense limitation date	06/30/25	06/30/25
(Waived)/repaid during the period (\$000s)	\$(31)	\$(94)

Price Associates may voluntarily waive all or a portion of its management fee and reimburse operating expenses to the extent necessary for the fund to maintain a zero or positive net yield (voluntary waiver). This voluntary waiver is in addition to the contractual expense limit in effect for the fund. Any amounts waived/paid by Price Associates under this voluntary agreement are not subject to repayment by the fund. Price Associates may amend or terminate this voluntary arrangement at any time without prior notice. For the six months ended August 31, 2023, the fund had no voluntary waivers.

In addition, the fund has entered into service agreements with Price Associates and a wholly owned subsidiary of Price Associates, each an affiliate of the fund (collectively, Price). Price Associates provides certain accounting and 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. For the six months ended August 31, 2023, expenses incurred pursuant to these service agreements were \$57,000 for Price Associates and \$22,000 for T. Rowe Price Services, Inc. All amounts due to and due from Price, exclusive of investment management fees payable, are presented net on the accompanying Statement of Assets and Liabilities.

The fund may participate in securities purchase and sale transactions with other funds or accounts advised by Price Associates (cross trades), in accordance with procedures adopted by the fund's Board and Securities and Exchange Commission rules, which require, among other things, that such purchase and sale cross trades be effected at the independent current market price of the security. During the six months ended August 31, 2023, the fund had no purchases or sales cross trades with other funds or accounts advised by Price Associates.

NOTE 6 - OTHER MATTERS

Unpredictable events such as environmental or natural disasters, war, terrorism, pandemics, outbreaks of infectious diseases, and similar public health threats may significantly affect the economy and the markets and issuers in which the fund invests. Certain events may cause instability across global markets, including reduced liquidity and disruptions in trading markets, while some events may affect certain geographic regions, countries, sectors, and industries more significantly than others, and exacerbate other pre-existing political, social, and economic risks.

Since 2020, a novel strain of coronavirus (COVID-19) has resulted in disruptions to global business activity and caused significant volatility and declines in global financial markets.

In February 2022, Russian forces entered Ukraine and commenced an armed conflict leading to economic sanctions being imposed on Russia and certain of its citizens, creating impacts on Russian-related stocks and debt and greater volatility in global markets.

In March 2023, the collapse of some US regional and global banks as well as overall concerns around the soundness and stability of the global banking sector has sparked concerns of a broader financial crisis impacting the overall global banking sector. In certain cases, government agencies have assumed control or otherwise intervened in the operations of certain banks due to liquidity and solvency concerns. The extent of impact of these events on the US and global markets is highly uncertain.

These are recent examples of global events which may have a negative impact on the values of certain portfolio holdings or the fund's overall performance. Management is actively monitoring the risks and financial impacts arising from these events.

INFORMATION ON PROXY VOTING POLICIES, PROCEDURES, AND RECORDS

A description of the policies and procedures used by T. Rowe Price funds to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page:

<https://www.troweprice.com/corporate/us/en/utility/policies.html>

Scroll down to the section near the bottom of the page that says, "Proxy Voting Guidelines." Click on the links in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

RESULTS OF PROXY VOTING

A Special Meeting of Shareholders was held on July 24, 2023 for shareholders of record on April 7, 2023, to elect the following director-nominees to serve on the Board of all Price Funds. The newly elected Directors took office effective July 24, 2023.

The results of the voting were as follows:

	Votes For	Votes Withheld
Melody Bianchetto	268,416,291	2,275,410
Mark J. Parrell	268,553,693	2,457,333
Kellye L. Walker	268,174,949	2,486,113
Eric L. Veiel	269,060,099	2,087,533

Teresa Bryce Bazemore, Bruce W. Duncan, Robert J. Gerrard, Jr., Paul F. McBride and David Oestreicher continue to serve as Directors on the Board of all Price Funds.

HOW TO OBTAIN QUARTERLY PORTFOLIO HOLDINGS

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) each month on Form N-MFP. The fund's reports on Form N-MFP are available on the SEC's website (sec.gov). In addition, most T. Rowe Price funds disclose their portfolio holdings information on [troweprice.com](https://www.troweprice.com).

TAILORED SHAREHOLDER REPORTS FOR MUTUAL FUNDS AND EXCHANGE TRADED FUNDS

In October 2022, the Securities and Exchange Commission (SEC) adopted rule and form amendments requiring Mutual Funds and Exchange-Traded Funds to transmit concise and visually engaging streamlined annual and semiannual reports that highlight key information to shareholders. Other information, including financial statements, will no longer appear in the funds' shareholder reports but will be available online, delivered free of charge upon request, and filed on a semiannual basis on Form N-CSR. The rule and form amendments have a compliance date of July 24, 2024.

