Cardis John T
Form 4/A
February 03, 2005

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Cardis John T

(Last) (First) (Middle)

DELOITTE & TOUCHE, 10 WESTPORT ROAD

(Street)

WILTON, CT 06897

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
AVERY DENNISON CORPORATION [AVY]

3. Date of Earliest Transaction (Month/Day/Year)
10/01/2004

4. If Amendment, Date Original Filed(Month/Day/Year)
10/01/2004

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative	2. Conversion	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if	4. Transaction	5. Number of Derivative	6. Date Exercisable and Expiration Date	7. Title and Amount of Underlying Securities	8. D

Security (Instr. 3)	or Exercise Price of Derivative Security		any (Month/Day/Year)	Code (Instr. 8)	Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)			(Month/Day/Year)		(Instr. 3 and 4)		S (I
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Director Stock Option (Right to Buy)	$ 65.25	10/01/2004		A(1)		5,000		10/01/2005	10/01/2014	Common Stock	5,000	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Cardis John T DELOITTE & TOUCHE 10 WESTPORT ROAD WILTON, CT 06897	X			

Signatures

By: Irene Marquard For: John T. Cardis 02/03/2005

**Signature of Reporting Person Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Option grant under the Avery Dennison Corporation Director Equity Plan, as amended and restated. Options are exercisable in two cumulative installments of 50% each year beginning on the first anniversary date of the grant, which is the date given.

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1,559.9

167.8

1,106.5

1,274.3

Other assets
4.8

50.2

55.0

6.1

17.0

23.1

Total assets
234.4

1,446.1

1,680.5

180.6

1,167.0

1,347.6

Liabilities
8.8

56.8

65.6

10.7

26.2

36.9

Net assets
$
225.6

$
1,389.3

$
1,614.9

$
169.9

$
1,140.8

$
1,310.7

Attributable to redeemable non-controlling interests
$
69.5

$
617.7

$
687.2

$
43.3

$
415.8

$
459.1

Attributable to T. Rowe Price Group
156.1

771.6

927.7

126.6

725.0

851.6

$
225.6

$
1,389.3

$
1,614.9

$
169.9

$
1,140.8

$
1,310.7

Although we can redeem our net interest in these sponsored investment portfolios at any time, we cannot directly access or sell the assets held by the portfolios to obtain cash for general operations. Additionally, the assets of these investment portfolios are not available to our general creditors.

Since third party investors in these investment funds have no recourse to our credit, our overall risk related to the net assets of consolidated sponsored investment portfolios is limited to valuation changes associated with our net interest. We, however, are required to recognize the valuation changes associated with all underlying investments held by these portfolios in our condensed consolidated statements of income, and disclose the portion attributable to third party investors as net income attributable to redeemable non-controlling interests.

The operating results (in millions) of the consolidated sponsored investment portfolios for the three months ended March 31, 2016 and 2017, are reflected in our condensed consolidated statements of income as follows:

	Three months ended					
	3/31/2016			3/31/2017		
	Voting interest entities	Variable interest entities	Total	Voting interest entities	Variable interest entities	Total
Operating expenses reflected in net operating income	$(.5)	$(2.1)	$(2.6)	$(.3)	$(2.3)	$(2.6)
Net investment income reflected in non-operating income	6.3	17.5	23.8	5.3	43.6	48.9
Impact on income before taxes	$5.8	$15.4	$21.2	$5.0	$41.3	$46.3
Net income attributable to T. Rowe Price Group	$3.8	$8.2	$12.0	$3.9	$27.9	$31.8
Net income attributable to redeemable non-controlling interests	2.0	7.2	9.2	1.1	13.4	14.5
	$5.8	$15.4	$21.2	$5.0	$41.3	$46.3

The operating expenses of these consolidated portfolios are reflected in other operating expenses. For the three months ended March 31, 2016 and 2017, we eliminated $1.3 million and $.8 million, respectively, of these expenses against our investment advisory and administrative fees earned in preparing our condensed consolidated financial statements. The net investment income reflected in non-operating income includes dividend and interest income and realized and unrealized gains and losses on the underlying securities held by the consolidated sponsored investment portfolios.

The table below details the impact of these consolidated investment portfolios on the individual lines of our condensed consolidated statements of cash flows (in millions) for the three months ended March 31, 2016 and 2017.

	Three months ended					
	March 31, 2016			March 31, 2017		
	Voting interest entities	Variable interest entities	Total	Voting interest entities	Variable interest entities	Total
Net cash provided by operating activities	$(9.4)	$(424.1)	$(433.5)	$(.6)	$(538.2)	$(538.8)
Net cash provided by investing activities	26.3	42.8	69.1	(6.2)	(40.3)	(46.5)
Net cash (used in) provided by financing activities	(7.8)	451.1	443.3	3.2	570.1	573.3
Effect of exchange rate changes on cash and cash equivalents of consolidated sponsored investment portfolios	—	(1.4)	(1.4)	—	(3.4)	(3.4)
Net change in cash and cash equivalents during period	9.1	68.4	77.5	(3.6)	(11.8)	(15.4)
Cash and cash equivalents at beginning of year	—	—	—	10.3	55.3	65.6
Cash and cash equivalents at end of period	$9.1	$68.4	$77.5	$6.7	$43.5	$50.2

The net cash provided by (used in) financing activities during the first quarter of 2016 and 2017 includes 172.5 million and $22.2 million, respectively, of net subscriptions we made into the consolidated sponsored investment portfolios, net of dividends received. These cash flows were eliminated in consolidation.

FAIR VALUE MEASUREMENTS.

We determine the fair value of investments held by consolidated sponsored investment portfolios using the following broad levels of inputs as defined by related accounting standards:

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. These inputs are based on market data obtained from independent sources.
Level 3 – unobservable inputs reflecting our own assumptions based on the best information available. We do not value any
investments using Level 3 inputs.

These levels are not necessarily an indication of the risk or liquidity associated with these investment holdings. There have been no material transfers between the levels. The following table summarizes the investment holdings held by our consolidated sponsored investment portfolios (in millions) using fair value measurements determined based on the differing levels of inputs.

	Level 1	Level 2
December 31, 2016		
Assets		
Cash equivalents	$8.8	$.8
Equity securities	$281.8	$325.3

Fixed income securities	—	918.1
Other investments	.4	34.3
	$291.0	$1,278.5
Liabilities	$(.6)	$(13.6)

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	Level 1	Level 2
March 31, 2017		
Assets		
Cash equivalents	$5.7	$1.0
Equity securities	293.3	318.0
Fixed income securities	—	651.9
Other investments	.2	10.9
	$299.2	$981.8
Liabilities	$(.3)	$(7.6)

NOTE 6 – STOCKHOLDERS' EQUITY.

Regular cash dividends declared per share during the first three months of 2016 and 2017 were $.54 and $.57, respectively.

At March 31, 2017, a liability of $10.2 million is included in accounts payable and accrued expenses for common stock repurchases that settled by April 5, 2017.

NOTE 7 – STOCK-BASED COMPENSATION.

STOCK OPTIONS.

The following table summarizes the status of, and changes in, our stock options during the first quarter of 2017.

	Options	Weighted-average exercise price
Outstanding at December 31, 2016	24,364,322	$ 61.90
Exercised	(1,552,287)	$ 49.11
Forfeited	(13,765)	$ 74.51
Expired	(32,437)	$ 75.84
Outstanding at March 31, 2017	22,765,833	$ 62.75
Exercisable at March 31, 2017	15,947,980	$ 57.92

RESTRICTED SHARES AND STOCK UNITS.

The following table summarizes the status of, and changes in, our nonvested restricted shares and restricted stock units during the first quarter of 2017.

