

STATEMENT OF ADDITIONAL INFORMATION

Primary Fund, U.S. Government Fund, U.S. Treasury Fund & Reserve Liquid Performance Money Market Fund, of The Reserve Fund

1250 Broadway, New York, N.Y. 10001-3701
212-401-5500 or 800-637-1700

**24-Hour Yield And Balance Information
Nationwide 800-637-1700 - www.TheR.com**

The Reserve Fund (the "Trust") was organized on February 1, 1970 as a Maryland corporation and re-organized on October 28, 1986 as a Massachusetts business trust. The Trust is an open-end, management investment company, registered with the Securities and Exchange Commission (the "SEC") under the Investment Company Act of 1940 (the "Investment Company Act"). This Statement of Additional Information ("SAI") describes the Trust and four of its separate series: Primary Fund, U.S. Government Fund, U.S. Treasury Fund and Reserve Liquid Performance Money Market Fund (each a "Fund" and together the "Funds"). As of the date of this SAI, Primary Fund, U.S. Government Fund and U.S. Treasury Fund are authorized to issue shares in the following classes: Class Institutional, Liquidity Class I, Liquidity Class II, Liquidity Class III, Liquidity Class IV, Liquidity Class V, Class Treasurer's Trust, Investor Class I, Investor Class II, Investor Class III and Class R. The Reserve Liquid Performance Money Market Fund is authorized to issue shares in the following classes: Liquidity Class I and Class Treasurer's Trust. Additional series and classes may be added by the Board of Trustees of the Trust (the "Trustees") without a shareholder vote.

This SAI is not a prospectus, and should be read in conjunction with the combined prospectus of the Funds dated September 28, 2007 (the "Prospectus"). The Prospectus is incorporated by reference into this SAI and this SAI is incorporated by reference into the Prospectus. Each Fund's audited financial statements are incorporated by reference into this SAI from its Annual Report to shareholders for the fiscal year ended May 31, 2007 (the "Annual Report").

A copy of the Prospectus and the Annual Report may be obtained without charge by writing to the Trust at the address shown above or calling Reserve Management Company, Inc., each Fund's investment adviser ("RMCI" or the "Adviser"), toll free at 800-637-1700. The SEC maintains a Web site (<http://www.sec.gov>) where you can download the SAI, the Prospectus, the Annual Report, material incorporated by reference and other information regarding the Funds.

This SAI is dated September 28, 2007.

Supplement Dated March 19, 2009

**PRIMARY FUND, U.S. TREASURY FUND, and TREASURY & REPO FUND
of the Reserve Fund**

**RESERVE YIELD PLUS FUND
of the Reserve Short-Term Investment Trust**

The following disclosure updates the current Prospectus and Statement of Additional Information for the each Fund named above.

On March 3, 2009, the staff of the Securities and Exchange Commission's Division of Enforcement informed counsel to Resrv Partners Inc. ("Resrv"), the distributor for each Fund, of the SEC staff's intention to recommend that the SEC bring an enforcement action against Resrv alleging violations of certain provisions of the federal securities laws. Resrv expects to defend vigorously against the allegations.

As previously reported, on December 18, 2008, the staff of the SEC's Division of Enforcement informed counsel to Reserve Management Company, Inc. ("RMCI"), the investment adviser to each Fund, of the SEC staff's intention to recommend that the SEC bring an enforcement action against RMCI alleging violations of certain provisions of the federal securities laws. The staff also gave notice of its intention to recommend enforcement actions against Bruce Bent, President of RMCI and President and Chairman of the Board of each Fund, against Bruce Bent II, Senior Vice President of RMCI and Co-Chief Executive Officer of each Fund and against Arthur Bent III, Chief Operating Officer and Treasurer of RMCI and Co-Chief Executive Officer of each Fund. RMCI, Mr. Bruce Bent, Mr. Bruce Bent II and Mr. Arthur Bent III are defending themselves vigorously against the allegations.

=====

Supplement Dated May 5, 2008 to the

PRIMARY FUND, U.S. GOVERNMENT FUND and U.S. TREASURY FUND of the Reserve Fund

**INTERSTATE TAX-EXEMPT FUND, CALIFORNIA MUNICIPAL MONEY-MARKET FUND,
CONNECTICUT MUNICIPAL MONEY-MARKET FUND, FLORIDA MUNICIPAL MONEY-MARKET FUND,
MASSACHUSETTS MUNICIPAL MONEY-MARKET FUND, MICHIGAN MUNICIPAL MONEY-MARKET FUND,
NEW JERSEY MUNICIPAL MONEY-MARKET FUND, OHIO MUNICIPAL MONEY-MARKET FUND,
PENNSYLVANIA MUNICIPAL MONEY-MARKET FUND, and VIRGINIA MUNICIPAL MONEY-MARKET FUND
of the Reserve Municipal Money-Market Trust II**

NEW YORK MUNICIPAL MONEY-MARKET FUND of the Reserve New York Municipal Money-Market Trust

**ARIZONA MUNICIPAL MONEY-MARKET FUND, LOUISIANA MONEY-MARKET FUND,
and MINNESOTA MONEY-MARKET FUND of the Reserve Municipal Money-Market Trust**

Statement of Additional Information Dated September 28, 2007

The second paragraph under the section entitled, "Other Service Providers" in the Statement of Additional Information is replaced in its entirety with the following:

Custodian. State Street Bank and Trust Company, 2 Avenue De Lafayette, Boston, MA 02111 is the custodian of the assets of the Fund (the "Custodian") pursuant to a Custodian Agreement with the Trust on behalf of the Fund.

=====

**Supplement Dated March 28, 2008 to the
Primary Fund, U.S. Government Fund, U.S. Treasury Fund and
Reserve Liquid Performance Money Market Fund of The Reserve Fund**

Prospectus and Statement of Additional Information Dated September 28, 2007

The following disclosure updates the current Prospectus and Statement of Additional Information for the Reserve Liquid Performance Money Market Fund.

All references to the Reserve Liquid Performance Money Market Fund are deleted. The Reserve Liquid Performance Money Market Fund is now offered by a separate prospectus and Statement of Additional Information, dated March 28, 2008, which may be obtained by writing The Reserve, 1250 Broadway, New York, NY 10001-3701 or calling 888-851-7237.

**Supplement Dated March 14, 2008 to the
RESERVE LIQUID PERFORMANCE MONEY MARKET FUND of The Reserve Fund
Prospectus and Statement of Additional Information Dated September 28, 2007**

The second sentence under the section entitled, "How to Buy Shares – Calculation of Net Asset Value" in the Prospectus is replaced in its entirety with the following:

The cut-off times are 8:30 a.m., 9:00 a.m., thereafter hourly up to and including 5:00 p.m. Eastern Time for the Primary Fund and U.S. Government Fund and 8:30 a.m., 9:00 a.m., thereafter hourly up to and including 2:00 p.m. Eastern Time for the U.S. Treasury Fund and 8:30 a.m., 9:00 a.m., and thereafter hourly up to and including 5:00 p.m., then 5:30 p.m. Eastern Time for the Reserve Liquid Performance Money Market Fund.

The second paragraph under the section entitled, "Other Service Providers" in the Statement of Additional Information is replaced in its entirety with the following:

Custodian for the Primary Fund U.S. Treasury Fund and U.S. Government Fund. JP Morgan Chase & Co., 4 New York Plaza, New York, NY 10004 is the custodian of the assets of each Fund (the "Custodian") pursuant to a Custodian Agreement with the Trust on behalf of each Fund.

Custodian for Reserve Liquid Performance Money-Market Fund. State Street Bank and Trust Company, 2 Avenue De Lafayette, Boston, MA 02111 is the custodian of the assets of the Fund (the "Custodian") pursuant to a Custodian Agreement with the Trust on behalf of the Fund.

Reserve Liquid Performance Money Market Fund of The Reserve Fund

Supplement dated December 27, 2007 to Prospectus and Statement of Additional Information dated September 28, 2007

The following disclosure updates the current Prospectus and Statement of Additional Information for the Reserve Liquid Performance Money Market Fund of The Reserve Fund.

Liquidity Assets Limited, a company organized under the laws of the Cayman Islands (the "Investor"), owned 99% of Reserve Liquid Performance Money Market Fund (the "Fund") as of December 18, 2007. The Investor is an indirect, wholly-owned subsidiary of The Goldman Sachs Group, Inc. So long as its ownership interest in the Fund remains at more than 50%, the Investor would be able to control the outcome of any matter submitted to shareholders of the Fund on which shareholders vote separately from other investment series of The Reserve Fund. The Investor also would be able to call a special meeting of Fund shareholders and cause a change to the Fund's investment objective or fundamental investment restrictions.

The Audit Committee has selected Ernst & Young LLP ("Ernst & Young"), located at 5 Times Square, New York, New York, to serve as the independent registered public accounting firm for the Fund. Ernst & Young will audit the Fund's financial statements for the fiscal year ended November 30, 2007.

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Investment Objective and Policies | 1 |
| Money Market Instruments and Investment Strategies | 2 |
| Risks of Investing in the Funds | 6 |
| Portfolio Transactions | 7 |
| Management of the Trust | 7 |
| Investment Management Arrangements | 16 |
| Distribution Arrangements | 18 |
| Other Service Providers | 19 |
| How to Buy and Sell Shares | 19 |
| Shareholder Services | 19 |
| Dividends and Taxes | 20 |
| Information About the Trust | 22 |
| Financial Statements | 23 |
| Appendix A — Credit Ratings | A-1 |
| Appendix B —Proxy Voting Policy and Procedures | B-1 |

SHARES OF THE FUNDS ARE NEITHER GUARANTEED NOR INSURED BY THE U.S. GOVERNMENT, AND THERE CAN BE NO ASSURANCE THAT A FUND WILL BE ABLE TO MAINTAIN A STABLE NET ASSET VALUE OF \$1.00 PER SHARE.

Investment Objective and Policies

The investment objective of each Fund is to seek as high a level of current income as is consistent with preservation of capital and liquidity. This investment objective is a fundamental policy and may not be changed without the vote of a majority of the outstanding shares of the Fund as defined in the Investment Company Act. There can be no assurance that a Fund will achieve its investment objective.

An investment in the Funds is not insured or guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) or any other government agency. Although each Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in a Fund.

Fundamental Policies. Each Fund’s investment objective and the following fundamental investment policies may not be changed without the affirmative vote of a majority of the outstanding shares of a Fund. A majority of the outstanding shares of a Fund means the vote of the lesser of (i) 67% or more of the shares of a Fund present at a meeting, if the holders of more than 50% of the outstanding shares of the Fund are present or represented by proxy, or (ii) more than 50% of the outstanding shares of the Fund (a “Majority Vote”). Under each Fund’s fundamental investment policies, a Fund may not:

- (1) borrow money except as a temporary or emergency measure and not in an amount to exceed 5% of the market value of its total assets;
- (2) issue senior securities except in compliance with the Investment Company Act;
- (3) act as an underwriter with respect to the securities of others except to the extent that, in connection with the disposition of portfolio securities, it may be deemed to be an underwriter under certain federal securities laws;
- (4) invest more than 25% of its total assets in any particular industry, except to the extent that its investments may be concentrated exclusively in U.S. government securities and bank obligations or repurchase agreements secured by such obligations;
- (5) purchase, sell or otherwise invest in real estate or commodities or commodity contracts;
- (6) lend more than 33 1/3% of the value of its total assets, except to the extent its investments may be considered loans;
- (7) sell any security short or write, sell or purchase any futures contract or put or call option; and
- (8) make investments on a margin basis except, in the case of the Reserve Liquid Performance Money Market Fund, to obtain such short-term credits as may be necessary for the clearance of transactions.