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT

Each year, the fund's Board of Directors (Board) considers the continuation of the investment management agreement (Advisory Contract) between the fund and its investment adviser, T. Rowe Price Associates, Inc. (Adviser). In that regard, at a meeting held on March 6–7, 2023 (Meeting), the Board, including all of the fund's independent directors, approved the continuation of the fund's Advisory Contract. At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of the Adviser and the approval of the Advisory Contract. The independent directors were assisted in their evaluation of the Advisory Contract by independent legal counsel from whom they received separate legal advice and with whom they met separately.

In providing information to the Board, the Adviser was guided by a detailed set of requests for information submitted by independent legal counsel on behalf of the independent directors. In considering and approving the continuation of the Advisory Contract, the Board considered the information it believed was relevant, including, but not limited to, the information discussed below. The Board considered not only the specific information presented in connection with the Meeting but also the knowledge gained over time through interaction with the Adviser about various topics. The Board meets regularly and, at each of its meetings, covers an extensive agenda of topics and materials and considers factors that are relevant to its annual consideration of the renewal of the T. Rowe Price funds' advisory contracts, including performance and the services and support provided to the funds and their shareholders.

Services Provided by the Adviser

The Board considered the nature, quality, and extent of the services provided to the fund by the Adviser. These services included, but were not limited to, directing the fund's investments in accordance with its investment program and the overall management of the fund's portfolio, as well as a variety of related activities such as financial, investment operations, and administrative services; compliance; maintaining the fund's records and registrations; and shareholder communications. The Board also reviewed the background and experience of the Adviser's senior management team and investment personnel involved in the management of the fund, as well as the Adviser's compliance record. The Board concluded that the information it considered with respect to the nature, quality, and extent of the services provided by the Adviser, as well as the other factors considered at the Meeting, supported the Board's approval of the continuation of the Advisory Contract.

Investment Performance of the Fund

The Board took into account discussions with the Adviser and detailed reports that it regularly receives throughout the year on relative and absolute performance for the T. Rowe Price funds. In connection with the Meeting, the Board reviewed information provided by the Adviser that compared the fund's total returns, as well as a wide variety of other previously agreed-upon performance measures and market data, against relevant benchmark indexes and peer groups of funds with similar investment programs for

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

various periods through December 31, 2022. Additionally, the Board reviewed the fund's relative performance information as of September 30, 2022, which ranked the returns of the fund's Investor Class for various periods against a universe of funds with similar investment programs selected by Broadridge, an independent provider of mutual fund data.

In the course of its deliberations, the Board considered performance information provided throughout the year and in connection with the Advisory Contract review at the Meeting, as well as information provided during investment review meetings conducted with portfolio managers and senior investment personnel during the course of the year regarding the fund's performance. The Board also considered relevant factors, such as overall market conditions and trends that could adversely impact the fund's performance, length of the fund's performance track record, and how closely the fund's strategies align with its benchmarks and peer groups. The Board noted that, as of December 31, 2022, the fund lagged its benchmark for certain performance periods and the fund's total returns ranked in the fourth quartile for certain periods when compared with performance peer groups selected by third-party data providers. The Adviser provided the Board with information addressing the fund's performance relative to its benchmarks and performance peers during the applicable periods and the primary reasons for such results. The Board considered the Adviser's responses relating to the fund's performance during certain of the evaluated periods. The Board concluded that the information it considered with respect to the fund's performance, as well as the other factors considered at the Meeting, supported the Board's approval of the continuation of the Advisory Contract.

Costs, Benefits, Profits, and Economies of Scale

The Board reviewed detailed information regarding the revenues received by the Adviser under the Advisory Contract and other direct and indirect benefits that the Adviser (and its affiliates) may have realized from its relationship with the fund. In considering soft-dollar arrangements pursuant to which research may be received from broker-dealers that execute the fund's portfolio transactions, the Board noted that the Adviser bears the cost of research services for all client accounts that it advises, including the T. Rowe Price funds. The Board received information on the estimated costs incurred and profits realized by the Adviser from managing the T. Rowe Price funds. While the Board did not review information regarding profits realized from managing the fund in particular because the fund had either not achieved sufficient portfolio asset size or not recognized sufficient revenues to produce meaningful profit margin percentages, the Board concluded that the Adviser's profits were reasonable in light of the services provided to the T. Rowe Price funds.