	Restricted shares	Restricted stock units	Weighted-average fair value
Nonvested at December 31, 2016	931,508	4,634,461	$ 72.19
Time-based grants	—	39,558	$ 66.77
Vested	(1,420)	(5,650)	$ 78.67
Forfeited	(3,626)	(15,449)	$ 72.92

Nonvested at March 31, 2017	926,462	4,652,920	$ 72.14

Nonvested at March 31, 2017, includes 14,400 performance-based restricted shares and 401,138 performance-based restricted stock units. These performance-based restricted shares and units include 14,400 restricted shares and 342,049 restricted stock units for which the performance period has lapsed and the performance threshold has been met.

FUTURE STOCK-BASED COMPENSATION EXPENSE.

The following table presents the compensation expense (in millions) to be recognized over the remaining vesting periods of the stock-based awards outstanding at March 31, 2017. Estimated future compensation expense will change to reflect future option grants, future awards of unrestricted shares and restricted stock units, changes in the probability of performance thresholds being met, and adjustments for actual forfeitures.

Second quarter 2017	$37.6
Third quarter 2017	37.8
Fourth quarter 2017	33.8
2018	85.7
2019 through 2022	72.9
Total	$267.8

NOTE 8 – EARNINGS PER SHARE CALCULATIONS.

The following table presents the reconciliation (in millions) of net income attributable to T. Rowe Price Group to net income allocated to our common stockholders and the weighted-average shares (in millions) that are used in calculating the basic and diluted earnings per share on our common stock. Weighted-average common shares outstanding assuming dilution reflect the potential dilution, determined using the treasury stock method, that could occur if outstanding stock options were exercised and non-participating stock awards vested.

	Three months ended	
	3/31/2016	3/31/2017
Net income attributable to T. Rowe Price Group	$304.1	$ 385.9
Less: net income allocated to outstanding restricted stock and stock unit holders	5.8	8.7
Net income allocated to common stockholders	$298.3	$ 377.2
Weighted-average common shares		
Outstanding	246.7	242.1
Outstanding assuming dilution	251.9	245.5

The following table shows the weighted-average outstanding stock options (in millions) that are excluded from the calculation of diluted earnings per common share as the inclusion of such shares would be anti-dilutive.

	Three months ended	
	3/31/2016	3/31/2017
Weighted-average outstanding stock options excluded	10.8	9.5

NOTE 9 - OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME.

The following table presents the impact of the components (in millions) of other comprehensive income or loss on deferred tax benefits (income taxes).

	Three months ended	
	3/31/2016	3/31/2017
Net deferred tax benefits (income taxes) on:		
Net unrealized holding gains or losses	$2.5	$ (7.1)
Reclassification adjustments recognized in the provision for income taxes:		
Net gains realized on dispositions	20.6	18.6
Net deferred tax benefits on net unrealized holding gains or losses	23.1	11.5
Total deferred income taxes on currency translation adjustments	(6.7)	(.8)
Total net deferred tax benefits (income taxes)	$16.4	$ 10.7

The changes (in millions) in each component of accumulated other comprehensive income, including reclassification adjustments for the first quarter of 2017 are presented in the table below.

		Currency translation adjustments			
	Net unrealized holding gains	Equity method investments	Consolidated sponsored investment portfolios - variable interest entities	Total currency translation adjustments	Total
Balances at December 31, 2016	$ 52.2	$(32.3)	$ (8.4)	$ (40.7)	$11.5
Other comprehensive income (loss) before reclassifications and income taxes	18.3	(3.2)	4.9	1.7	20.0
Reclassification adjustments recognized in non-operating income	(47.6)	—	—	—	(47.6)
	(29.3)	(3.2)	4.9	1.7	(27.6)
Net deferred tax benefits (income taxes)	11.5	1.1	(1.9)	(.8)	10.7
Other comprehensive income (loss)	(17.8)	(2.1)	3.0	.9	(16.9)
Balances at March 31, 2017	$ 34.4	$(34.4)	$ (5.4)	$ (39.8)	$(5.4)

NOTE 10 - DELL APPRAISAL RIGHTS MATTER.

In 2016, we paid $166.2 million to compensate certain T. Rowe Price mutual funds, trusts, separately managed accounts, and subadvised clients (collectively, Clients) for the denial of their appraisal rights by the Delaware Chancery Court (Court) in connection with the 2013 leveraged buyout of Dell, Inc. (Dell).

The Court ruled on May 11, 2016, that the Clients could not pursue an appraisal of any shares they held that were voted in favor of the Dell merger. The appraisal statute governing the transaction required the record holder to vote against or abstain from voting on the transaction in order to assert appraisal rights. After previously voting against prior transaction proposals, the voting instructions submitted on behalf of the Clients in connection with voting on the final proposed transaction were incorrectly submitted in favor of the transaction. On May 31, 2016, the Court determined that the fair value of Dell at the time of the merger was $17.62 per share, as opposed to the $13.75 price offered in the transaction. As a result, any shareholder perfecting appraisal rights is entitled to a payment at $17.62 per share plus statutory interest from the date the Dell transaction closed. The compensation to Clients was intended to make them whole for the voting discrepancy that resulted in the denial of their appraisal rights.

On December 30, 2016, we signed a settlement agreement with our insurance carrier for insurance proceeds totaling $100.0 million related to this matter. We recognized the proceeds as a reduction to the $166.2 million nonrecurring charge that we recognized in the second quarter of 2016 and as a receivable in other assets at December 31, 2016. We received the insurance proceeds on January 24, 2017. In the first quarter of 2017, we recognized a reduction in operating expenses from insurance recoveries from other insurance carriers totaling an additional $50 million, of which $40 million was paid during the quarter and $10 million is recorded as a receivable in other assets at March 31, 2017.

NOTE 11 - SUPPLEMENTARY CONSOLIDATING CASH FLOW STATEMENT.

The following tables summarize the cash flows (in millions) for the three months ended March 31, 2016 and 2017, that are attributable to T. Rowe Price Group, our consolidated sponsored investment portfolios and the related eliminations required in preparing the statements.

	Three months ended March 31, 2016				March 31, 2017			
	Cash flow attributable to T. Rowe Price Group	Cash flow attributable to consolidated sponsored investment portfolios	Eliminations	As reported	Cash flow attributable to T. Rowe Price Group	Cash flow attributable to consolidated sponsored investment portfolios	Eliminations	As reported
Cash flows from operating activities								
Net income	$304.1	$ 21.2	$ (12.0)	$313.3	$385.9	$ 46.3	$ (31.8)	$400.4
Adjustments to reconcile net income to net cash provided by (used in) operating activities								
Depreciation and amortization of property and equipment	32.2	—	—	32.2	35.6	—	—	35.6
Stock-based compensation expense	36.8	—	—	36.8	36.8	—	—	36.8
Realized gains on dispositions of available-for-sale sponsored investment portfolios	(52.3)	—	—	(52.3)	(47.6)	—	—	(47.6)
Net gains recognized on investments	(18.9)	—	12.0	(6.9)	(46.2)	—	31.8	(14.4)
Net change in trading securities held by consolidated sponsored investment portfolios	—	(458.7)	—	(458.7)	—	(566.3)	—	(566.3)
Other changes in assets and liabilities	205.5	4.0	(1.4)	208.1	363.6	(18.8)	(.8)	344.0
Net cash provided by operating activities	507.4	(433.5)	(1.4)	72.5	728.1	(538.8)	(.8)	188.5
Net cash provided by investing activities	(35.2)	69.1	173.9	207.8	52.9	(46.5)	23.0	29.4
Net cash (used in) provided by financing activities	(321.6)	443.3	(172.5)	(50.8)	(405.1)	573.3	(22.2)	146.0
Effect of exchange rate changes on cash and cash equivalents of consolidated sponsored investment portfolios	—	(1.4)	—	(1.4)	—	(3.4)	—	(3.4)