Although each Fund (other than the Reserve Liquid Performance Money Market Fund) has determined to be a non-diversified investment company, in fact, like all money market funds, each Fund operates as a diversified investment company, and will continue to do so. Under Section 5(b) of the Investment Company Act, a diversified company must have 75% of the value of its total assets in cash and cash items (including receivables), U.S. government securities, securities of other investment companies, and other securities for the purposes of this calculation limited in respect of any one issuer to an amount not greater in value than 5% of the value of its total assets and to not more than 10% of the outstanding voting securities of such issuer. Any management company other than a diversified company is defined as a “non-diversified” company pursuant to Section 5(b)(2).

In addition, each Fund intends to comply with the diversification requirements of Rule 2a-7 under the Investment Company Act which generally limits a money market fund to investing no more than 5% of its total assets in securities of any one issuer, except U.S. government securities, and, if such securities are not First Tier Securities (as defined in the Rule), to not more than 1% of its total assets. Money market funds are also subject to the credit quality and maturity requirements of Rule 2a-7. Accordingly, each Fund may invest only in securities with a remaining maturity of 397 days or less for individual securities and must maintain a dollar-weighted average portfolio maturity of 90 days or less.

The U.S. Government Fund will, under normal circumstances, invest at least 80% of its net assets in securities of the U.S. government, its agencies and instrumentalities, and repurchase agreements supported by such investments. The U.S.

Treasury Fund will, under normal circumstances, invest at least 80% of its net assets in securities backed by the full faith and credit of the U.S. government. Neither the U.S. Government Fund nor the U.S. Treasury Fund intends to borrow for investment purposes, except as otherwise described below. These policies are fundamental and may not be changed without a Majority Vote.

The Investment Company Act prohibits open-end funds from issuing “senior securities” other than bank borrowings that have at least 300% asset coverage. A Fund will not be considered to have issued a “senior security” by entering into reverse repurchase agreements because it will maintain liquid assets in a segregated account having a value equal to the repurchase price, including interest.

Notwithstanding the foregoing investment restrictions, each Fund may invest substantially all of its assets in another open-end investment company with substantially the same investment objective as the Fund.

Although not currently using a “master/feeder” structure, the Trust has obtained, on behalf of the Primary, U.S. Government and U.S. Treasury Funds, shareholder approval to use a “master/feeder” structure. In that case, each of these Funds may become a “feeder fund” that would invest in a corresponding “master fund” rather than investing directly in securities. The master fund, in turn, would invest in securities according to the strategies and policies described in the Prospectus. A potential benefit of this structure is that the expenses of the master fund could be shared with any other feeder funds.

If the Reserve Liquid Performance Money Market Fund invests in an affiliated money market fund, it will reduce the fees and expenses payable by Fund investors by the amount of fees and expenses charged by that affiliated fund. If the Reserve Liquid Performance Money Market Fund invests in an unaffiliated money-market fund, shareholders would bear both their proportionate share of fees and expenses in the Fund (including investment advisory fees) and, indirectly, the fees and expenses of such money market fund (including the investment advisory fees of that fund).

Although not currently using a “master/feeder” structure, pursuant to receipt of an order of exemption from the SEC, the Trust, on behalf of the Reserve Liquid Performance Money Market Fund, may use a “master/feeder” structure if approved by an affirmative vote of the Trustees, including the Independent Trustees, and 60 days’ advance written notice is made to all shareholders. In that case, the Reserve Liquid Performance Money Market Fund would be a “feeder fund,” meaning that it would invest in a corresponding “master fund” rather than investing directly in securities. The master fund in turn invests in securities using the strategies described in the Prospectus. If the Reserve Liquid Performance Money Market Fund invests in a “master fund,” its overall expense ratio may increase.

The Funds may invest their assets without limit in money market funds, including affiliated funds.

Money Market Instruments and Investment Strategies

The following section contains more detailed information about the types of instruments in which each Fund may invest, the strategies the Funds may employ, and a summary of the related risks. A particular type of instrument or strategy will be utilized only when, in the Adviser’s opinion, the utilization will help a Fund achieve its investment objective.

MONEY MARKET INSTRUMENTS

U.S. Government Securities. The Primary Fund, the Reserve Liquid Performance Money Market Fund and the U.S. Government Fund may also invest in other U.S. government securities including instruments which are issued or guaranteed by agencies of the federal government and instrumentalities which have been established or sponsored by the U.S. government, and certain interests in the foregoing securities. U.S. government securities include obligations such as securities issued by the Government National Mortgage Association (“GNMA”), the Federal Home Loan Mortgage Corporation (“FHLMC”), the Federal National Mortgage Association (“FNMA”), the Student Loan Marketing Association (“SLMA”) and the Federal Home Loan Bank (“FHLB”), in addition to direct obligations of the U.S. Treasury. Some obligations of agencies and instrumentalities of the U.S. government, such as GNMA, are supported by the full faith and credit of the U.S. government. Other securities, such as obligations issued by FNMA and SLMA, are supported by the right of the issuer to borrow from the U.S. Treasury; and others, such as obligations issued by FHLB and FHLMC, are supported only by the credit of the agency or instrumentality issuing the obligation. In the case of securities not backed by the full faith and credit of the U.S., the investor must look principally to the agency issuing or guaranteeing the obligation for ultimate repayment.

U.S. Treasury Obligations. Each Fund may invest in obligations of or obligations guaranteed by the U.S. Treasury and backed by the full faith and credit of the U.S. government. The U.S. Treasury Fund invests exclusively in these securities.

Generally, the U.S. Treasury Fund's assets will be invested in direct obligations of the U.S. Treasury (such as Treasury bills, Treasury notes, and Treasury bonds). U.S. Treasury STRIPS permit the separate ownership and trading of the interest and principal components of direct obligations of the U.S. Treasury. These obligations may take the form of (i) obligations from which interest coupons have been stripped; (ii) the interest coupons that are stripped; or (iii) book-entries at a Federal Reserve member bank representing ownership of obligation components.

The Primary Fund and the Reserve Liquid Performance Money Market Fund may also invest in the following types of money market instruments:

Bank Obligations. The Primary Fund and Reserve Liquid Performance Money Market Fund may invest in bank obligations, including certificates of deposit, banker's acceptances, time deposits and securities backed by letters of credit of U.S. banks, foreign banks, foreign branches of U.S. banks and U.S. branches of foreign banks. A certificate of deposit is a negotiable certificate representing a bank's obligation to repay funds deposited with it, which earns a specified rate of interest over a given period. A banker's acceptance is a negotiable obligation of a bank to pay a draft which has been drawn on it by a customer. A time deposit is a non-negotiable deposit in a bank earning a specified interest rate over a given period of time. A letter of credit is an unconditional guarantee by the issuing bank to pay principal and interest on a note a corporation has issued.

Domestic banks are subject to extensive government regulations which may limit both the amount and types of loans which may be made and interest rates which may be charged. General economic conditions as well as exposure to credit losses arising from possible financial difficulties of borrowers play an important part in the operations of the banking industry. Domestic commercial banks organized under federal law are supervised and examined by the Controller of the Currency and are required to be members of the Federal Reserve System and to have their deposits insured by the FDIC. Domestic banks organized under state law are supervised and examined by state banking authorities and the FDIC, but are members of Federal Reserve System only if they elect to join. As a result of federal and state laws and regulations, domestic banks are, among other things, generally required to maintain specified levels of reserves and are subject to other regulations designed to promote financial soundness. Foreign branches or subsidiaries of U.S. banks may be subject to less stringent reserve requirements than are U.S. banks. U.S. branches or subsidiaries of foreign banks are subject to the reserve requirements of the states in which they are located. There may be less publicly available information about a U.S. branch or subsidiary of a foreign bank or other issuer than about a U.S. bank or other issuer, and such entities may not be subject to the same accounting, auditing and financial record keeping standards and requirements as U.S. issuers. The Primary Fund will treat bank money instruments issued by U.S. branches or subsidiaries of foreign banks ("Yankee dollar" obligations) as obligations issued by domestic banks only if the branch or subsidiary is subject to the same bank regulation as U.S. banks.

Foreign Corporate Debt Obligations and Foreign Bank Obligations. The Primary Fund and the Reserve Liquid Performance Money Market Fund may invest in foreign investment grade corporate debt obligations (including commercial paper) of foreign companies, as well as in the obligations of foreign banks located in industrialized nations in Western Europe, as well as Australia and Canada and foreign branches of U.S. banks ("Eurodollar" obligations), which banks have, at the time of the investment, more than \$25 billion in total assets or the equivalent in other currencies. Eurodollar obligations and obligations of branches or subsidiaries of foreign depository institutions may be general obligations of the parent bank or may be limited to the issuing branch or subsidiary by the terms of the specific obligations or by government regulation. Investments in obligations of foreign depository institutions and their foreign branches and subsidiaries will only be made if determined to be of comparable quality to other investments permissible for the Fund. Investment in these securities involves risks which may include unfavorable political and economic developments, possible withholding taxes, seizure of foreign deposits, currency controls or other governmental restrictions which might affect payment of principal or interest. Furthermore, foreign banks are not regulated by U.S. banking authorities and are generally not bound by financial reporting standards comparable to U.S. standards. Evidence of ownership of Eurodollar and foreign obligations may be held outside the United States, and the Primary Fund may be subject to the risks associated with the holding of such property overseas. Eurodollar and foreign obligations of the Fund held overseas will be held by foreign branches of the Fund's custodian or by other U.S. or foreign banks under sub-custodian arrangements complying with the requirements of the Investment Company Act.

Corporate Debt Obligations. The Primary Fund and the Reserve Liquid Performance Money Market Fund may invest in obligations of corporations (including commercial paper) and other entities, including those that have a remaining life of 13 months or less and are of investment grade. Investment grade corporate debt obligations are rated in one of the four highest rating categories by Moody's Investors Service, Inc. ("Moody's") or The Standard & Poor's Division of the McGraw-Hill Companies, Inc. ("S&P"), or if unrated, are determined by RMCI to be of comparable quality. Moody's considers debt securities rated Baa (its lowest investment grade rating) to have speculative characteristics. Commercial paper instruments have a maturity of less than nine months and investments in commercial paper will be of high quality (i.e. rated A-1 or A-2

by S&P, Prime 1 or Prime 2 by Moody's, and, if unrated, of comparable quality). Changes in economic conditions or other circumstances of an issuer are more likely to lead to a weakened capacity to make principal and interest payments than is the case for higher-rated obligations. A description of the ratings assigned to commercial paper and other corporate debt obligations by Moody's and S&P is included in this SAI. See "Credit Ratings" in Appendix A.

Credit ratings attempt to evaluate the safety of principal and interest payments, but they do not evaluate the volatility of a debt security's value or its liquidity and do not guarantee the performance of the issuer. Rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than the rating indicates. There is a risk that rating agencies may downgrade a debt security's rating. Subsequent to a security's purchase by a Fund, it may cease to be rated or its rating may be reduced below the minimum rating required for purchase by the Fund. Neither event will require the sale of such securities, although RMCi will consider such event in its determination of whether a Fund should continue to hold the security. RMCi may use these ratings in determining whether to purchase, sell or hold a security. It should be emphasized, however, that ratings are general and are not absolute standards of quality. Consequently, debt obligations with the same maturity, interest rate and rating may have different market prices.

Municipal Obligations. The Primary Fund and the Reserve Liquid Performance Money Market Fund may also invest in municipal obligations. Municipal obligations include debt obligations issued to obtain funds for various governmental and public purposes, including construction of a wide range of public facilities, refunding of outstanding obligations and obtaining of funds for general operating expenses and loans to other public institutions and facilities. In addition, certain types of industrial development bonds are issued by or on behalf of public authorities to finance various facilities operated for private profit.

