



## **Reserve International Liquidity Fund Ltd.**

### **NOTICE OF INTENT TO PARTIALLY FUND REDEMPTION REQUESTS AND REQUEST FOR SHAREHOLDERS TO SUBMIT THEIR SHARES FOR REDEMPTION**

**REDEMPTION REQUESTS MUST BE RECEIVED BY THE FUND  
BY 5 P.M. (EASTERN TIME) ON JANUARY 26, 2009**

January 16, 2009

Dear shareholders:

Shareholders of the Reserve International Liquidity Fund Ltd. (the "Fund") who have not submitted requests to redeem all of their shares of the Fund are strongly encouraged to do so. Only shareholders who have redeemed their shares can and will participate in the Fund's proposed initial distribution of \$1.875 billion. This distribution must, under the laws of the British Virgin Islands ("BVI"), be made in the form of partial payment for shares redeemed. **SHAREHOLDERS WHO DO NOT SPECIFICALLY REQUEST TO HAVE THEIR SHARES REDEEMED WILL NOT BE ABLE TO PARTICIPATE IN THIS PARTIAL DISTRIBUTION.** In addition, non-redeeming shareholders may be adversely affected in other ways as described below. *Shareholders who have already submitted redemption requests for all of their shares do not have to take any further action in response to this Notice.*

#### **Background**

The Fund is a business company incorporated under the laws of the BVI, and organized under the BVI Business Companies Act of 2004. The Fund is registered as a "Public Fund" within the meaning of the BVI Mutual Funds Act of 1996, as amended.

The Fund holds fixed income securities of various issuers, including a limited amount of commercial paper and floating rate notes issued by Lehman Brothers Holdings, Inc. ("Lehman Holdings"). Other than the securities issued by Lehman Holdings, the Fund's assets consist of securities currently rated not lower than A1, F1 or P1 by at least two nationally recognized statistical rating organizations and have a fixed value on maturity.

As previously announced, following the bankruptcy of Lehman Holdings on September 15, 2008 and the significant disruption in the financial markets that followed, the Board of Directors of the Fund (the "Board") voted on September 22, 2008 to suspend calculation of the net asset value of Fund shares as of September 16, 2008 and to suspend all redemptions from and purchases into the Fund as of September 22, 2008. The Board took those actions in order to allow for an orderly realization of the Fund's assets and to ensure that all investors are treated fairly in the process. Since that time, some portfolio securities have been sold or matured and the Fund has accumulated approximately \$1.875 billion in cash.

The Board wishes to restore liquidity to Fund shareholders as soon as practicable. However, BVI law, which governs the Fund, does not permit a pro rata distribution of Fund assets to all shareholders, even on an interim basis. BVI law does permit a partial payment of a redemption amount to fund an existing redemption request. Consequently, the Board has approved an amendment to the Fund's Articles of Association to permit the Fund to make a partial payment in redemption of Fund shares and intends to make a partial payment, pro rata, on or about January 30, 2009. The Board is issuing this Notice to



maximize the number of shareholders eligible to participate in this and other interim distributions. THE BOARD STRONGLY ENCOURAGES YOU TO SUBMIT YOUR REQUEST FOR A REDEMPTION OF ALL OF YOUR SHARES BY THE DEADLINE OF 5:00 P.M. (EASTERN TIME) ON JANUARY 26, 2009.

### **Submitting Your Redemption Request**

All redemption requests submitted to the Fund must include the shareholder's name, address, telephone number, account number and the number of shares submitted for redemption; you may also include your email address. Please note, if you are requesting a redemption of all of your shares, you may write "REDEEM ALL SHARES" rather than specifying the number of shares submitted for redemption. The Board strongly encourages shareholders to submit all of their shares for redemption.

Several means are available for you to submit your redemption request. You may tender your shares for redemption by:

- Contacting the broker that holds your shares and requesting that the shares be submitted for redemption
- Calling 1-212-401-5680 or faxing your request to 1-212-401-5940, provided the Fund has previously been advised of your brokerage or bank account information in writing (or on your subscription agreement)
- Submitting a written request to Reserve International Liquidity Fund Ltd., c/o The Reserve, 1250 Broadway, New York, NY 10001-3701, United States of America, Attn: Tom O'Donnell

The Fund reserves the right to verify the shareholder account information for all shareholders submitting requests for redemption before partial redemption proceeds are paid. The Fund also reserves the right to cure or waive any defect in the submission of a redemption request.