Net change in cash and cash equivalents during period	150.6	77.5	—	228.1	375.9	(15.4)	—	360.5
Cash and cash equivalents at beginning of year	1,172.3	—	—	1,172.3	1,204.9	65.6	—	1,270.5
Cash and cash equivalents at end of period	$1,322.9	$ 77.5	$ —	$1,400.4	$1,580.8	$ 50.2	$ —	$1,631.0

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
T. Rowe Price Group, Inc.:

We have reviewed the condensed consolidated balance sheet of T. Rowe Price Group, Inc. and subsidiaries ("the Company") as of March 31, 2017, the related condensed consolidated statements of income, comprehensive income and cash flows for the three month periods ended March 31, 2017 and 2016, and the related condensed consolidated statement of stockholders' equity for the three-month period ended March 31, 2017. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of T. Rowe Price Group, Inc. and subsidiaries as of December 31, 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 7, 2017, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2016, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP
Baltimore, Maryland
April 25, 2017

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

GENERAL.

Our revenues and net income are derived primarily from investment advisory services provided to individual and institutional investors in our sponsored U.S. mutual funds and other investment portfolios. The other investment portfolios include: separately managed accounts, subadvised funds, and other sponsored investment portfolios including collective investment trusts, target-date retirement trusts, open-ended investment products offered to investors outside the U.S., and portfolios offered through variable annuity life insurance plans in the U.S. Investment advisory clients domiciled outside the U.S. account for nearly 5% of our assets under management at March 31, 2017.

We manage a broad range of U.S., international and global stock, bond, and money market mutual funds and other investment portfolios, which meet the varied needs and objectives of individual and institutional investors. Investment advisory revenues depend largely on the total value and composition of assets under our management. Accordingly, fluctuations in financial markets and in the composition of assets under management affect our revenues and results of operations. We incur significant expenditures to develop new products and services, and improve and expand our capabilities and distribution channels in order to attract new investment advisory clients and additional investments from our existing clients. These efforts often involve costs that precede any future revenues that we may recognize from an increase to our assets under management.

We remain debt-free with ample liquidity and resources that allow us to take advantage of attractive growth opportunities; invest in key capabilities, including investment professionals, technologies, and new product offerings; and, most importantly, provide our clients with strong investment management expertise and service both now and in the future. We expect to continue our investment in long-term initiatives to sustain and deepen our investment talent, add investment capabilities both in terms of new strategies and new investment vehicles, expand capabilities through enhanced technology, and broaden our distribution reach globally.

We expect to increase our pace of spending on a series of key strategic priorities to address evolving client needs and to grow and further diversify our business. Based on these planned initiatives, we currently expect that our planned operating expenses, excluding the operating expense impact of the Dell appraisal rights matter, will grow about 10% in 2017 versus 2016. We could elect to moderate the pace of spending on our planned initiatives should markets decline significantly. In addition, other events not currently planned or expected could impact our expense levels.

BACKGROUND.

U.S. stocks rose in the first quarter of 2017, continuing their post-election rally, helped by positive domestic economic data and signs of stronger growth around the world. Large-cap stocks outperformed their smaller peers. For much of the period, investors were optimistic that the new president and a Republican-controlled Congress would quickly pass legislation that would reduce tax rates, increase infrastructure spending, and ultimately contribute to stronger U.S. growth and corporate profits. Stocks struggled a bit in March, however, as the Federal Reserve raised short-term interest rates on March 15. Also, the failure of the House of Representatives to pass legislation replacing the Affordable Care Act raised some concerns that the president's legislative agenda would have more difficulty passing through Congress than previously believed.

Stocks in developed non-U.S. markets performed better than U.S. shares, as a weaker dollar versus major non-U.S. currencies lifted returns in dollar terms. Japanese shares were flat in yen terms but rose more than 4% in U.S. dollar terms due to a stronger yen versus the dollar. In Europe, equity markets were buoyed by improving macroeconomic trends and produced good returns. UK shares returned about 5%, as the government formally began the two-year process of leaving the European Union in March.

Emerging markets equities outperformed stocks in developed markets, helped in part by stronger currencies versus the dollar. Asian markets were led by India and South Korea. Latin American markets rose broadly. In emerging Europe, Russian shares fell more than 4% in dollar terms, as the economy remained sluggish, oil prices sagged, and hopes faded for U.S. sanctions to be lifted.

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Returns of several major equity market indexes for the first quarter of 2017, are as follows:

Index	Three months ended 3/31/2017
S&P 500 Index	6.1%
NASDAQ Composite Index [1]	9.8%
Russell 2000 Index	2.5%
MSCI EAFE (Europe, Australasia, and Far East) Index	7.4%
MSCI Emerging Markets Index	11.5%

[1] returns exclude dividends

Global bond returns were mostly positive in the first quarter of 2017. In the U.S., investment-grade bond prices rose as long-term interest rates edged lower, even though the Fed raised short-term rates in March and Fed officials projected two more rate increases this year. The 10-year Treasury note yield slipped from 2.45% to 2.40% during the quarter. Municipal bonds outperformed taxable bonds, helped by limited issuance and a pickup in demand. High yield bonds struggled in March but outperformed high-quality bonds for the quarter, as investors continued to seek securities with attractive yields.

Bonds in developed international markets produced solid returns, as stronger international currencies boosted returns in dollar terms. In Europe, increasing inflation and anticipation of rising U.S. interest rates pressured some bond yields higher. In Japan, the central bank continued pursuing its policy of keeping the 10-year government bond yield near 0%. Bonds in emerging markets outpaced bonds in developed markets, helped by investors' demand for higher-yielding securities. In general, bonds denominated in local currencies did better than dollar-denominated debt.

Returns for several major bond market indexes for the first quarter of 2017, are as follows:

Index	Three months ended 3/31/2017
Bloomberg Barclays U.S. Aggregate Bond Index	.8%
JPMorgan Global High Yield Index	2.9%
Bloomberg Barclays Municipal Bond Index	1.6%
Bloomberg Barclays Global Aggregate Ex-U.S. Dollar Bond Index	2.5%
JPMorgan Emerging Markets Bond Index Plus	3.8%

ASSETS UNDER MANAGEMENT.

Assets under management ended the first quarter of 2017 at $861.6 billion, an increase of $50.8 billion from December 31, 2016. We had net cash inflows of $.7 billion in the first quarter of 2017. The following table presents our assets under management (in billions) at December 31, 2016, and March 31, 2017, by investment portfolio and asset class.

	As of 12/31/2016	3/31/2017
Sponsored U.S. mutual funds	$514.2	$ 548.3
Other investment portfolios	296.6	313.3
Total assets under management	$810.8	$ 861.6

	As of 12/31/2016	3/31/2017
Equity	$450.6	$ 482.9
Fixed income	121.2	123.5
Asset allocation	239.0	255.2

Total assets under management	$810.8	$ 861.6

Our target date retirement portfolios, which invest in a broadly diversified portfolio of other T. Rowe Price funds or T. Rowe Price collective investment trusts and automatically rebalance to maintain their specific asset allocation weightings, continue to be a significant part of our assets under management. Assets under management at March 31, 2017, in these target date portfolios totaled $202.6 billion, including $163.4 billion in target date retirement funds and $39.2 billion in target date retirement trusts.