The two principal classifications of municipal obligations are "general obligation" bonds and "revenue" or "special obligation" bonds. General obligation bonds are backed by the issuer's faith, credit and taxing power. Revenue or special obligation bonds are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or other specific revenue source such as from the user of the facility being financed. Each Fund may also invest in private activity bonds which are, in most cases, revenue bonds and do not generally constitute the pledge of the credit or taxing power of the issuer of such bonds. The repayment of the principal and the payment of interest on such private activity bonds depends solely on the ability of the user of the facilities financed by the bonds to meet its financial obligation and the pledge, if any, of real and personal property so financed as security for such payment. Each Fund's portfolio may also include "moral obligation" bonds which are normally issued by special purpose public authorities. If an issuer of moral obligation bonds is unable to meet its debt service obligations from current revenues, it may draw on a reserve fund, the restoration of which is a normal commitment but not a legal obligation of a state or municipality. Moral obligation bonds must meet the same credit quality standards as the other investments of a Fund.

The Primary Fund and the Reserve Liquid Performance Money Market Fund will purchase municipal securities which are rated MIG1 or MIG2 or Prime 1 or Prime 2 by Moody's Investor Services, Inc. ("Moody's"), SP-1 or SP-2 or A-1 or A-2 by the Standard & Poor's Division of the McGraw-Hill Companies, Inc. ("S&P"). Municipal obligations which are not rated may also be purchased provided such securities are determined to be of comparable quality by RMCi to those rated securities in which the Primary Fund may invest, pursuant to guidelines established by the Trustees.

Municipal obligations may bear fixed, variable or floating rates of interest. Yields on municipal obligations are dependent on a variety of factors, including the general condition of the money market and of the municipal bond market, the size of a particular offering, the maturity of the obligation, and the rating of the issue. Municipal securities can be significantly affected by economic and political changes, as well as uncertainties in the municipal market related to taxation, legislative changes, or the rights of municipal security holders. Because many municipal securities are issued to finance similar projects, especially those relating to education, health care, transportation and various utilities, conditions in those sectors and the financial condition of an individual municipal issuer can affect the overall municipal market.

When-Issued Municipal Obligations. Municipal obligations are sometimes offered on a "when-issued" or delayed delivery basis. There is no limit on the ability of the Primary Fund and the Reserve Liquid Performance Money Market Fund to purchase municipal obligations on a when-issued basis. At the time each Fund makes the commitment to purchase a municipal obligation on a when-issued basis, it will record the transaction and reflect the value of the security in determining its net asset value ("NAV") per share. The Primary Fund and the Reserve Liquid Performance Money Market Fund will also maintain readily marketable assets, at least equal in value to its commitments for when-issued securities, specifically for the settlement of such commitments. RMCi does not believe that a Fund's NAV or income will be adversely affected by the purchase of municipal obligations on a when-issued basis.

Asset-Backed Securities. The Primary Fund and the Reserve Liquid Performance Money Market Fund may invest in asset-backed securities, which represent undivided fractional interests in pools of instruments, such as credit card, auto, and equipment receivables, and home equity and other consumer loans. Payments of principal and interest are passed through to holders of the securities and are typically supported by some form of credit enhancement, such as a letter of credit, overcollateralization, liquidity support, surety bond, limited guarantee by another entity or by priority to certain of the borrower's securities. The degree of enhancement varies, generally applying only until exhausted and covering only a fraction of the security's par value. If the credit enhancement has been exhausted, and if any required payments of principal and interest are not made with respect to the underlying loans, the Fund may experience loss or delay in receiving payment and a decrease in the value of the security. Prepayment, especially during periods of declining interest rates, may cause the Fund to achieve a lower rate of return upon reinvestment of principal. Like other fixed-income securities, the value of mortgage-related securities is affected by fluctuations in interest rates.

INVESTMENT STRATEGIES

Each Fund may also employ the following investment strategies:

Repurchase Agreements. Each Fund may invest in securities pursuant to repurchase agreements ("REPOs"). Under such agreements, the Fund purchases and simultaneously contracts to resell securities at a mutually agreed upon time and price, thereby determining the yield during the term of the agreement. This results in a fixed rate of return insulated from market fluctuations during such period. Each Fund will limit REPOs to those financial institutions and securities dealers who are deemed credit worthy pursuant to guidelines established by the Funds' Trustees. To reduce the risk of incurring a loss on a REPO, each Fund will follow procedures intended to provide that all REPOs are at least 100% collateralized as to principal and interest and market-to-market daily. The Fund will require the seller to provide additional collateral if the market value of the securities falls below the repurchase price at any time during the term of the repurchase agreement. A Fund will make payment for such instruments only upon their physical delivery to, or evidence of their book-entry transfer to, the Fund's account at its Custodian.

A REPO may be construed to be a collateralized loan by the purchaser to the seller secured by the securities transferred to the purchaser. In general, for federal income tax purposes, repurchase agreements are treated as collateralized loans secured by the securities "sold". Therefore, amounts earned under such agreements, even if the underlying securities are tax-exempt securities, will not be considered tax-exempt interest.

REPOs could involve risks in the event of a default of the REPO counter-party to the agreement, including possible delays, losses or restrictions upon the Fund's ability to dispose of the underlying securities. In the event of a default by the seller under a repurchase agreement construed to be a collateralized loan, the underlying securities are not owned by the Fund but only constitute collateral for the seller's obligation to pay the repurchase price. Therefore, the Fund may suffer time delays and incur costs or possible losses in connection with the disposition of the collateral. In the event of a default, instead of the contractual fixed rate of return, the rate of return would be dependent upon intervening fluctuations of the market value of the security and the accrued interest on the security. A Fund would have rights against the seller for breach of contract with respect to any losses arising from market fluctuations following the failure of the seller to perform.

Reverse Repurchase Agreements. The Primary, U.S. Government and Reserve Liquid Performance Money Market Funds may enter into reverse repurchase agreements ("reverse REPOs") when it is considered advantageous, such as to cover net redemptions or to avoid a premature outright sale of its portfolio securities. Reverse REPOs involve the sale of money market securities held by a Fund, with an agreement to repurchase the securities at an agreed-upon price, date and interest payment. In a typical reverse REPO transaction, the seller (Fund) retains the right to receive interest and principal payments on the security, but transfers title to and possession of it to a second party in return for receiving a percentage of its value. During the time a reverse repurchase agreement is outstanding, a Fund will maintain a segregated custodial account containing U.S. government or other appropriate liquid securities that have a value equal to the repurchase price. A reverse REPO involves the risk that the counterparty will fail to return the securities involved in such transactions, in which event a Fund may suffer time delays and incur costs or possible losses in connection with such transactions. It is the Fund's policy that entering into a reverse REPO transaction will be for temporary purposes only and, when aggregated with other borrowings, may not exceed 5% of the value of the total assets of the Fund at the time of the transaction.

Investments in Illiquid Securities. Illiquid securities generally are any securities that cannot be disposed of promptly, in the ordinary course of business, at approximately the amount at which the Fund has valued the instruments. A Fund may invest in illiquid securities if such investments would not exceed 10% of such Fund's net assets. The liquidity of a Fund's investments is monitored under the supervision and direction of the Funds' Trustees. Investments currently considered illiquid include REPOs not maturing within seven days and certain restricted securities.

Borrowing. Each Fund has the authority to borrow money, including through reverse REPO transactions, for extraordinary or emergency purposes but not in an amount exceeding 5% of its total assets. A Fund may borrow at times to meet redemption requests rather than sell portfolio securities to raise the necessary cash. Borrowing subjects a Fund to interest costs. Borrowing could also involve leverage if securities were purchased with the borrowed money. To avoid this, each Fund will not purchase securities while borrowings are outstanding. Each Fund could suffer a loss in the event that there are losses on investments made with such collateral. In the event the borrower defaults on its obligations, a Fund could suffer a loss where the market value of securities received as collateral falls below the market value of the borrowed securities. Each Fund could also experience delays and costs in gaining access to the collateral.

Securities Lending Agreements. The Primary, U.S. Government, U.S. Treasury and Reserve Liquid Performance Money Market Funds may from time to time lend securities on a short-term basis to banks and to broker-dealers (but not individuals) if, after any loan, the value of the securities loaned does not exceed 25% of the value of the Fund's assets. The Fund will receive as collateral cash or securities issued by the U.S. government or its agencies or instrumentalities. Under current regulations, the loan collateral must, on each business day, be at least equal to the value of the loaned securities plus accrued interest. A Fund receives the income on the loaned securities. Where a Fund receives securities as collateral, the Fund receives a fee for its loans from the borrower and does not receive the income on the collateral. Where a Fund receives cash collateral, it may invest such collateral and retain the amount earned, net of any amount rebated to the borrower. As a result, a Fund's yield may increase. Loans of securities are terminable at any time and the borrower, after notice, is required to return borrowed securities within the standard time period for the settlement of securities transactions. A Fund is obligated to return the collateral to the borrower at the termination of the loan. The Funds may pay reasonable finders, custodian and administrative fees. Loan arrangements made by a Fund will comply with all applicable regulatory requirements including the rules of the New York Stock Exchange (the "NYSE" or the "Exchange").

A Fund could suffer a loss in the event that there are losses on investments made with such collateral. In the event the borrower defaults on its obligations, a Fund could suffer a loss where the market value of securities received as collateral falls below the market value of the borrowed securities. A Fund could also experience delays and costs in gaining access to the collateral.

Credit Quality. The SEC has adopted regulations that dictate the credit quality requirements for money market funds. These require the Funds to invest exclusively in high-quality securities. Generally, high-quality securities are securities that are rated in one of the two highest rating categories by two nationally recognized statistical rating organizations ("NRSRO"), or by one if only one NRSRO has rated the securities, or, if unrated, securities determined to be of comparable quality by the Adviser pursuant to guidelines adopted by the Trustees. Securities that are not rated may be purchased by the Primary Fund and Reserve Liquid Performance Money Market Fund, provided the investment adviser determines them to be of comparable quality pursuant to guidelines established by the Trustees. High-quality securities may be "first tier" or "second tier" securities. First tier securities may be rated within the highest category or determined to be of comparable quality. Money market fund shares and U.S. government securities are also first tier securities. Second tier securities generally are rated within the second-highest category. Should a security's high-quality rating change after purchase by a Fund, the Adviser would take such action, including no action, determined to be in the best interest of that Fund.

Risks of Investing in the Funds

The principal risk factors associated with an investment in each Fund are the risk of fluctuations in short-term interest rates and the risk of default among one or more issuers of securities which comprise a Fund's assets.

Credit Risk. This is the risk that the issuer will not make timely payments of principal and interest. The degree of credit risk depends on the issuer's financial condition and on the terms of the bonds. This risk is reduced to the extent a Fund limits its debt investments to U.S. Treasury or U.S. government securities.

Interest Rate Risk. Interest rate risk is the risk that prices of debt securities generally increase when interest rates decline and decrease when interest rates increase. In general, the market price of debt securities with longer maturities will go up or down more in response to changes in interest rates than the market price of shorter-term securities. A Fund may lose money if interest rates rise sharply in a manner not anticipated by Fund management.

Temporary Defensive Positions. The Funds will at all times as is practicable be invested in accordance with the investment objective and strategies outlined in the Prospectus and above. However, from time to time, a Fund may take temporary defensive positions that are inconsistent with the Fund's principal investment strategies to attempt to respond to adverse market, economic, political or other conditions. The Primary Fund and the U.S. Government Fund would generally, in adopting a temporary defensive position, buy more conservative U.S. Government securities. If the U.S. Treasury Fund

adopted a temporary defensive position, it would probably increase its investment in REPOs above its 5% of total assets limitation. Further, in an extreme emergency, all Funds would maintain a large percentage of uninvested cash. If a Fund adopts a temporary defensive position, the Fund might not be able to attain its objective.