**Remember: Your request must be received by the Fund by 5:00 p.m. (Eastern time) on January 26, 2009 to receive partial payment for your shares in the distribution scheduled to occur on or about January 30, 2009.**

### **Small Shareholder Accounts**

As disclosed in the Fund's Offering Memorandum dated January 18, 2008, the Fund may redeem the shares of any shareholder if the value in the shareholder's account is less than the minimums stated below:

<b>Class</b>	<b>Account Minimum</b>
U.S.\$ Class Institutional	U.S.\$ 35,000,000
U.S.\$ Liquidity Class III	U.S.\$ 20,000,000
U.S.\$ Liquidity Class IV	U.S.\$ 10,000,000
U.S.\$ Class Treasurer's Trust	U.S.\$ 1,000
U.S.\$ Class R	U.S.\$ 1,000

The Fund will be conducting a review of its shareholder accounts and expects to effect a compulsory redemption of all accounts falling below the thresholds described above. Shares redeemed in a compulsory manner will be treated the same as other shares for which redemption requests have been submitted and will participate in the partial payment of redemption proceeds scheduled to occur on or about January 30, 2009. Shareholders with small accounts are strongly encouraged to submit their request for redemption directly rather than relying on a compulsory redemption of their account. The Fund will not be responsible for failing to identify small accounts and ensuring that such shareholders participate in the distribution.



### **Partial Payment of Redemption Proceeds**

Litigation has been commenced against the Fund, Reserve Management Company, Inc. ("RMCI"), the Fund's investment adviser, the members of the Board and certain other parties, alleging or challenging the entitlement of investors to \$1.00 per share and making certain other claims. Without debating the merits of any claim at this point, the Board considers it important to provide liquidity to investors without prejudicing the legal rights and remedies, if any, of any shareholder's claims. Consequently, the Board intends to make interim payments to redeeming shareholders pro rata out of Fund assets up to the amount of a special reserve, which includes amounts that may be required to satisfy disputed claims. In making these interim payments, all redeeming shareholders will be treated the same regardless of when they tendered redemption orders to the Fund.

As noted above, the Board voted on September 22, 2008 to suspend calculation of the net asset value of its shares effective September 16, 2008. Although the initial distribution of cash will be in the form of a partial payment for shares submitted for redemption, the Fund is not making a determination of the net asset value of its shares as this time. Rather, the Fund will pay partial redemption proceeds on a pro rata basis. A shareholder's pro rata share equals the proportion that shares redeemed by the shareholder bears to the total number of shares submitted for redemption multiplied by the amount available for distribution. The partial redemption payment by the Fund will be made without prejudice to any claims a shareholder may have against the Fund.

The Fund currently holds approximately \$2.9 billion in assets and the proposed distribution will result in approximately 65% of those assets being returned to shareholders in the form of a cash payment. The Fund has already received requests for redemption of approximately 89% of its shares and strongly encourages its shareholders to submit all remaining shares for redemption.

### **Court Authorization Necessary For the Distribution**

Under an order issued in *Caxton International Limited, et al. v. Reserve International Liquidity Fund Ltd., et al.*, No. 08/602875, a litigation pending in New York County, New York, the expected distribution is subject to the approval and supervision of the Court overseeing the Caxton action, and therefore could be denied or delayed.

### **Potential Consequences of Continuing to Hold Shares of the Fund**

The Fund's shares are currently illiquid as redemptions have been suspended. Currently, the only means of receiving redemption proceeds from the Fund is for a shareholder to tender their shares for redemption as described in this Notice and participate in the partial payment of that redemption request scheduled to commence on or about January 30, 2009.

In addition, non-redeeming shareholders potentially could bear a disproportionate amount of Fund liabilities if redeeming shareholders are determined to be entitled to receive the net asset value determined immediately after their redemption order was received. Those liabilities, which include legal and accounting fees, costs of defending litigation and indemnification obligations, could be substantial.

*There can be no assurance as to the timing or amount of any subsequent distributions.*

### **Inability to Withdraw Redemption Request**

Shareholders may not withdraw a previously submitted redemption request once tendered.



### **Tax Implications of Redemption Payment**

Shareholders are encouraged to consult their individual tax advisors regarding the tax consequences of the proposed distribution, which can vary based on the tax laws governing the investor.

### **Future Distributions**

The Board and RMCI are working diligently to develop a plan to distribute Fund assets in a fair and equitable manner. The Fund cannot currently estimate when additional distributions to investors will be made. However, the Board and RMCI are acting as expeditiously as markets permit to restore liquidity to shareholders. As developments occur, the Fund will continue to advise shareholders via postings on our website [www.TheR.com](http://www.TheR.com).

### **Questions**

If you have questions regarding the Notice or the proposed distribution to be made in partial payment for shares submitted for redemption, please contact customer service at 1-212-401-5680.

Sincerely,

Bruce R. Bent  
Chairman of the Board  
Reserve International Liquidity Fund Ltd.

**Note: The receipt of the distribution is without prejudice to any legal rights or remedies available to an investor.**

*The shares of the Fund have not been and will not be registered under the United States Securities Act of 1933 and may not be offered, sold or otherwise transferred directly or indirectly to any United States citizen or resident or to any corporation, partnership, trust or other entity chartered or organized under the laws of any jurisdiction in the United States of America, its territories or possessions unless an exemption from registration is available. This does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer is not authorized or to any person to whom it is unlawful to make such offer or solicitation.*

Resrv Partners, Inc., Distributor. Member FINRA. 01/09