The following table details the changes in our assets under management (in billions) during the first quarter of 2017:

	Sponsored U.S. mutual funds	Other investment portfolios	Total
Assets under management at beginning of period	$ 514.2	$ 296.6	$810.8
Net cash flows before client transfers	2.5	(1.8)	.7
Client transfers from mutual funds to other portfolios	(.3)	.3	—
Net cash flows after client transfers	2.2	(1.5)	.7
Net market appreciation and income	31.9	18.2	50.1
Change during the period	34.1	16.7	50.8
Assets under management at March 31, 2017	$ 548.3	$ 313.3	$861.6

The client transfers from mutual funds to other investment portfolios noted in the table above were primarily transfers from mutual funds to subadvised accounts.

The net cash flows after client transfers (in billions) during the first quarter of 2017, include the following:

	Three months ended 3/31/2017
Sponsored U.S. mutual funds	
Stock and blended asset funds	$ (1.0)
Bond funds	2.6
Money market funds	.6
	2.2
Other investment portfolios	
Stock and blended assets	(2.9)
Fixed income, money market, and stable value	1.4
	(1.5)
Total net cash flows after client transfers	$ .7

Our net cash flows continue to be impacted in the first quarter of 2017 by clients reallocating to passive investments. Net cash inflows into our target date retirement portfolios were $2.3 billion in the first quarter of 2017.

RESULTS OF OPERATIONS.

The table below presents financial results on a U.S. GAAP basis as well as a non-GAAP basis to adjust for the impact of the consolidated sponsored investment portfolios and other non-operating income as well as the additional insurance recovery related to the Dell appraisal rights matter. We believe the non-GAAP financial measures below provide relevant and meaningful information to investors about our core operating results.

(in millions, except per-share data)	Three months ended 3/31/2016	3/31/2017	Dollar change	Percentage change
U.S. GAAP Basis				
Investment advisory fees	$870.8	$991.1	$120.3	13.8 %
Net revenues	$994.1	$1,113.6	$119.5	12.0 %
Operating expenses	$583.2	$591.9	$8.7	1.5 %
Net operating income	$410.9	$521.7	$110.8	27.0 %
Non-operating income	$85.1	$115.0	$29.9	35.1 %
Net income attributable to T. Rowe Price Group	$304.1	$385.9	$81.8	26.9 %
Diluted earnings per share on common stock of T. Rowe Price Group	$1.18	$1.54	$.36	30.5 %
Weighted average common shares outstanding assuming dilution	251.9	245.5	(6.4)	(2.5)%
Adjusted[1]				
Operating expenses	$581.9	$640.1	$58.2	10.0 %
Net income attributable to T. Rowe Price Group	$260.1	$297.2	$37.1	14.3 %
Diluted earnings per share on common stock of T. Rowe Price Group	$1.01	$1.18	$.17	16.8 %
Assets under management (in billions)				
Average assets under management	$728.1	$845.4	$117.3	16.1 %
Ending assets under management	$764.6	$861.6	$97.0	12.7 %

[1] See the reconciliation to the comparable U.S. GAAP measures at the end of the results of operations sections of this management discussion and analysis.

Investment advisory fees earned in the first quarter of 2017 increased over the comparable 2016 quarter as average assets under our management increased $117.3 billion, or 16.1%, to $845.4 billion. The average annualized effective fee rate earned on our assets under management during the first quarter of 2017 was 47.5 basis points, compared with 48.1 basis points earned during the first quarter of 2016. Our effective fee rate has declined in part due to fee reductions we made to certain mutual funds and other portfolios in 2016. We regularly assess the competitiveness of such fees and will continue to make adjustments as deemed appropriate. Recent increases in money market fund yields have resulted in no fee waivers in the first quarter of 2017. Comparably, we waived $4.0 million in advisory fees and fund expenses from certain of our money market mutual funds in the first quarter of 2016 quarter.

In the first quarter of 2017, we recognized a $50.0 million reduction in pre-tax operating expenses from successful insurance claims made in relation to the Dell appraisal rights matter. A quarterly summary of the financial impact of the Dell matter on our pre-tax operating expenses and pre-tax operating cash flows (in millions) since the matter arose is as follows:

Three months ended	Pre-tax operating expense	Pre-tax operating cash flow
June 30, 2016	$ 166.2	$ (164.0)
September 30, 2016	—	(.9)
December 31, 2016	(100.0)	(1.3)
Total - 2016	66.2	(166.2)
March 31, 2017	(50.0)	140.0
June 30, 2017 (expected)	—	10.0
Total impact from Dell appraisal rights matter	$ 16.2	$ (16.2)

Our operating margin in the first quarter of 2017 was 46.8%, compared to 41.3% earned in the 2016 quarter. The insurance recovery related to the Dell appraisal rights matter we recognized in the first quarter of 2017 increased our operating margin by about 4.5%.

Net revenues

Investment advisory revenues earned in the first quarter of 2017 from the T. Rowe Price mutual funds distributed in the U.S. were $715.8 million, an increase of $83.7 million, or 13.2%, from the comparable 2016 quarter. Average mutual fund assets under management in the first quarter of 2017 were $536.5 billion, an increase of 15.2% from the average in the first quarter of 2016.

Investment advisory revenues earned in the first quarter of 2017 from the other investment portfolios were $275.3 million, an increase of $36.6 million, or 15.3%, from the comparable 2016 quarter. Average assets under management for these portfolios in the first quarter of 2017 were $308.9 billion, an increase of 17.7% from the average in the first quarter of 2016.

Operating expenses

Compensation and related costs was $397.4 million in the first quarter of 2017, an increase of $42.2 million, or 11.9%, compared to the first quarter of 2016. Our base salaries and related benefits have increased $21.0 million as a result of modest increases in base salaries at the beginning of 2017, combined with a 5.5% increase in our average staff size from the first quarter of 2016. Our interim accrual for annual variable compensation increased $18.4 million from the 2016 quarter. Our interim accrual for annual variable compensation program is recognized ratably over the year using the ratio of recognized quarterly net operating income to forecasted annual net operating income. Higher market valuations on a larger supplemental savings plan liability resulted in $6.7 million in additional compensation expense in the first quarter of 2017 compared with the 2016 period. The remainder of the change from the first quarter of 2016 is related to increases in our recruiting and relocation costs as we hired a number of key positions, increases in other employee-related costs, decreases in temporary personnel, and higher labor capitalization related to internally developed software as we continue to invest in its technology capabilities. We employed 6,474 associates at March 31, 2017.

Advertising and promotion costs were $25.6 million in the first quarter of 2017, compared with $23.1 million in the 2016 quarter. We currently expect advertising and promotion costs for 2017 to be up to 10% higher than the 2016 year as we execute on a number of strategic initiatives.

Occupancy and facility costs together with depreciation expense were $81.0 million in the first quarter of 2017, an increase of $7.4 million, or 10.1%, compared to the first quarter of 2016. The increase is primarily attributable to the added costs to update and enhance technology capabilities, including related maintenance programs.

Other operating expenses in the first quarter of 2017 were up $5.3 million from the comparable 2016 quarter. The increase is due to higher business demands and the firm's continued investment in its operating capabilities.

Non-operating income

Net non-operating income in the first quarter of 2017 was $115.0 million, an increase of $29.9 million from the 2016 quarter. The following table details the components of non-operating income (in millions) during the first quarter of 2016 and 2017 and the related change.