Portfolio Transactions

Portfolio Transaction Fees. Investment transactions by the Funds are normally principal transactions at net prices. Therefore the Funds do not normally incur brokerage commissions. Purchases of securities from underwriters involve a commission or concession paid by the issuer to the underwriter and after-market transactions with dealers involve a spread between the bid and asked prices. The Funds have not paid any brokerage commissions during the past three fiscal years.

The Adviser places all orders for the purchase and sale of each Fund's investment securities, subject to the overall supervision of the officers and the Trustees of the Fund. In the purchase and sale of investment securities, the Adviser will seek to obtain prompt and reliable execution of orders at favorable prices and yields. In determining the best net results, the Adviser may take into account a dealer's operational and financial capabilities, the type of transaction involved, the dealer's general relationship with the Adviser, and any statistical, research, or other services provided by the dealer to the Adviser. To the extent such non-price factors are taken into account the execution price paid may be increased, but only in reasonable relation to the benefit of such non-price factors to a Fund as determined by the Adviser. Dealers who execute investment securities transactions may also sell shares of a Fund. However, any such sales will be neither a qualifying nor disqualifying factor in the selection of dealers.

Disclosure of Portfolio Holdings. A complete list of the portfolio holdings of each series of the Trust (the "Funds"), as of the previous day if available, will be provided via facsimile by calling 800-637-1700. This information is available to any person or entity on request. RCMI may distribute or authorize the distribution of a Fund's portfolio holdings that are not yet publicly available to RCMI's employees and affiliates that provide services to the Funds and require this information to fulfill their contractual duties relating to the Funds. The Funds may also provide publicly available portfolio holdings information to publications that rate, rank or otherwise categorize investment companies. There are no ongoing arrangements with third-parties to make available information about a Fund's portfolio holdings that is not publicly available. RCMI and its affiliates do not expect to disclose information about portfolio holdings that is not publicly available to individual and institutional investors, to intermediaries that distribute the Funds' shares or to any other third party.

The Funds' Chief Investment Officer is responsible for authorizing the daily release of the portfolio holdings. Any non-publicly available disclosure made to entities other than RCMI and its affiliates will be reviewed by the Chief Compliance Officer ("CCO") prior to any release of the portfolio holdings information. The CCO will make quarterly reports to the Board on the operation and effectiveness of the portfolio holdings policy.

Security Allocation. When orders to purchase or sell the same security on identical terms are simultaneously placed for a Fund and other investment companies managed by the Adviser, the transactions are allocated as to amount in accordance with the amount of the order placed for each Fund. The Adviser may not always be able to purchase or sell a security on identical terms for all funds affected.

Management of the Trust

The Board of Trustees is responsible for the management and supervision of each Fund. The Trustees approve all material agreements between the Funds and the Funds' service providers.

The Board of Trustees has an Audit Committee, a Nominating Committee and a Valuation Committee. The Audit Committee consists of Trustees who are not "interested persons" of the Funds as defined in the Investment Company Act. The Audit Committee reviews each Fund's compliance procedures and practices, oversees its accounting and financial reporting policies and practices and oversees the quality and objectivity of its financial statements and the independent audit thereof. The Audit Committee is comprised of Messrs. Montgoris and Artinian and Ms. Albicocco. Mr. Montgoris and Ms. Albicocco have been determined to meet the qualifications of audit committee financial experts. The Nominating Committee is comprised of Messrs. Montgoris and Ehlert and evaluates the qualifications of candidates and nominates individuals to serve as Independent Trustees when required. While the Nominating Committee is solely responsible for the selection and nomination of the Independent Trustees, it may consider nominations for the office of Trustee made by Fund shareholders or by management in the same manner as it deems appropriate. Shareholders who wish to recommend a nominee should send nominations to the Secretary of the Funds, include all appropriate biographical information and set forth the qualifications of the proposed nominee. The Secretary of the Funds will forward all nominations received to the Nominating Committee. The Valuation Committee, which is comprised of at least two Trustees at all times, one of whom must be an Independent

Trustee, oversees the Funds' valuation procedures. The Audit Committee met six (6) times, the Nominating Committee and the Valuation Committee both did not meet during the fiscal year ended May 31, 2007. The Valuation Committee is comprised of Messrs. Bent and Ehlert.

Biographical Information. Biographical information relating to the Independent Trustees, the Officers of the Funds and the Trustee who is an "interested person" of the Fund, as defined in the Investment Company Act (the "Interested Trustee"), is set forth below. The Trustees and the Officers of the Funds oversee five registered investment companies, with 20 portfolios, in the Reserve fund family.

| Name, Address, Age <u>Interested Trustees</u> | Positions With the Fund | Term of Office** and Length of Service | Principal Occupations during the Last Five Years and Other Directorships |
|--|--|---|--|
| Bruce R. Bent††* Age: 70 The Reserve 1250 Broadway New York, NY 10001 | Chairman, President, Treasurer and Trustee | Trustee Since Inception Chairman since 2000 | President of Reserve Management Company, Inc. ("RMCI"), Chairman of Reserve Management Corporation ("RMC") and Chairman of Resrv Partners, Inc. ("RESRV") since 2000; Chairman and Director of Reserve International Liquidity Fund Ltd. since 1990. Co-founder of The Reserve Fund ("RF") in 1970; officer thereof since 1970. |
| William E. Viklund* Age: 67 The Reserve 1250 Broadway New York, NY 10001 | Trustee | Trustee Since April 17, 2007 | Retired since 1996. Trustee of other Reserve Funds. |
| <u>Independent Trustees</u> | | | |
| Edwin Ehlert, Jr. Age: 76 The Reserve 1250 Broadway New York, NY 10001 | Trustee | Trustee Since Inception | Retired. President, Premier Resources, Inc. (meeting management firm) since 1987. Trustee of other Reserve Funds. |
| Joseph D. Donnelly Age: 60 The Reserve 1250 Broadway New York, NY 10001 | Trustee | Trustee Since Inception | Retired since 2002; Managing Director and General Counsel to the Pershing Division of Donaldson, Lufkin and Jenrette Securities Corporation from 1976 to 2002; Director of Compliance for Donaldson, Lufkin and Jenrette from 1976 to 1982; Member of Pershing Executive Committee from 1986 to present); Co-chair of Pershing Credit Policy Committee from 1986 to 2002; Trustee of other Reserve Funds. |
| William J. Montgoris Age: 60 The Reserve 1250 Broadway New York, NY 10001 | | Trustee Since Inception | Retired since 1999; Chief Operating Officer of The Bear Stearns Companies, Inc. from 1979 to 1999; Director of Stage Stores, Inc. (retailing) since 2004. Trustee of other Reserve Funds. |

| Name, Address, Age | Positions With the Fund | Term of Office** and Length of Service | Principal Occupations during the Last Five Years and Other Directorships |
|---|---|--|---|
| Frank J. Stalzer Age: 47 The Reserve 1250 Broadway New York, NY 10001 | | Trustee Since Inception | Vice President, Sales and Marketing, RAD Electronics Since 2006. Vice President and GM for Arrow/Zeus from 2004 to 2005. Vice President of Marketing for Arrow/Zeus from 2002 to 2004; Vice President of Sales for Arrow/Zeus from 2000 to 2002; Regional Vice President of Arrow/Richey from 1999 to 2000; Regional Director-East of Richey Electronics from 1996 to 1999; Trustee of other Reserve Funds. |
| Ronald J. Artinian Age: 59 The Reserve 1250 Broadway New York, NY 10001 | Trustee | Trustee Since April 17, 2007 | Executive V.P., Senior Managing Director for Smith Barney from 1989-1998; Private Investor from 1998 to Present; Trustee of other Reserve Funds. Director of First Real Estate Investment Trust of New Jersey since 1992. |
| Santa Albicocco Age: 57 The Reserve 1250 Broadway New York, NY 10001 | Trustee | Trustee Since April 17, 2007 | Treasurer - County of Nassau, NY from 1993 to 2000; Board Member of the New York State Banking Board from 1998 to 2004; Department County Executive for Finance - County of Nassau, NY; Trustee of other Reserve Funds. |
| Stephen P. Zieniewicz Age: 48 The Reserve 1250 Broadway New York, NY 10001 | Trustee | Trustee Since April 17, 2007 | Chief Operating Officer - Saint Louis University Hospital from 2004 to present; Vice President Support Services - South Nassau Communities Hospital from 2001 to 2004; Trustee of other Reserve Funds. |
| <u>Officers Who Are Not Trustees</u> | | | |
| Bruce R. Bent II†† Age: 41 The Reserve 1250 Broadway New York, NY 10001 | Co-Chief Executive Officer, Senior Vice President and Assistant Treasurer | | Senior Vice President, Secretary and Assistant Treasurer of RMCI, Senior Vice President, Secretary and Assistant Treasurer of RMC, and Secretary, Assistant Treasurer and Director of RESRV since 2000; Vice President of RMC, RMCI and RESRV from 1992 to 2000; Former Trustee of Trusts in the Reserve fund complex. |
| Arthur T. Bent III†† Age: 39 The Reserve 1250 Broadway New York, NY 10001 | Co-Chief Executive Officer, Senior Vice President and Assistant Secretary | | Chief Operating Officer, Treasurer, Senior Vice President and Assistant Secretary of RMCI; President, Treasurer and Assistant Secretary of RMC; Treasurer, Assistant Secretary and Director of RESRV since 2000; Vice President RMC, RMCI and RESRV from 1997 to 2000. |

| Name, Address, Age | Positions With the Fund | Term of Office** and Length of Service | Principal Occupations during the Last Five Years and Other Directorships |
|--|--------------------------|--|--|
| Catherine Crowley Age: 53 The Reserve 1250 Broadway New York, NY 10001 | Secretary | | General Counsel, Senior Vice President and Secretary-RMCI since September 2007; Senior Vice President, General Counsel and Secretary-RMC since September 2007; Senior Vice President, Associate General Counsel-J.P. Morgan Chase, 1993-2004. |
| Patrick J. Farrell Age: 48 The Reserve 1250 Broadway New York, NY 10001 | Chief Financial Officer | | Chief Financial Officer of the Adviser and its affiliates since 2006. Chief Financial Officer, Treasurer and Assistant Secretary of the MainStay Funds, Eclipse Funds, and MainStay VP Funds; Principal Financial Officer – McMorgan Funds; Managing Director New York Life Investment Management from 2001 to 2005. |
| Christina Massaro Age: 40 The Reserve 1250 Broadway New York, NY 10001 | Chief Compliance Officer | | Chief Compliance Officer of the Funds, RMCI and RESRV since 2005; Anti-Money Laundering Compliance Officer of RMCI and RESRV since 2006; Chief Compliance Officer from 2001 to 2005 and Anti-Money Laundering Compliance Officer from 2002 to 2005 of Maxcor Financial Inc. and Maxcor Financial Asset Management. |

* Mr. Bruce Bent and Mr. William E. Viklund are “interested persons” of the Fund as defined in Section 2(a) (19) of the Investment Company Act. Mr. Bent is an interested person due to his positions with RMC, RMCI and RESRV. Mr. William E. Viklund is considered an “interested person” of RMC due to a business transaction with RMCI.

** Each Trustee shall hold office until he resigns, is removed or until his successor is duly elected and qualified. A Trustee shall retire upon attaining the age of seventy-five (75) years, unless extended by a vote of the non-interested Trustees. Trustees need not be Shareholders. Officers hold their positions with the Trust until a successor has been duly elected and qualified.