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

The Board also considered whether the fund benefits under the fee levels set forth in the Advisory Contract or otherwise from any economies of scale realized by the Adviser. Under the Advisory Contract, the fund pays a fee to the Adviser for investment management services based on the fund's average daily net assets and the fund pays its own expenses of operations. Assets of the fund are included in the calculation of the group fee rate, which serves as a component of the management fee for many other T. Rowe Price funds and declines at certain asset levels based on the combined average net assets of most of the T. Rowe Price funds (including the fund). Although the fund does not have a group fee component to its management fee, its assets are included in the calculation because certain resources utilized to operate the fund are shared with other T. Rowe Price funds. The fund is also subject to contractual expense limitations that require the Adviser to waive its fees and/or bear any expenses that would otherwise cause the expenses of a share class of the fund to exceed a certain percentage based on the class's net assets. The expense limitations mitigate the potential for an increase in operating expenses above a certain level that could impact shareholders.

In addition, the Board noted that the fund potentially shares in indirect economies of scale through the Adviser's ongoing investments in its business in support of the T. Rowe Price funds, including investments in trading systems, technology, and regulatory support enhancements, and the ability to possibly negotiate lower fee arrangements with third-party service providers. The Board concluded that the advisory fee structure for the fund provides for a reasonable sharing of benefits from any economies of scale with the fund's investors.

Fees and Expenses

The Board was provided with information regarding industry trends in management fees and expenses. Among other things, the Board reviewed data for peer groups that were compiled by Broadridge, which compared: (i) contractual management fees, actual management fees, nonmanagement expenses, and total expenses of the Investor Class of the fund with a group of competitor funds selected by Broadridge (Expense Group) and (ii) actual management fees, nonmanagement expenses, and total expenses of the Investor Class of the fund with a broader set of funds within the Lipper investment classification (Expense Universe). The Board considered the fund's contractual management fee rate, actual management fee rate (which reflects the management fees actually received from the fund by the Adviser after any applicable waivers, reductions, or reimbursements), operating expenses, and total expenses (which reflect the net total expense ratio of the fund after any waivers, reductions, or reimbursements) in comparison with the information for the Broadridge peer groups. Broadridge generally constructed the peer groups by seeking the most comparable funds based on similar investment classifications and objectives, expense structure, asset size, and operating components and attributes and ranked funds into quintiles, with the first quintile representing the funds with the lowest relative expenses and the fifth quintile representing the funds

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

with the highest relative expenses. The information provided to the Board indicated that the fund's contractual management fee ranked in the first quintile (Expense Group), the fund's actual management fee rate ranked in the first quintile (Expense Group and Expense Universe), and the fund's total expenses ranked in the second quintile (Expense Group) and first quintile (Expense Universe).

The Board also reviewed the fee schedules for other investment portfolios with similar mandates that are advised or subadvised by the Adviser and its affiliates, including separately managed accounts for institutional and individual investors; subadvised funds; and other sponsored investment portfolios, including collective investment trusts and pooled vehicles organized and offered to investors outside the United States. Management provided the Board with information about the Adviser's responsibilities and services provided to subadvisory and other institutional account clients, including information about how the requirements and economics of the institutional business are fundamentally different from those of the proprietary mutual fund business. The Board considered information showing that the Adviser's mutual fund business is generally more complex from a business and compliance perspective than its institutional account business and considered various relevant factors, such as the broader scope of operations and oversight, more extensive shareholder communication infrastructure, greater asset flows, heightened business risks, and differences in applicable laws and regulations associated with the Adviser's proprietary mutual fund business. In assessing the reasonableness of the fund's management fee rate, the Board considered the differences in the nature of the services required for the Adviser to manage its mutual fund business versus managing a discrete pool of assets as a subadviser to another institution's mutual fund or for an institutional account and that the Adviser generally performs significant additional services and assumes greater risk in managing the fund and other T. Rowe Price funds than it does for institutional account clients, including subadvised funds.

On the basis of the information provided and the factors considered, the Board concluded that the fees paid by the fund under the Advisory Contract are reasonable.

Approval of the Advisory Contract

As noted, the Board approved the continuation of the Advisory Contract. No single factor was considered in isolation or to be determinative to the decision. Rather, the Board concluded, in light of a weighting and balancing of all factors considered, that it was in the best interests of the fund and its shareholders for the Board to approve the continuation of the Advisory Contract (including the fees to be charged for services thereunder).

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T.RowePrice®

100 East Pratt Street
Baltimore, MD 21202

Call 1-800-225-5132 to 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.