	Three months ended		
	3/31/2016	3/31/2017	Dollar change
Net gains realized on dispositions of available-for-sale investments	$52.3	$ 47.6	$(4.7)
Capital gain and ordinary dividend distributions from sponsored fund investments	1.5	2.4	.9
Unrealized gains on sponsored equity method and trading investments	5.3	10.3	5.0
Net investment income on sponsored fund investments not consolidated	59.1	60.3	1.2
Other investment income	2.2	4.5	2.3
Total earned from investments	61.3	64.8	3.5
Net investment income of consolidated sponsored investment portfolios	23.8	48.9	25.1
Other non-operating income	—	1.3	1.3
Non-operating income	$85.1	$ 115.0	$29.9

For the first quarter of 2017, the impact (in millions) of consolidating certain sponsored investment portfolios on the individual lines of our condensed consolidated statements of income is as follows:

	Three months ended	
	3/31/2016	3/31/2017
Operating expenses reflected in net operating income	$(2.6)	$ (2.6)
Net investment income reflected in non-operating income	23.8	48.9
Impact on income before taxes	$21.2	$ 46.3
Net income attributable to the firm's interest in the consolidated sponsored investment portfolios	$12.0	$ 31.8
Net income attributable to redeemable non-controlling interests (unrelated third party investors)	9.2	14.5
Impact on income before taxes	$21.2	$ 46.3

Provision for income taxes

The effective tax rate for the first quarter of 2017 was 37.1%. This exceeded the previously forecasted 2017 annual effective tax rate of 36.5% as a result of lower tax benefits earned from stock-based compensation. We currently estimate our effective tax rate for the full-year 2017 will be 37.7%. We expect there to be volatility in our effective tax rate in future periods as the stock-based compensation benefits now recognized in our tax provision are impacted by market fluctuations in our stock price and the timing of when option holders exercise their awards. Our effective income tax rate also reflects the relative contribution of pre-tax income generated by our foreign subsidiaries that are subject to tax rates lower than our U.S. rates. Changes in the relative contribution of pre-tax income from U.S. and foreign sources or changes in tax rates in relevant jurisdictions may affect our effective income tax rate and overall net income in the future.

Non-GAAP information and reconciliation

We believe the non-GAAP financial measures below provide relevant and meaningful information to investors about our core operating results. These measures have been established in order to increase transparency for the purpose of evaluating our core business, for comparing current results with prior period results, and to enable more appropriate comparison with industry peers. However, non-GAAP financial measures should not be considered a substitute for financial measures calculated in accordance with U.S. GAAP and may be calculated differently by other companies. The following schedule reconciles (in millions, except for per-share amounts) U.S. GAAP financial measures to non-GAAP measures for the first quarter of 2016 and 2017.

	Three months ended	
	3/31/2016	3/31/2017
Operating expenses, GAAP basis	$583.2	$ 591.9
Non-GAAP adjustments:		
Expenses of consolidated sponsored investment portfolios, net of elimination of its related management fee[1]	(1.3)	(1.8)
Insurance recovery related to Dell appraisal rights matter [3]	—	50.0
Adjusted operating expenses	$581.9	$ 640.1
Net income attributable to T. Rowe Price Group, GAAP basis	$304.1	$ 385.9
Non-GAAP adjustments:		
Net income of consolidated sponsored investment portfolios, net of redeemable non-controlling interests [1]	(12.0)	(31.8)
Non-operating income, excluding impact of consolidated sponsored investment portfolios[2]	(61.3)	(66.1)
Insurance recovery related to Dell appraisal rights matter [3]	—	(50.0)
Income tax impacts of non-GAAP adjustments [4]	29.3	59.2
Adjusted net income attributable to T. Rowe Price Group	$260.1	$ 297.2
Diluted earnings per common share, GAAP basis	$1.18	$ 1.54
Non-GAAP adjustments:		
Consolidated sponsored investment portfolios [1]	(.03)	(.08)
Non-operating income, excluding impact of consolidated sponsored investment portfolios[2]	(.14)	(.16)
Insurance recovery related to Dell appraisal rights matter [3]	—	(.12)
Adjusted diluted earnings per common share[5]	$1.01	$ 1.18

[1] Net income of consolidated sponsored investment portfolios, net of redeemable non-controlling interests: We implemented new consolidation accounting guidance on January 1, 2016, that resulted in a larger number of our sponsored investment portfolios, that we provide seed capital to at formation, to be consolidated in our financial statements as we were deemed to have a controlling financial interest. The non-GAAP adjustments add back the management fees we earn from the consolidated sponsored investment portfolios and remove the investment income and operating expenses of these portfolios that have been included in our U.S. GAAP condensed consolidated statements of income. We believe the consolidated sponsored investment portfolios may impact the reader's ability to understand our core operating results.

	Three months ended	
	3/31/2016	3/31/2017
Net investment income of consolidated sponsored portfolios	$23.8	$ 48.9
Operating expenses of consolidated sponsored portfolios	(2.6)	(2.6)
Net income of consolidated sponsored portfolios	21.2	46.3

Less: net income attributable to redeemable non-controlling interests	9.2	14.5
T. Rowe Price's portion of net income	$12.0	$ 31.8

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(2) Non-operating income, excluding impact of consolidated sponsored investment portfolios: This non-GAAP adjustment removes the non-operating income that remains after backing out the portion related to the consolidated sponsored investment portfolios. We believe excluding non-operating income helps the reader's ability to understand the firm's core operating results and increases comparability to prior years. Additionally, we do not emphasize the impact of non-operating income when managing our firm and evaluating our performance.

	Three months ended	
	3/31/2016	3/31/2017
Total non-operating income	$85.1	$ 115.0
Less: net investment income (loss) of consolidated sponsored portfolios	23.8	48.9
Total other non-operating income	$61.3	$ 66.1

(3) Insurance recovery related to Dell appraisal rights matter: In 2017, the firm recognized a $50 million reduction in operating expenses related to claims settled with insurance carriers that were filed in relation to the Dell appraisal rights matter. We believe it is useful to readers of our consolidated statements of income to adjust for this non-recurring recovery in arriving at adjusted operating expenses and net income attributable to T. Rowe Price Group and diluted earnings per share, as this will aid with comparability to prior periods and analyzing our core business results.

(4)Income tax impacts of non-GAAP adjustments: These were calculated using the effective tax rate applicable to the related items.

(5) Adjusted diluted earnings per common share: This non-GAAP measure was calculated by applying the two-class method to adjusted net income attributable to T. Rowe Price Group, Inc. divided by the weighted-average common shares outstanding assuming dilution.

CAPITAL RESOURCES AND LIQUIDITY.

We increased our quarterly recurring dividend per share by 5.6% to $.57 per share in the first quarter of 2017. Additionally, we expended $316.3 million to repurchase 4.6 million shares, or 1.9%, of our outstanding common stock in the first quarter of 2017. These dividends and repurchases were expended using existing cash balances and cash generated from operations. We will generally repurchase our common stock over time to offset the dilution created by our equity-based compensation plans.

Since the end of 2014, we have returned nearly $3.7 billion to stockholders through stock repurchases, our regular quarterly dividends, and a special dividend in 2015.

(in millions)	Recurring dividend	Special dividend	Stock repurchases	Total cash returned to stockholders
2015	$ 534.5	$ 524.5	$ 987.8	$ 2,046.8
2016	541.2	—	676.9	1,218.1
Three months ended 3/31/2017	140.4	—	316.3	456.7
Total	$ 1,216.1	$ 524.5	$ 1,981.0	$ 3,721.6

We remain debt-free with ample liquidity, including cash and discretionary sponsored portfolio investment holdings of $2.2 billion at March 31, 2017. We also have seed capital investments in sponsored investment portfolios of $1.3 billion that are redeemable, although we generally expect to be invested for several years until unrelated third party investors substantially reduce our relative ownership percentage. The cash and discretionary sponsored investment holdings held by our subsidiaries outside the U.S. is $.4 million at March 31, 2017.