† Mr. Bruce R. Bent also serves as an officer to a unregistered fund advised by the Investment Adviser.

†† Mr. Bruce R. Bent is the father of Mr. Bruce R. Bent II and Mr. Arthur T. Bent III.

Trustee Share Ownership. As of December 31, 2006, the Trustees' beneficial ownership of the equity securities of the Funds and other registered investment companies in the Reserve/Hallmark fund complex overseen by each Trustee (the "Supervised Funds") are indicated below:

| Name* | AGGREGATE DOLLAR RANGE OF EQUITY SECURITIES IN THE FUNDS | | | | AGGREGATE DOLLAR RANGE OF EQUITY SECURITIES IN ALL SUPERVISED FUNDS |
|------------------------------|--|----------------------|--------------------|--------------------------------------|---|
| | Primary Fund | U.S. Government Fund | U.S. Treasury Fund | Liquid Performance Money Market Fund | |
| Interested Trustees: | | | | | |
| Bruce R. Bent | over \$100,000 | None | None | None | Over \$100,000 |
| William E. Viklund | None | \$1-\$10,000 | None | None | \$1-\$10,000 |
| Independent Trustees: | | | | | |
| Joseph Donnelly | None | None | None | None | None |
| Edwin Ehlert, Jr. | Over \$100,000 | None | None | None | Over \$100,000 |
| William J. Montgoris | \$1-\$10,000 | None | None | None | \$1-\$10,000 |
| Frank Stalzer | \$50,001-\$100,000 | None | None | None | \$50,001-\$100,000 |
| Ronald J. Artinian | None | None | None | None | None |
| Santa Albicocco | None | None | None | None | None |
| Stephen P. Zieniewicz | \$1-\$10,000 | None | None | None | \$1-\$10,000 |

As of September 1, 2007, neither the Independent Trustees nor any of their immediate family members owned beneficially or of record any securities of the Adviser, Resrv Partners, Inc. ("Resrv" or the "Distributor") or an entity controlling, controlled by or under common control with the Adviser or the Distributor.

Compensation of Trustees. The Independent Trustees are paid a fee of \$3,500 for each Board meeting of the Trust that they attend in person, a fee of \$1,000 for each joint telephonic meeting of the Trust that they participate in, and an annual fee of \$40,000 for service to all of the trusts in the Reserve family of fund complex and reimbursement for any out-of-pocket expenses of attending meetings. These fees and expenses are allocated among the funds in the Reserve fund complex on the basis of each fund's relative net assets. The Trustees do not receive any pension or retirement benefits. The Audit Committee members receive an annual committee fee of \$2,000 and a fee of \$1,000 for each telephonic meeting of the Audit Committee that they participate in that is held separately from a Board meeting. Mr. Montgoris and Ms. Albicocco receive an annual fee of \$25,000 for their services as audit committee financial experts for the trusts for which they serve as such.

For the fiscal year ended May 31, 2007, the Independent Trustees received the following compensation from the Funds and Supervised Funds. Mr. Bruce Bent does not receive compensation from any of the Funds.

| Name* | Primary Fund | U.S. Government Fund | U.S. Treasury Fund | Reserve Liquid Performance Money Market Fund | Compensation from all Reserve/Hallmark Funds* |
|------------------------------|--------------|----------------------|--------------------|--|---|
| Interested Trustees: | | | | | |
| Bruce R. Bent | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| William E. Viklund | \$ 22,217 | \$ 4,652 | \$ 398 | \$ 0 | \$ 43,500 |
| Independent Trustees: | | | | | |
| Edwin Ehlert, Jr. | \$ 33,080 | \$ 6,927 | \$ 593 | \$ 0 | \$ 64,770 |
| William J. Montgoris | \$ 45,711 | \$ 9,571 | \$ 820 | \$ 0 | \$ 89,500 |
| Joseph D. Donnelly | \$ 29,623 | \$ 6,202 | \$ 531 | \$ 0 | \$ 58,000 |
| Frank Stalzer | \$ 30,389 | \$ 6,363 | \$ 545 | \$ 0 | \$ 59,500 |
| Ronald J. Artinian | \$ 21,706 | \$ 4,545 | \$ 389 | \$ 0 | \$ 42,500 |
| Santa Albicocco | \$ 22,217 | \$ 4,652 | \$ 398 | \$ 0 | \$ 43,500 |
| Stephen P. Zieniewicz | \$ 8,285 | \$ 1,735 | \$ 149 | \$ 0 | \$ 16,221 |

*Each Trustee serves on the Board of five registered investment companies, which encompass a total of 20 funds.

As of September 1, 2007, the Trustees and Officers, in the aggregate, owned less than 1% of any class of any Fund.

Under the Declaration of Trust, the Trustees and Officers are entitled to be indemnified by the Trust to the fullest extent permitted by law against all liabilities and expenses reasonably incurred by them in connection with any claim, suit or judgment or other liability or obligation of any kind in which they become involved by virtue of their service as a Trustee or

Officer of the Trust. Neither Mr. Bent nor the Officers (other than CCO) of the Funds receive any compensation from the Trust or the Funds.

Code Of Ethics. The Trust, its Adviser and Resrv have adopted a Code of Ethics (the “Code”), conforming to the requirements of the Investment Company Act. The purpose of the Code is to establish guidelines and procedures to identify and prevent persons who may have knowledge of the Trust’s investments and investment intentions from breaching their fiduciary duties and to deal with other situations that may pose a conflict of interest or a potential conflict of interest. Additionally, federal securities laws require advisers and others to adopt policies and procedures to identify and prevent the misuse of material, non-public information. Therefore, the Trust has developed and adopted an Insider Trading Policy that applies to all employees, affiliates and subsidiaries. Under the Code, an Access Person may only engage in personal securities transactions in accordance with the procedures and guidelines established. The Code does not cover transactions in debt securities issued by the U.S. government or its agencies or instrumentalities, bankers’ acceptances, bank certificates of deposit, commercial paper or municipal bonds.

Principal Shareholders. As of September 13, 2007, the following persons or entities owned of record, or were known to own beneficially, 5% or more of any Class of the outstanding shares of a Fund:

| Fund Name | Name and Address of Beneficial Owner | Class | Percentage |
|--------------|---|------------------------|------------|
| Primary Fund | SLM CORPORATION 12061 BLUEMONT WAY RESTON VA 20190 | Liquidity Class I | 32.40 |
| | LASALLE BANK NATIONAL ASSOCIATION AS CUSTODIAN FOR DRIP OMNIBUS 540 W MADISON ST. SUITE 1035 CHICAGO IL 60661 | Liquidity Class I | 11.16 |
| | WRB REFINING LLC 600 N. DAIRY ASHFORD HOUSTON TX 77079 | Liquidity Class I | 5.23 |
| | PETER M SHERMAN DDS IRA BEAR STEARNS SEC CORP CUST * 110 EAST 36TH STREET NEW YORK NY 10016-3464 | Liquidity Class II | 23.39 |
| | LORI K BORMAN IRA R/O BEAR STEARNS SEC CORP CUST 2288 ASHTON OAKS LANE #201 NAPLES FL 34109-1462 | Liquidity Class II | 12.76 |
| | SMITH-LEADER INVESTMENTS, LLC PATTERSON, BELKNAP, WEBB & * TYLER 1133 AVENUE OF THE AMERICAS NEW YORK NY 10036-6710 | Liquidity Class II | 18.30 |
| | PAUL WERTH CREDIT SHELTER TRUST DTD 7/1/02 SANDRA HARBRECHT & MARGARET WERTH & LINDA CHUPP TTEES 10691 GULF SHORE DRIVE NAPLES FL 34108-3014 | Liquidity Class II | 5.80 |
| | SYLVIA SHERMAN, TRUSTEE SYLVIA SHERMAN TRUST U/A DTD 10/19/1991 8889 PELICAN BAY BLVD. SUITE 500 NAPLES FL 34108-7512 | Liquidity Class II | 11.95 |
| | NATIONAL FINANCIAL SERVICES LLC FOR THE BENEFIT OF SECURITIES AMERICA, INC 200 LIBERTY ST, 1 WORLD FINANCIAL CENTER ATTN: MUTUAL FUNDS DEPT. 5TH FL NEW YORK NY 10281 | Liquidity Class III | 69.60 |

| Fund Name | Name and Address of Beneficial Owner | Class | Percentage |
|-----------------------------|---|-----------------------|------------|
| Primary Fund (continued) | NATIONAL FINANCIAL SERVICES LLC FOR THE BENEFIT OF SECURITIES AMERICA, INC 200 LIBERTY ST, 1 WORLD FINANCIAL CENTER ATTN: MUTUAL FUNDS DEPT. 5TH FL NEW YORK NY 10281 | Liquidity Class IV | 87.84 |
| | AMERITRADE INC FOR THE EXCLUSIVE BENEFIT OF OUR CUSTOMERS PO BOX 2226 OMAHA NE 68103-2226 | Liquidity Class IV | 12.16 |
| | JEFFERSON BANK 2900 FREDERICKSBURG ROAD SAN ANTONIO, TX 78201 | Liquidity Class V | 9.06 |
| | ACES TRUST FUND - OMNIBUS ACCOUNT HEF CONSERVATIVE PORTFOLIO - 4 STATE CAPITOL BUILDING SUITE 106 600 DEXTER AVENUE MONTGOMERY, AL 36130-3024 | Liquidity Class V | 13.83 |
| | ACES TRUST FUND - OMNIBUS ACCOUNT HEF CONSERVATIVE PORTFOLIO - 5 STATE CAPITOL BUILDING SUITE 106 600 DEXTER AVENUE MONTGOMERY, AL 36130-3024 | Liquidity Class V | 12.42 |
| | ACES TRUST FUND - OMNIBUS ACCOUNT HEF MODERATE PORTFOLIO - 3 STATE CAPITOL BUILDING SUITE 106 600 DEXTER AVENUE MONTGOMERY, AL 36130-3024 | Liquidity Class V | 6.29 |
| | AMERITRADE INC FOR THE EXCLUSIVE BENEFIT OF OUR CUSTOMERS PO BOX 2226 OMAHA NE 68103-2226 | Liquidity Class V | 20.57 |
| | NATIONAL FINANCIAL SERVICES LLC FOR THE BENEFIT OF SECURITIES AMERICA, INC 200 LIBERTY ST, 1 WORLD FINANCIAL CENTER ATTN: MUTUAL FUNDS DEPT. 5TH FL NEW YORK NY 10281 | Investor Class I | 92.70 |
| | ROBERT MEISTER TTEE OF THE ROBERT L. MEISTER TRUST UA DTD 12/30/86 * 1 DANIEL BURNHAM CT APT 1112 SAN FRANCISCO CA 94109-5463 | Investor Class II | 6.13 |
| | MARK FELDBERG TTEE MARK FELDBERG SEPARATE PROPERTY TRUST DTD 12/27/88 * 546 AGUAJITO CARMEL CA 93923-9433 | Investor Class II | 25.70 |
| | SUPERIOR BANK 17 NORTH 20TH STREET BIRMINGHAM, AL 35203-4003 | Investor Class II | 28.83 |
| | CITIZENS NATIONAL BANK 101 S. WASHINGTON STREET BERKELEY SPRINGS, WV 25411 | Investor Class II | 6.45 |
| | TOWER BANK & TRUST COMPANY 116 EAST BERRY STREET FORT WAYNE IN 46802 | Investor Class II | 23.84 |

| Fund Name | Name and Address of Beneficial Owner | Class | Percentage |
|-------------------------------------|---|------------------------|-------------------|
| Primary Fund (continued) | NATIONAL FINANCIAL SERVICES LLC FOR THE BENEFIT OF SECURITIES AMERICA, INC 200 LIBERTY ST, 1 WORLD FINANCIAL CENTER ATTN: MUTUAL FUNDS DEPT. 5TH FL NEW YORK NY 10281 | Investor Class III | 100.00 |
| | FERRIS BAKER WATTS, INC PRIMARY OMNIBUS ACCOUNT 8403 COLESVILLE RD, # 900 SILVER SPRING MD 20910 | R | 10.31 |
| | AEIS OMNIBUS ACCT - PRIMARY 733 MARQUETTE AVE I9/692 MINNEAPOLIS MN 55440 | R | 11.55 |
| | NATIONAL FINANCIAL SERVICES LLC FOR THE BENEFIT OF SECURITIES AMERICA, INC. 200 LIBERTY ST 1 WORLD FINANCIAL CENTER ATTN MUTUAL FUND DEPT 5TH FL NY NY 10281 | R | 12.16 |
| U.S. Government Fund | BAY AREA RAPID TRANSIT 800 MADISON STREET OAKLAND CA 94607 | Liquidity Class I | 10.55 |
| | KAANAPALI DEVELOPMENT CORP 900 N. MICHIGAN AVE, 9TH FLOOR CHICAGO IL 60611 | Liquidity Class I | 8.95 |
| | ALP LIQUIDATING TRUST 900 NORTH MICHIGAN AVENUE, 19TH FLOOR CHICAGO IL 60611 | Liquidity Class I | 13.17 |
| | LEERINK SWANN & CO INC 900 NORTH MICHIGAN AVENUE, 19TH FLOOR CHICAGO IL 60611 | Liquidity Class I | 9.47 |
| | CONTINENTAL AIRLINES INC MONEY MARKET PORTAL ACCOUNT 1600 SMITH STREET HOUSTON TX 77002-7362 | Liquidity Class I | 49.50 |
| | FIRST FIDELITY BANK 5101 N CLASSEN, SUITE 500 OKLAHOMA CITY, OK 73118 | Liquidity Class III | 62.15 |
| | SCOT COHEN 5101 N CLASSEN, SUITE 500 OKLAHOMA CITY, OK 73118 | Liquidity Class III | 13.00 |
| | AMERITRADE INC FOR THE EXCLUSIVE BENEFIT OF OUR CUSTOMERS PO BOX 2226 OMAHA NE 68103-2226 | Liquidity Class III | 18.57 |
| | FIRST BANK & TRUST 2220 6TH STREET BROOKINGS, SD 57006 | Liquidity Class V | 6.75 |
| | COPPERMARK BANK 3333 NORTHWEST EXPRESSWAY OKLAHOMA CITY, OK 73112 | Liquidity Class V | 58.55 |
| | BANK OF ST PETERSBURG ONE TAMPA CITY CENTER, SUITE 100 TAMPA, FL 33602 | Liquidity Class V | 13.28 |
| | MISSION BANK 3060 16TH STREET SAN FRANCISCO, CA 94103 | Liquidity Class V | 8.38 |

| Fund Name | Name and Address of Beneficial Owner | Class | Percentage | |
|---|---|---|------------------------|--------|
| U.S. Government Fund (continued) | FIRST DAKOTA NATIONAL BANK 225 CEDAR STREET P O BOX 156 YANKTON, SD 57078 | Liquidity Class V | 6.83 | |
| | TEXAS TREASURY SAFEKEEPING TRUST CO. 208 E. 10TH STREET RM 402 AUSTIN TX 78701 | Institutional | 15.61 | |
| | THE CLARK MONEY FUND 7500 OLD GEORGETOWN RD BETHESADA MD 20814 | Institutional | 6.11 | |
| | NISSAN NORTH AMERICA, INC. TREASURY DEPT. MAIL STOP B-10-C 333 COMMERCE ST. NASHVILLE TN 37201 | Institutional | 18.85 | |
| | AEI OMNIBUS ACCT - US GOVERNMENT TREAS 733 MARQUETTE AVE I9/692 MINNEAPOLIS MN 55400 | Treasurer's Trust | 41.91 | |
| | FERRIS BAKER WATTS, INC GOVT. OMNIBUS ACCOUNT 8403 COLESVILLE RD, # 900 SILVER SPRING MD 20910 | R | 5.09 | |
| | AEIS OMNIBUS - GOVT 733 MARQUETTE AVE I9/692 MINNEAOLIS MN 55440 | R | 74.49 | |
| | U.S. Treasury Fund | RESERVE MANAGEMENT CORPORATION 1250 BROADWAY NEW YORK, NY | Liquidity Class I | 100.00 |
| | | RESERVE MANAGEMENT CORP. 1250 BROADWAY NEW YORK NY 10001-3701 | Liquidity Class III | 98.60 |
| | | FIRST BANK & TRUST 2220 6TH STREET BROOKINGS, SD 57006 | Liquidity Class V | 6.23 |
| | | COPPERMARK BANK 3333 NORTHWEST EXPRESSWAY OKLAHOMA CITY, OK 73112 | Liquidity Class V | 91.78 |
| | | FIRST VICTORIA NATIONAL BANK 101 S. MAIN STREET VICTORIA, TX 77901-1338 | Investor Class II | 5.40 |
| | | TOWER BANK & TRUSTCOMPANY 116 EAST BERRY STREET FORT WAYNE IN 46802 | Investor Class II | 94.60 |
| ETON PARK MASTER FUND, LTD 825 THIRD AVENUE 8TH FLR NEW YORK, NY 10022 | | Institutional | 26.52 | |
| ETON PARK FUND LP 825 THIRD AVENUE 8TH FLR NEW YORK NY 10022 | | Institutional | 14.28 | |
| GRAHAM CASH ASSETS LLC 40 HIGHLAND AVE ROWAYTON CT 06853 | | Institutional | 40.59 | |
| NVR INC ATTN ACCOUNTING DEPARTMENT 11700 PLAZA AMERICA DRIVE STE 500 RESTON VA 20190 | | Institutional | 8.19 | |

| | | | |
|---|--|----------------------|-------|
| U.S. Treasury Fund (continued) | FERRIS BAKER WATTS, INC US TREASURY OMNIBUS ACCOUNT ATTN: SHARON PENNINGTON 8403 COLESVILLE RD, # 900 SILVER SPRING MD 20910 | R | 6.39 |
| | AEIS OMIBUS ACCT - US TREASURY 733 MARQUETTE AVE I9/692 MINNEAPOLIS MN 55440 | R | 13.15 |
| | AMERITRADE INC FOR THE EXCLUSIVE BENEFIT OF OUR CUSTOMERS PO BOX 2226 OMAHA NE 68103-2226 | R | 7.06 |
| | W.H. REAVES & CO., INC. AND ADVISORY CUSTOMERS ATTN: JOE RHAMES 10 EXCHANGE PLACE JERSEY CITY, NJ 07302 | Treasurer's Trust | 6.01 |
| | FIRST NATIONAL BANK PO BOX 600 CHRISTIANSBURG, VA 24068 | Treasurer's Trust | 6.90 |
| | JOHN KREITLER & HEATHER KREITLER TEN COM 745 VERNA HILL RD FAIRFIELD CT 068242058 | Treasurer's Trust | 7.32 |
| | RESRV PARTNERS INC-LIQUID PERFORMANCE 1250 BROADWAY NEW YORK NY 10001 | Liquidity Class I | 36.31 |
| | AMERICAN AXLE & MANUFACTURING INC. ONE DAUCH DRIVE DETROIT, MI | Liquidity Class I | 62.20 |
| | ALBERT FRIED & COMPANY, LLC. OMNIBUS ACCOUNT 60 BROAD STREET - 39TH FLOOR NEW YORK, NY 10004 | Treasurer's Trust | 99.80 |

Persons or organizations beneficially owning, either directly or through one or more controlled companies, 25% or more of the outstanding shares of a Fund may be presumed to “control” (as that term is defined in the Investment Company Act of 1940) a Fund. As a result, these persons or organizations could have the ability to approve or reject those matters submitted to the shareholders of such Fund for their approval. As of September 13, 2007 no person or organization was a control person of any Fund.

Investment Management Arrangements

RMCI, located at 1250 Broadway, New York, NY 10001-3701, serves as the investment adviser to the Trust. Bruce R. Bent, Bruce R. Bent II and Arthur T. Bent III are each considered a “controlling person” of RMCI based on their direct and indirect securities ownership.

Investment Management Agreement. The Trust, on behalf of each of the Funds, has entered into an Investment Management Agreement with the Adviser (each a “Management Agreement”), which provides for a comprehensive management fee structure. Under each Management Agreement, RMCI manages the respective Fund’s investments in accordance with its investment objective and policies, subject to the overall supervision of the Trustees.

Under the terms of the Investment Management Agreements with the Funds, RMCI is paid a comprehensive management fee (the “Management Fee”), which includes the advisory fee, all administrative and customary operating expenses of the Funds, as well as shareholder liaison services (such as responding to inquiries and providing information on investments), record

keeping charges, accounting expenses, transfer agent costs, and the expenses of preparing, printing and mailing shareholder reports and prospectuses. Excluded from the administrative and customary operating expenses for the Funds are interest charges, taxes, brokerage fees and commissions, extraordinary legal and accounting fees and other extraordinary expenses including expenses incurred in connection with litigation proceedings, other claims and the legal obligations of the Trust to indemnify its trustees, officers, employees, shareholders, distributors and other agents of the Trust, payments made pursuant to the Trust's Distribution Plan, the compensation of the chief compliance officer and related expenses, and the fees and expenses of the Independent Trustees including the fees of the independent counsel of the Independent Trustees. Each Fund will pay its direct or allocated share of applicable expenses. The Management Fee is paid on the average daily net assets of each Fund according to the following schedule:

| Class R | Investor Class III | Class Treasurer's Trust | Investor Class II | Investor Class I | Liquidity Class V | Liquidity Class IV | Liquidity Class III | Liquidity Class II | Liquidity Class I | Class Institutional |
|---------|--------------------|-------------------------|-------------------|------------------|-------------------|--------------------|---------------------|--------------------|-------------------|---------------------|
| 0.81% | 0.76% | 0.61% | 0.56% | 0.51% | 0.46% | 0.36% | 0.26% | 0.21% | 0.16% | 0.13% |

The Investment Management Agreements are renewed annually if approved by the Trustees and by a separate vote of a majority of the non-interested Trustees. Each Investment Management Agreement may be terminated without penalty upon sixty (60) days' written notice by RMCI or by a vote of the Trustees or of a majority of the outstanding voting shares of a Fund.

From time to time, RMCI may waive receipt of its fees and/or voluntarily assume certain expenses of a Fund that would have the effect of lowering the Fund expense ratio and increasing yield to investors at the time such amounts are assumed or waived, as the case may be. RMCI may also make such advertising and promotional expenditures, and payments to financial intermediaries using its own resources, as it from time to time deems appropriate. RMCI received the following aggregate management fees, and waived fees in the amounts shown, for each Fund for the fiscal years indicated:

PRIMARY FUND

| Year Ended May 31, | Management Fee | Fee Waiver |
|--------------------|----------------|--------------|
| 2005 | \$ 61,761,841 | \$ 486,130 |
| 2006 | \$ 69,860,720 | \$ 90,296 |
| 2007 | \$ 92,069,201 | \$ 3,052,266 |

U.S. GOVERNMENT FUND

| Year Ended May 31, | Management Fee | Fee Waiver |
|--------------------|----------------|------------|
| 2005 | \$ 7,906,882 | \$ 103 |
| 2006 | \$ 11,502,934 | \$ 185,964 |
| 2007 | \$ 28,616,225 | \$ 310,263 |

U.S. TREASURY FUND

| Year Ended May 31, | Management Fee | Fee Waiver |
|--------------------|----------------|------------|
| 2005 | \$ 3,433,734 | \$ 43,780 |
| 2006 | \$ 3,330,870 | \$ 36,368 |
| 2007 | \$ 4,236,290 | \$ 12,256 |

RESERVE LIQUID PERFORMANCE MONEY MARKET FUND

| Year Ended May 31, | Management Fee | Fee Waiver |
|--------------------|----------------|------------|
| 2005 | N/A | N/A |
| 2006 | \$ 314 | \$ 314 |
| 2007 | \$ 20,228 | \$ 19,717 |

Distribution Arrangements

Distribution Plans. The Trust has adopted distribution plans under Rule 12b-1 of the Investment Company Act (each a “Distribution Plan” and together the “Distribution Plans”) with respect to Investor Class I, Investor Class II, Investor Class III and Class R shares of the Funds. Under its respective Distribution Plan, each Fund pays distribution (12b-1) fees of 0.25% on the average daily net assets of those Classes at the rates indicated regardless of the amount of expenses incurred.