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The following table details (in millions) the line items of the condensed consolidated balance sheet as of March 31, 2017, where our cash and discretionary sponsored portfolio investment holdings and seed capital investments are presented, as well as the amount of other investments that make up the remainder of the investments line. The investment presentation on the balance sheet is based on the type of investment, as well as how we account for the item.

	Interest Held by T. Rowe Price Group					
	Cash and discretionary investments in sponsored portfolios	Seed capital investments in sponsored portfolios	Investment in UTI and other investments	Total	Redeemable non-controlling interest	As reported on consolidated balance sheet 3/31/2017
Cash and cash equivalents	$1,580.8	$ —	$ —	$1,580.8	$ —	$ 1,580.8
Investments	585.2	492.5	221.8	1,299.5	—	1,299.5
Net assets of consolidated sponsored investment portfolios	.1	851.5	—	851.6	459.1	1,310.7
	$2,166.1	$ 1,344.0	$ 221.8	$3,731.9	$ 459.1	$ 4,191.0

Our condensed consolidated balance sheet reflects the cash and cash equivalents, investments, other assets and liabilities of those sponsored portfolios we consolidate, as well as redeemable non-controlling interests for the portion of these sponsored portfolios that are held by unrelated third party investors. Although we can redeem our net interest in these sponsored investment portfolios at any time, we cannot directly access or sell the assets held by the portfolios to obtain cash for general operations. Additionally, the assets of these investment portfolios are not available to our general creditors. Our interest in these sponsored investment portfolios was used as initial seed capital and is recategorized as discretionary when it is determined by management that the seed capital is no longer needed. We assess the discretionary investment portfolio and liquidate our interest, if decided, in a way as to not impact the portfolio and ultimately, the unrelated third party investors.

We anticipate property and equipment expenditures for the full-year 2017 to be up to $200 million, of which about two-thirds is planned for technology initiatives. Given the availability of our financial resources, we expect to fund our anticipated capital expenditures with operating resources, and do not maintain an available external source of liquidity.

The following table summarizes the cash flows (in millions) for the three months ended March 31, 2017, that are attributable to T. Rowe Price Group, our consolidated sponsored investment portfolios, and the related eliminations required in preparing the statement.

	Three months ended March 31, 2016				March 31, 2017			
	Cash flow attributable to T. Rowe Price Group	Cash flow attributable to consolidated sponsored investment portfolios	Eliminations	As reported	Cash flow attributable to T. Rowe Price Group	Cash flow attributable to consolidated sponsored investment portfolios	Eliminations	As reported
Cash flows from operating activities								
Net income	$304.1	$ 21.2	$ (12.0)	$313.3	$385.9	$ 46.3	$ (31.8)	$400.4
Adjustments to reconcile net income to net cash provided by (used in) operating activities								
Depreciation and amortization of property and equipment	32.2	—	—	32.2	35.6	—	—	35.6
Stock-based compensation expense	36.8	—	—	36.8	36.8	—	—	36.8
Realized gains on dispositions of available-for-sale sponsored investment portfolios	(52.3)	—	—	(52.3)	(47.6)	—	—	(47.6)
Net gains recognized on investments	(18.9)	—	12.0	(6.9)	(46.2)	—	31.8	(14.4)
Net change in trading securities held by consolidated sponsored investment portfolios	—	(458.7)	—	(458.7)	—	(566.3)	—	(566.3)
Other changes in assets and liabilities	205.5	4.0	(1.4)	208.1	363.6	(18.8)	(.8)	344.0
Net cash provided by operating activities	507.4	(433.5)	(1.4)	72.5	728.1	(538.8)	(.8)	188.5
Net cash provided by investing activities	(35.2)	69.1	173.9	207.8	52.9	(46.5)	23.0	29.4
Net cash (used in) provided by financing activities	(321.6)	443.3	(172.5)	(50.8)	(405.1)	573.3	(22.2)	146.0
Effect of exchange rate changes on cash and cash equivalents of consolidated sponsored investment portfolios	—	(1.4)	—	(1.4)	—	(3.4)	—	(3.4)
Net change in cash and cash equivalents during period	150.6	77.5	—	228.1	375.9	(15.4)	—	360.5

Cash and cash equivalents at beginning of year	1,172.3	—	—	1,172.3	1,204.9	65.6	—	1,270.5
Cash and cash equivalents at end of period	$1,322.9	$ 77.5	$ —	$1,400.4	$1,580.8	$ 50.2	$ —	$1,631.0

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Operating activities attributable to T. Rowe Price Group during the first quarter of 2017 provided cash flows of 728.1 million, an increase of $220.7 million from the 2016 period. More than half of the increase is attributable to the $140.0 million in insurance proceeds received in the first quarter of 2017 from insurance claims filed in 2016 in regard to the Dell appraisal rights matter. The remaining increase is primarily related to the timing of settlement of our other assets and liabilities. Our interim operating cash flows do not include the cash impact of variable compensation that is accrued throughout the year before being substantially paid out in December. The net cash provided by operating activities attributable to T. Rowe Price Group was offset in part by the net change in trading securities held in our consolidated sponsored investments' underlying investment portfolios.

Net cash used in investing activities that are attributable to T. Rowe Price Group totaled $52.9 million in the first quarter of 2017. During the first quarter of 2017, we realized proceeds of $123.3 million from the sale of certain of our available-for-sale investments and provided $32.0 million in seed capital to new and existing sponsored investment portfolios. Since we consolidate these sponsored investment portfolios, the seed capital that we provided less any seed capital received back was eliminated in preparing our consolidated condensed statement of cash flow. Additionally, our net property and equipment additions were $46.9 million in the first quarter of 2017 compared to $35.2 million in the 2016 period. The cash flow attributable to consolidated sponsored investment portfolios of $46.5 million represents the net cash added to our balance sheet from consolidating and deconsolidating portfolios during the first quarter of 2017.

Net cash used in financing activities attributable to T. Rowe Price Group were $405.1 million in the first quarter of 2017 compared with $321.6 million in the 2016 period. The increase in cash used in financing activities is largely related to the $99.4 million more we expended in common stock purchases in the first quarter of 2017 compared to the 2016 period. This increase was offset by higher cash proceeds of $20.9 million received from stock option exercises in the first quarter of 2017 compared with the 2016 quarter. The net cash used in financing activities attributable to T. Rowe Price Group was largely offset by the $551.1 million in cash provided by consolidated sponsored investment portfolios from the net subscriptions received from redeemable non-controlling interest holders.

CRITICAL ACCOUNTING POLICIES.

The preparation of financial statements often requires the selection of specific accounting methods and policies from among several acceptable alternatives. Further, significant estimates and judgments may be required in selecting and applying those methods and policies in the recognition of the assets and liabilities in our consolidated balance sheets, the revenues and expenses in our consolidated statements of income, and the information that is contained in our significant accounting policies and notes to consolidated financial statements. Making these estimates and judgments requires the analysis of information concerning events that may not yet be complete and of facts and circumstances that may change over time. Accordingly, actual amounts or future results can differ materially from those estimates that we include currently in our consolidated financial statements, significant accounting policies, and notes.

There have been no material changes in the critical accounting policies previously identified in our 2016 Annual Report on Form 10-K.

NEW ACCOUNTING STANDARDS.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 — Revenue from Contracts with Customers, and subsequently has issued five related accounting standard updates clarifying several aspects of ASU 2014-09, including technical corrections and improvements. The overall objective of the new standards updates is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that will be applied to determine the measurement of revenue and timing of when it is recognized. We anticipate adopting the new

standard on its effective date, January 1, 2018, though we have not yet selected whether we would adopt using the retrospective approach with adjustments to each prior period or the retrospective method with the cumulative effect of initial application recognized at the date of initial application. Our implementation efforts include a detailed review of revenue contracts within the scope of the guidance and evaluation of the impact on the Company's revenue recognition policies. While we are continuing to assess all potential impacts these standards will have on our financial position and results of operations, early conclusions indicate that these standards will not have a material impact. While we have not identified material changes in the timing of revenue recognition, we continue to evaluate the presentation of certain revenue-related costs on a gross versus net basis and related disclosures of revenue.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01 — Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2017, and requires a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. Early adoption is not permitted. The new guidance will require the change in fair value of equity investments with readily determinable fair values to be recognized through the income statements. We are currently evaluating the full impact of the standard, however, upon adoption the change in the fair value of our available-for-sale investments will be recognized in our consolidated income statement rather than our consolidated statement of comprehensive income.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 — Leases (Topic 842). The objective of the update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact this standard will have on our financial position and results of operations.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15 — Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force). The amendments in this update provide guidance on eight specific cash flow issues. The new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The amendments in this update are effective for fiscal
years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact this standard will have on our consolidated statements of cash flows.

We have considered all other newly issued accounting guidance that is applicable to our operations and the preparation of our condensed consolidated statements, including those we have not yet adopted. We do not believe that any such guidance has or will have a material effect on our financial position or results of operations.

FORWARD-LOOKING INFORMATION.

From time to time, information or statements provided by or on behalf of T. Rowe Price, including those within this report, may contain certain forward-looking information, including information or anticipated information relating to: our revenues, net income and earnings per share on common stock; changes in the amount and composition of our assets under management; our expense levels; our estimated effective income tax rate; and our expectations regarding financial markets, future transactions and strategic initiatives, dividends, investments, capital expenditures, stock repurchases, and other conditions. Readers are cautioned that any forward-looking information provided by or on behalf of T. Rowe Price is not a guarantee of future performance. Actual results may differ materially from those in forward-looking information because of various factors including, but not limited to, those discussed below and in Item 1A, Risk Factors, of our Form 10-K Annual Report for 2016. Further, forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of unanticipated events.

Our future revenues and results of operations will fluctuate primarily due to changes in the total value and composition of assets under our management. Such changes result from many factors including, among other things: cash inflows and outflows in the T. Rowe Price U.S. mutual funds (Price funds) and other managed investment portfolios; fluctuations in global financial markets that result in appreciation or depreciation of the assets under our management; our introduction of new products, including mutual funds and investment portfolios, and services; and changes in retirement savings trends relative to participant-directed investments and defined contribution plans. The

ability to attract and retain investors' assets under our management is dependent on investor sentiment and confidence; the relative investment performance of the Price funds and other managed investment portfolios as compared to competing offerings and market indexes; the ability to maintain our investment management and administrative fees at appropriate levels; competitive conditions in the mutual fund, asset management, and broader financial services sectors; and our level of success in implementing our strategy to expand our business. Our revenues are substantially dependent on fees earned under contracts with the Price funds and could be adversely affected if the independent directors of one or more of the Price funds terminated or significantly altered the terms of the investment management or related administrative services agreements. Non-operating income will also fluctuate as a result of the consolidation of certain of our investment portfolios as well as the size of our investments, changes in their market valuations, and any other-than-temporary impairments that may arise, or in the case of our equity method investments, our proportionate share of the investees net income.

Our future results are also dependent upon the level of our expenses, which are subject to fluctuation for the following or other reasons: changes in the level of our advertising expenses in response to market conditions, including our efforts to expand our investment advisory business to investors outside the U.S., and to further penetrate our distribution channels within the U.S.; the pace and level of our planned increase in spending to support key strategic priorities; variations in the level of total compensation expense due to, among other things, bonuses, restricted stock units and other equity grants, other incentive awards, changes in our employee count and mix, and competitive factors; any goodwill or other asset impairment that may arise; fluctuation in foreign currency exchange rates applicable to our investment in and the costs of our international operations; expenses and capital costs, such as technology assets, depreciation, amortization, and research and development, incurred to maintain and enhance our administrative and operating services infrastructure; unanticipated costs that may be incurred to protect investor accounts and the goodwill of our clients; and disruptions of services, including those provided by third parties, such as fund accounting and other recordkeeping services, facilities, communications, power, and the mutual fund transfer agent and accounting systems.

Our business is also subject to substantial governmental regulation, and changes in legal, regulatory, accounting, tax, and compliance requirements may have a substantial effect on our operations and results, including but not limited to effects on costs that we incur and effects on investor interest in mutual funds and investing in general, or in particular classes of mutual funds or other investments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There has been no material change in the information provided in Item 7A of the Form 10-K Annual Report for 2016.

Item 4. Controls and Procedures.

Our management, including our principal executive and principal financial officers, has evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2017. Based on that evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures as of March 31, 2017 are effective at the reasonable assurance level to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, including this Form 10-Q quarterly report, is recorded, processed, summarized, and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms, and to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our principal executive and principal financial officers, has evaluated any change in our internal control over financial reporting that occurred during the first quarter of 2017, and has concluded that there was no change during the first quarter of 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

On February 14, 2017, T. Rowe Price Group, Inc., T. Rowe Price Associates, Inc., T. Rowe Price Trust Company, current and former members of the management committee, and trustees of the T. Rowe Price U.S. Retirement Program were named as defendants in a lawsuit filed in the United States District Court for the District of Maryland. The plaintiff is a former employee who alleges breaches of ERISA's fiduciary duty and prohibited transaction provisions on behalf of a class of all participants and beneficiaries of the T. Rowe Price 401(k) Plan from February 14, 2011, to the time of judgment. The plaintiff is seeking certification of the complaint as a class action. T. Rowe Price believes the claims are without merit and intends to vigorously defend the action.

On April 27, 2016, certain shareholders in the T. Rowe Price Blue Chip Growth Fund, T. Rowe Price Capital Appreciation Fund, T. Rowe Price Equity Income Fund, T. Rowe Price Growth Stock Fund, T. Rowe Price International Stock Fund, T. Rowe Price High Yield Fund, T. Rowe Price New Income Fund and T. Rowe Price Small Cap Stock Fund (the "Funds") filed a Section 36(b) complaint under the caption Zoidis v. T. Rowe Price Assoc., Inc., against T. Rowe Price Associates, Inc. ("T. Rowe Price") in the United States District Court for the Northern District of California. The complaint alleges that the management fees for the identified funds are excessive because T. Rowe Price charges lower advisory fees to subadvised clients with funds in the same strategy. The complaint seeks to recover the allegedly excessive advisory fees received by T. Rowe Price in the year preceding the start of the lawsuit, along with investments' returns and profits. In the alternative, the complaint seeks the rescission of each fund's investment management agreement and restitution of any allegedly excessive management fees. T. Rowe Price believes the claims are without merit and intends to vigorously defend the action.

In addition to the matters discussed above, various claims against us arise in the ordinary course of business, including employment-related claims. In the opinion of management, after consultation with counsel, the likelihood that an adverse determination in one or more pending claims would have a material adverse effect on our financial position or results of operations is remote.

Item 1A. Risk Factors.

With the exception of the following additions or updates to the Legal and Regulatory Risks discussed in Item 1A of our Form 10-K Annual Report for 2016, there have been no material changes in the risk factors previously provided.

Legal and regulatory developments in the mutual fund and investment advisory industry could increase our regulatory burden, impose significant financial and strategic costs on our business, and cause a loss of, or impact the servicing of, our clients and fund shareholders.