Resrv uses distribution (12b-1) fees to pay brokers, financial institutions and other financial intermediaries (“Intermediaries”) for services to the Funds’ Investor Class I, Investor Class II, Investor Class III and Class R shareholder accounts (“qualifying accounts”). Such services may include, but are not limited to, the establishment of shareholder accounts, delivering prospectuses to prospective investors and processing automatic investments in Fund shares from the Intermediary’s clients accounts. Substantially all such payments are paid to Intermediaries for distribution and shareholder liaison services.

A Fund may use a portion of the distribution payments to pay for sales materials or other promotional activities directly. The Trust’s Chief Financial Officer or Treasurer reports the amounts and uses of distribution payments to the Board quarterly and in connection with the Trustees’ annual consideration of the renewal of the Distribution Plans and related agreements. The Trustees have determined that there is a reasonable likelihood that the Distribution Plans will benefit each Fund and its shareholders. Each Fund paid the following fees under its respective Distribution Plan for the periods indicated:

| Fund Name | Distribution Fee paid for the fiscal year ended | | |
|--|---|--------------|--------------|
| | May 31, 2005 | May 31, 2006 | May 31, 2007 |
| Primary Fund | \$12,871,130 | \$13,685,517 | \$17,055,292 |
| U.S. Government Fund | \$ 1,779,307 | \$ 2,469,947 | \$ 6,478,832 |
| U.S. Treasury Fund | \$ 715,331 | \$ 705,430 | \$ 935,800 |
| Reserve Liquid Performance Money Market Fund | N/A | N/A | N/A |

Substantially all of such amounts were paid to Intermediaries for providing shareholder and distribution services to the respective Fund. As of May 31, 2007, for the period since the inception of each Distribution Plan, the distribution expenses have equaled or exceeded the distribution revenues paid under the Distribution Plan for each of the Funds.

Distribution Agreement. The Trust, on behalf of each Fund, has entered into a distribution agreement with Resrv, an affiliate of RMCI (each a “Distribution Agreement” and together the “Distribution Agreements”) for the distribution of each Fund’s shares. Resrv, located at 1250 Broadway, New York, NY 10001, acts as the “principal underwriter” for the Funds and as such arranges for the continuous offering of shares. The Distributor has the right to enter into selected dealer agreements with Intermediaries of its choice for the sale of Fund shares. Resrv’s principal business is the distribution of mutual fund shares.

In addition to the amounts paid under the Distribution Agreements and the Distribution Plans, RMCI may, at its discretion, pay an Intermediary amounts from its own resources, including amounts paid to it under Management Agreements. The rate of any additional amounts that may be paid will be based on the analysis by RMCI of the contribution that the Intermediary makes to a Fund by increasing assets under management and reducing expense ratios, the costs that the Fund might bear if such services were provided directly by the Fund or by another entity, and the possibility of assets being withdrawn from a Fund with a corresponding increase in the Fund’s expense ratio. The amounts paid, which can vary by Intermediary, can be used by the Intermediary to offset its costs associated with account maintenance support, statement preparation, and transaction processing and other shareholder support services. Amounts paid by RMCI to Intermediaries, which vary by class of shares, represent a substantial portion of the amount received by RMCI under the Management Agreements. In addition to amounts paid under Distribution Plans or by RMCI, an Intermediary may charge a fee for its services directly to its clients. To the extent Intermediaries sell more shares of a Fund or retain shares of a Fund in their clients’ accounts, RMCI and its affiliates benefit from the incremental management and other fees paid to RMCI and its affiliates by a Fund with respect to those assets.

Approval Of Distribution Arrangements. Each Distribution Plan and each Distribution Agreement may be renewed from year to year, if approved by the Trustees and by a majority of the non-interested Trustees who have no direct or indirect financial interest in such Distribution Plan, cast in person at a meeting called for the purpose of voting on such renewal. All material amendments to a Distribution Plan must be approved by a vote of the Trustees and of the non-interested Trustees, cast in person at a meeting called for the purpose of such vote. The Distribution Plan may not be amended to increase materially the amount to be spent for distribution without shareholder approval. Each Distribution Plan and Distribution Agreement may be terminated at any time by a vote of the majority of the outstanding voting securities of the respective

Fund, or by a vote of the non-interested Trustees. Each Distribution Agreement will terminate automatically in the event of its assignment.

Other Service Providers

Transfer Agent. The Trust acts as its own transfer and dividend-paying agent.

Custodian. JP Morgan Chase & Co., 4 New York Plaza, New York, NY 10004 is the custodian of the assets of each Fund (the "Custodian") pursuant to a Custodian Agreement with the Trust on behalf of each Fund.

Independent Registered Public Accounting Firm. The Audit Committee has selected KPMG LLP ("KPMG"), 345 Park Avenue, New York, NY 10154, as the Trust's independent registered public accounting firm. The Funds' financial statements for the fiscal year ended May 31, 2007, have been audited by KPMG and are incorporated herein by reference in reliance upon the report of such firm.

How to Buy and Sell Shares

Information relating to the calculation of net asset value and to the purchase and redemption of shares is located in the Prospectus.

Shareholder Services

In addition to the shareholder services described in the Prospectus, the following services are available to investors in Class Treasurer's Trust, Investor Class I, Investor Class II, Investor Class III and Class R:

Reserve Cash Performance Account. The Reserve Cash Performance Account ("CPA") and the Reserve Cash Performance Account Plus ("CPA "Plus") provide a comprehensive package of additional services to investors. These packages provide a checking arrangement whereby checks are provided to Fund shareholders. By completing the application or a signature card (for existing accounts) and certain other documentation, you can write checks in any amount against your account. Redemptions by check lengthen the time your money earns dividends, since redemptions are not made until the check is processed by the Funds. Because of this, you cannot write a check to completely liquidate your account, nor may a check be presented for certification or immediate payment. Your checks will be returned and a fee charged if they are postdated, contain an irregularity in the signature, amount or otherwise, or are written against accounts with insufficient or uncollected funds. All transaction activity, including check redemptions, will be reported on your account statement. Checking may not be available to clients of some Intermediaries.

A VISA Check Card is also available with these packages. There is a \$10 annual fee for the VISA Check Card to CPA investors. There is no additional fee for CPA Plus investors. The VISA Check Card functions exactly as a conventional VISA credit card does, except that the cardholder's account is automatically charged for all purchases and cash advances, thus eliminating monthly finance charges. You may also use your VISA Check Card to get cash at ATMs.

Investors have a choice of receiving a cash rebate, currently 1%, on all VISA purchases which is credited to their account or, for an additional annual fee of \$35, participating in the Reserve Airline Rewards Program. As with the checking facility, VISA charges are paid by liquidating shares in your account, but any charges that exceed the balance at the time they are presented will be rejected. VISA Check Card issuance is subject to credit approval. The Trust, VISA or the bank may reject any application for checks or debit cards and may terminate an account at any time. Conditions for obtaining a VISA Check Card may be altered or waived by the Funds either generally or in specific instances. The checks and VISA Check Card are intended to provide investors with easy access to their account balances.

Participants should refer to the VISA Account Shareholder Agreement for complete information regarding responsibilities and liabilities with respect to the VISA Check Card. If a card is lost or stolen, the cardholder should report the loss immediately by telephoning the issuing bank, currently Bank One at 800-VISA-911 or 800-847-2911, which can be reached 24 hours a day, seven (7) days a week or telephoning the Fund at 800-637-1700 or 212-401-5500 on Monday through Friday, 8:30 AM to 6:00 PM, Eastern Time.

For more information regarding features of the CPA and CPA "Plus" packages, as well as the Terms & Conditions of the Reserve Airline Rewards Program, please call The Reserve at 800-637-1700. The Funds will charge a nonrefundable annual CPA "Plus" service fee, currently \$60, which may be charged to the account at the rate of \$5 monthly. CPA and CPA "Plus"

participants will be charged for specific costs incurred in placing stop payment orders, obtaining check copies and processing returned checks. These fees may be changed at any time upon 30 days' notice to participants. In addition, Intermediaries in this program may charge their own additional service fees and may establish their own minimum check amount.

The use of checks and VISA Check Cards by participants will be subject to the terms of the Reserve CPA Application and the VISA Account Shareholder Agreement.

Dividends and Taxes

Each Fund ordinarily declares dividends from its daily net investment income (and net short-term capital gains, if any) on each day the Exchange and The Reserve are open for business. Each Fund's earnings for Saturdays, Sundays and holidays are declared as dividends on the preceding business day. If you elect to receive dividends and distributions in cash, and your dividend or distribution check is returned to a Fund as undeliverable or remains un-cashed for six months, the Funds reserve the right to reinvest such dividends or distributions and all future dividends and distributions payable to you in additional Fund shares at NAV. No interest will accrue on amounts represented by un-cashed distribution or redemption checks.

Taxes. Each Fund intends to qualify as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended ("the Code"), so long as such qualification is in the best interests of shareholders. Such qualification relieves the Funds of any liability for federal income tax to the extent its earnings and gains, if any, are distributed in accordance with applicable provisions of the Code. If a Fund does not qualify as a RIC, it will be treated for tax purposes as an ordinary corporation subject to federal income tax, and all distributions from earnings and profits (as determined under U.S. federal income tax principles) to its shareholders will be taxable as ordinary dividend income eligible for the maximum 15% tax rate for non-corporate shareholders and the dividends-received deduction for corporate shareholders.

In order to qualify as a RIC, a Fund must, among other things: (a) derive at least 90% of its gross income in each taxable year from dividends, interest, payments with respect to securities loans and gains from the sale or other disposition of stock or securities or foreign currencies, other income (including, but not limited to, gains from options, futures or forward contracts) derived with respect to its business of investing in such stock, securities or currencies or net income derived from interests in "qualified publicly traded partnerships" (i.e., partnerships that are traded on an established securities market or tradable on a secondary market, other than partnerships that derive 90% of their income from interest, dividends, capital gains, and other traditional permitted mutual fund income); and (b) diversify its holdings so that, at the end of each quarter of a Fund's taxable year, (i) at least 50% of the market value of a Fund's assets is represented by cash, securities of other regulated investment companies, U.S. government securities and other securities, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of a Fund's assets and not greater than 10% of the outstanding voting securities of such issuer and (ii) not more than 25% of the value of its assets is invested in the securities (other than U.S. government securities or securities of other regulated investment companies) of any one issuer, any two or more issuers of which the Fund holds 20% or more of the voting securities and that are determined to be engaged in the same or similar trades or businesses or related trades or businesses, or in the securities of one or more qualified publicly traded partnerships.