Our regulatory environment is frequently altered by new regulations and by revisions to, and evolving interpretations of, existing laws and regulations. New laws and regulations present areas of uncertainty susceptible to alternative interpretations; regulators and prospective litigants may not agree with reasoned interpretations we adopt. Future changes could require us to modify or curtail our investment offerings and business operations, or impact our expenses and profitability. Additionally, some laws and regulations may not directly apply to our business but may impact the capital markets, service providers or have other indirect effects on our ability to provide services to our clients.

Potential impacts of current or proposed legal or regulatory requirements include, without limitation, the following:

The revised Markets in Financial Instruments Directive (MiFID II Directive) and Regulation (MiFIR) (together "MiFID II") will apply across the European Union ("EU") and member states of the European Economic Area beginning

on January 3, 2018, unless this date is extended. Implementation of MiFID II will significantly impact both the structure and operation of EU financial markets. Some of the main changes introduced under MiFID II include applying enhanced disclosure requirements, enhancing conduct of business and governance requirements, broadening the scope of pre and post trade transparency, increasing transaction reporting requirements, transforming the relationship between client commissions and research, and further regulation of trading venues. Compliance with MiFID II may materially impact the manner in which we obtain research and increase our costs.

We cannot predict the nature of future changes to the legal and regulatory requirements applicable to our business, nor the extent of the impacts that will result from current or future proposals. However, any such changes are likely to increase the costs of compliance and the complexity of our operations. They may also result in changes to our product or service offerings.

The changing regulatory landscape may also impact a number of our service providers and, to the extent such providers alter their services or increase their fees, it may impact our expenses or those of the products we offer.

We are subject to regulatory and governmental inquiries and civil litigation. An adverse outcome of any such proceeding could involve substantial financial penalties. From time to time, various claims against us arise in the ordinary course of business, including employment-related claims. There also has been an increase in litigation and in regulatory investigations in the financial services industry in recent years, including customer claims, class action suits, and government actions alleging substantial monetary damages and penalties.

We carry insurance in amounts and under terms that we believe are appropriate. We cannot be assured that our insurance will cover every liability and loss to which we may be exposed, or that our insurance policies will continue to be available at acceptable terms and fees. Certain insurance coverage may not be available or may be prohibitively expensive in future periods. As our insurance policies come up for renewal, we may need to assume higher deductibles or co-insurance liabilities, or pay higher premiums, which would increase our expenses and reduce our net income.

In 2016, we paid $166.2 million to compensate certain T. Rowe Price mutual funds, trusts, separately managed accounts, and subadvised clients (collectively, “Clients”) for the denial of their appraisal rights by the Delaware Chancery Court (Court) in connection with the 2013 leveraged buyout of Dell, Inc. (Dell). The Court ruled on May 11, 2016, that the Clients could not pursue an appraisal of any shares they held that were voted in favor of the Dell merger. The appraisal statute governing the transaction required the record holder to vote against or abstain from voting on the transaction in order to assert appraisal rights. After previously voting against prior transaction proposals, the voting instructions submitted on behalf of the Clients in connection with voting on the final proposed transaction were incorrectly submitted in favor of the transaction. On May 31, 2016, the Court determined that the fair value of Dell at the time of the merger was $17.62 per share, as opposed to the $13.75 price offered in the transaction. As a result, any shareholder perfecting appraisal rights is entitled to a payment at $17.62 per share plus statutory interest from the date the Dell transaction closed. The compensation to Clients was intended to make them whole for the voting discrepancy that resulted in the denial of their appraisal rights. On December 30, 2016, we signed a settlement agreement with our insurance carrier for insurance proceeds totaling $100.0 million related to this matter. We received the settlement in the first quarter of 2017. Additionally, we signed settlement agreements totaling $50 million in the first quarter of 2017. As of March 31, 2017, we have received $140 million of the related proceeds and expect the remaining $10 million in the second quarter of 2017.

In accordance with the compensation payment, the Clients agreed that in the event the findings made by the Court regarding the fair value of Dell or the amount of interest to be applied were modified by the Supreme Court of Delaware on appeal, T. Rowe Price and the Clients would make an appropriate adjustment between themselves, calculated in a manner that is consistent with the methodology used to compensate Clients. In December 2016, several parties, including Dell and the successful appraisal petitioners, filed appeals to the Delaware Supreme Court to challenge the Chancery Court’s valuation ruling. Our settlement agreements with our insurance carriers provide that if the fair value of Dell is reduced, we would work together to make appropriate adjustments.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) Repurchase activity during the first quarter of 2017 is as follows:

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly	Maximum Number of Shares that

				Announced Program	May Yet Be Purchased Under the Program
January	795,731	$	70.35	566,345	21,229,852
February	3,244,415	$	68.34	3,164,157	18,065,695
March	951,672	$	69.28	891,493	17,174,202
Total	4,991,818	$	68.84	4,621,995	

Shares repurchased by us in a quarter may include repurchases conducted pursuant to publicly announced board authorization, outstanding shares surrendered to the company to pay the exercise price in connection with swap exercises of employee stock options, and shares withheld to cover the minimum tax withholding obligation associated with the vesting of restricted stock awards. Of the total number of shares purchased during the first quarter of 2017, 369,238 were related to shares surrendered in

connection with employee stock option exercises and 585 were related to shares withheld to cover tax withholdings associated with the vesting of restricted stock awards.

The 4,621,995 shares of our common stock were repurchased pursuant to the Board of Directors' December 10, 2015, publicly announced authorization. The maximum number of shares that may yet be purchased as of March 31, 2017, under the Board of Directors' December 10, 2015, and December 6, 2016, publicly announced authorizations is 17,174,202.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

On April 25, 2017, we issued an earnings release reporting our results of operations for the first quarter of 2017. A copy of that earnings release is furnished herewith as Exhibit 99. This information shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

SEC FILINGS.
We make available free of charge through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. To obtain any of this information, access our website at troweprice.com. We use our website as a channel of distribution for material company information.

Item 6. Exhibits.

The following exhibits required by Item 601 of Regulation S-K are furnished herewith.

3(i).1	Charter of T. Rowe Price Group, Inc., as Amended by Articles of Amendment dated April 10, 2008. (Incorporated by reference from Form 10-Q Report for the quarterly period ended March 31, 2008 filed on April 24, 2008; File No. 033-07012-99.)
3(ii)	Amended and Restated By-Laws of T. Rowe Price Group, Inc. as of December 10, 2015. (Incorporated by reference from Form 8-K Current Report file on December 10, 2015; File No. 000-32191).
15	Letter from KPMG LLP, independent registered public accounting firm, re unaudited interim financial information.
31(i).1	Rule 13a-14(a) Certification of Principal Executive Officer.
31(i).2	Rule 13a-14(a) Certification of Principal Financial Officer.
32	Section 1350 Certifications.
99	Earnings release issued April 25, 2017, reporting our results of operations for the first quarter of 2017.

101

The following series of unaudited XBRL-formatted documents are collectively included herewith as Exhibit 101. The financial information is extracted from T. Rowe Price Group's unaudited condensed consolidated interim financial statements and notes that are included in this Form 10-Q Report.

101.INS XBRL Instance Document (File name: trow-20170331.xml).

101.SCH XBRL Taxonomy Extension Schema Document (File name: trow-20170331.xsd).

101.CAL XBRL Taxonomy Calculation Linkbase Document (File name: trow-20170331_cal.xml).

101.LAB XBRL Taxonomy Label Linkbase Document (File name: trow-20170331_lab.xml).

101.PRE XBRL Taxonomy Presentation Linkbase Document (File name: trow-20170331_pre.xml).

101.DEF XBRL Taxonomy Definition Linkbase Document (File name: trow-20170331_def.xml).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on April 25, 2017.
T. Rowe Price Group, Inc.

By: /s/ Kenneth V. Moreland
Vice President, Chief Financial Officer and Treasurer

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