The Code requires a RIC to pay a nondeductible 4% excise tax to the extent the RIC does not distribute, during each calendar year, 98% of its ordinary income, determined on a calendar year basis, and 98% of its capital gain net income, determined, in general, as if the RIC's taxable year ended on October 31, plus certain undistributed amounts from the preceding year. While each Fund intends to distribute its ordinary income and capital gain net income in the manner necessary to minimize imposition of the 4% excise tax, there can be no assurance that sufficient amounts of a Fund's taxable income and capital gains will be distributed to avoid entirely the imposition of the tax. In such event, a Fund will be liable for the tax only on the amount by which it does not meet the foregoing distribution requirements.

Dividends paid by a Fund from its ordinary income or from an excess of net short-term capital gains over net long-term capital losses (together referred to hereafter as "ordinary income dividends") will be taxable to a U.S. shareholder as ordinary income. For taxable years beginning on or before December 31, 2010, however, a certain portion of ordinary income dividends constituting "qualified dividend income" when paid by a RIC to non-corporate shareholders may be taxable to such shareholders at long-term capital gain rates. However, to the extent a Fund's distributions are derived from income on debt securities and short-term capital gain, such distributions will not constitute "qualified dividend income." Thus, ordinary income dividends paid by the Funds generally will not be eligible for taxation at the reduced rates. Similarly, because no portion of a Fund's income is expected to consist of dividends paid by U.S. corporations, no portion of the dividends paid by the Funds is expected to be eligible for the corporate dividends-received deduction. While municipal obligations generally pay interest which is excludible from gross income for federal income tax purposes in the hands of the bondholder, such interest will not be excludible from gross income for federal income tax purposes when paid by a Fund to shareholders.

Distributions of net capital gains, if any, designated as long-term capital gain dividends are taxable to shareholders as long-term capital gains, regardless of how long the shareholder has held a Fund's shares. Distributions in excess of a Fund's earnings and profits will first reduce the shareholder's adjusted tax basis in his shares and any amount in excess of such basis will constitute capital gain to such shareholder (assuming the shares are held as a capital asset).

Ordinary income and capital gain dividends are taxable to shareholders as described even if they are reinvested in additional shares of a Fund. Shareholders receiving distributions in the form of additional shares, rather than cash, generally will have a cost basis in each such share equal to the NAV of a share of a Fund on the reinvestment date. If a Fund pays a dividend in January that was declared in the previous October, November or December to shareholders of record on a specified date in one of such months, then such dividend will be treated for tax purposes as being paid by the Fund and received by its shareholders on December 31 of the year in which such dividend was declared. Shareholders will be notified annually as to the U.S. federal tax status of distributions, and shareholders receiving distributions in the form of additional shares will receive a Report as to the NAV of those shares.

Ordinarily, gains and losses realized from portfolio transactions will be treated as capital gain or loss. However, gain derived by a Fund from the disposition of any market discount bonds (i.e., bonds purchased other than at original issue, where the face value of the bonds exceeds their purchase price) held by the Fund generally will be taxed as ordinary income to the extent of the accrued market discount on the bonds, unless the Fund elects to include the market discount in income as it accrues. Gains or losses attributable to fluctuations in exchange rates which occur between the time the Primary Fund accrues receivables or liabilities denominated in a foreign currency, and the time the Primary Fund actually collects such receivables or pays such liabilities, generally are treated as ordinary income or ordinary loss. Similarly, on disposition of debt securities denominated in a foreign currency, gains or losses attributable to fluctuations in the value of foreign currency between the date of acquisition of the security and the date of disposition also are treated as ordinary gain or loss. These gains or losses, referred to under the Code as "Section 988" gains or losses, may increase or decrease the amount of the Primary Fund's investment company taxable income to be distributed to its shareholders as ordinary income.

Income received by the Primary Fund from sources within foreign countries may be subject to withholding and other taxes imposed by such countries. Tax conventions between certain countries and the United States may reduce or eliminate such taxes.

In the event that a Fund fails to maintain a constant NAV per share, upon the sale or other disposition of shares of a Fund, a shareholder may realize a taxable gain or loss. Such gain or loss will be a capital gain or loss which, if the shares were held as capital assets, will be long-term or short-term generally depending upon the shareholder's holding period for the shares. A loss realized on a sale or exchange of a Fund's shares will be disallowed if other shares of such Fund are acquired (including shares acquired pursuant to a dividend reinvestment plan) within a period of 61 days beginning 30 days before and ending 30 days after disposition of the shares. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss. Any loss realized by a shareholder on a disposition of Fund shares held by the shareholder for six months or fewer will be treated as a long-term capital loss to the extent of any distributions of net long-term capital gains received by the shareholder with respect to such shares.

The Funds are currently required by federal law to withhold 28% of dividends and other distributions that are subject to federal income tax if (i) a correct and certified Taxpayer Identification Number ("TIN") is not provided for your account, (ii) you fail to certify that you have not been notified by the IRS that you underreported taxable interest or dividend payments, or (iii) a Fund is notified by the IRS (or a broker) that the TIN provided is incorrect or you are otherwise subject to backup withholding. Corporate shareholders and certain other shareholders specified in the Code generally are exempt from such backup withholding. Backup withholding is not an additional tax. Amounts withheld and forwarded to the IRS can be credited as a payment of tax when completing your federal income tax return. For individual shareholders, the TIN is the shareholder's social security number.

If a shareholder recognizes a loss with respect to a Fund's shares of \$2 million or more for an individual shareholder or \$10 million or more for a corporate shareholder, the shareholder must file with the IRS a disclosure statement on Form 8886. Direct shareholders of portfolio securities are in many cases exempted from this reporting requirement, but under current guidance, shareholders of a regulated investment company are not exempted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Shareholders should consult their tax advisors to determine the applicability of these regulations in light of their individual circumstances.

Dividends paid by a Fund to non-U.S. shareholders are generally subject to withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty to the extent derived from investment income and short-term capital gains. In order to obtain a reduced rate of withholding, a non-U.S. shareholder will be required to provide an IRS Form W-8BEN

certifying its entitlement to benefits under a treaty. The withholding tax does not apply to regular dividends paid to a non-U.S. shareholder who provides a Form W-8ECI, certifying that the dividends are effectively connected with the non-U.S. shareholder's conduct of a trade or business within the United States. Instead, the effectively connected dividends will be subject to regular U.S. income tax as if the non-U.S. shareholder were a U.S. shareholder. A non-U.S. corporation receiving effectively connected dividends may also be subject to additional "branch profits tax" imposed at a rate of 30% (or lower treaty rate). A non-U.S. shareholder who fails to provide an IRS Form W-8BEN or other applicable form may be subject to backup withholding at the appropriate rate.

In general, United States federal withholding tax will not apply to any gain or income realized by a non-U.S. shareholder in respect of any distributions of net long-term capital gains over net short-term capital losses, exempt-interest dividends, or upon the sale or other disposition of shares of a Fund.

For taxable years beginning before January 1, 2008, properly designated dividends are generally exempt from United States federal withholding tax where they (i) are paid in respect of a Fund's "qualified net interest income" (generally, the Fund's U.S. source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which a Fund is at least a 10% shareholder, reduced by expenses that are allocable to such income) or (ii) are paid in respect of a Fund's "qualified short-term capital gains" (generally, the excess of a Fund's net short-term capital gain over a Fund's long-term capital loss for such taxable year). However, depending on its circumstances, a Fund may designate all, some or none of its potentially eligible dividends as such qualified net interest income or as qualified short-term capital gains, and/or treat such dividends, in whole or in part, as ineligible for this exemption from withholding. In order to qualify for this exemption from withholding, a non-U.S. shareholder will need to comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN or substitute Form). In the case of shares held through an intermediary, the intermediary may withhold even if a Fund designates the payment as qualified net interest income or qualified short-term capital gain. Non-U.S. shareholders should contact their intermediaries with respect to the application of these rules to their accounts.

The foregoing is a summary of certain material U.S. federal income tax considerations regarding the purchase, ownership and disposition of shares of a Fund. This summary does not address all of the potential U.S. federal income tax consequences that may be applicable to a Fund or to all categories of investors, some of which may be subject to special tax rules. Current and prospective shareholders are urged to consult their own tax adviser with respect to the specific federal, state, local and foreign tax consequences of investing in a Fund. The summary is based on the laws in effect on the date of this SAI and existing judicial and administrative interpretations thereof, all of which are subject to change, possibly with retroactive effect.

PROXY VOTING

The Trustees have delegated proxy voting authority, in regard to the Funds' portfolio securities, to RMCI. In accordance with the requirements of Rule 206(4)-6 under the Investment Advisers Act of 1940, RMCI has adopted and implemented the proxy voting policy and procedures set forth in Appendix B to this SAI with respect to the Trust. RMCI believes that the policy and procedures ensure that such proxies are voted in the best interests of the Funds and their shareholders, in accordance with its fiduciary duties and applicable rules and regulations.

RMCI's proxy voting policies and procedures as well as information about how a particular proxy was voted are available upon request. Please contact The Reserve, 1250 Broadway, New York, NY 10001-3701, Attn: Client Services or call 800-637-1700 to request a copy.

Information About the Trust

The Reserve Funds' Declaration of Trust permits the Trust to issue an unlimited number of full and fractional shares of beneficial interest that may be issued in any number of series (funds) and/or classes. Shares issued will be fully paid and non-assessable and will have no preemptive rights. The shareholders of each Fund are entitled to a full vote for each full share held (and fractional votes for fractional shares) and have equal rights to earnings, dividends, and redemptions. The Trustees do not intend to hold annual meetings but will call such special meetings of shareholders as may be required under the Investment Company Act or by the Declaration of Trust.

Further, the Trust is allowed to divide or combine the shares into a greater or lesser number of shares without thereby changing the proportionate beneficial interests in the Fund. If they deem it advisable and in the best interests of shareholders, the Trustees may classify or reclassify any unissued shares of the Fund by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms and conditions of redemption of the shares. Any such changes must comply with all applicable state and federal securities laws which require that each class

be preferred over all other classes in respect to assets specifically allocated to such class. Upon liquidation of any Fund, shareholders are entitled to share, pro rata, in the net assets of their respective class Fund shares available for distribution to such shareholders. It is possible, although considered highly unlikely in view of the method of operation of mutual funds, that should the assets of one class of shares be insufficient to satisfy its liabilities, the assets of another class could be subject to claims arising from the operations of the first class of shares.

Each share has one vote except that if a class is separately affected by a matter requiring shareholder vote, each class will vote separately on such matters. Shares of all classes vote together for the election of Trustees and have non-cumulative voting rights, meaning that the holders of more than 50% of the shares voting for the election of Trustees could elect all Trustees if they so choose, and in such event the holders of the remaining shares could not elect any person to the Board of Trustees. All consideration received by the Trust for shares of one of the Funds and/or classes and all assets in which such consideration is invested will belong to that Fund and/or class (subject only to the rights of creditors of the Fund) and will be subject to the liabilities related thereto. The income attributable to, and the expenses of, one series and/or class are treated separately from those of the other series and/or class.

Use of Joint Prospectus and Statement of Additional Information. Although each Fund is offering only its own shares, it is possible that a Fund might become liable for any misstatement in the Prospectus and SAI about the other Funds. However, each Fund has acknowledged that it, and not any of the other Funds, is liable for any material misstatement or omission about it in the Prospectus or SAI.

Financial Statements

The Primary Fund, U.S. Government Fund, U.S. Treasury Fund and Reserve Liquid Performance Money Market Fund's audited Financial Statements for the fiscal year ended May 31, 2007 are incorporated into this SAI by reference to the Funds' Annual Report dated May 31, 2007. The Funds' Annual Report is available at no charge by calling 800-637-1700.

Appendix A

CREDIT RATINGS

The following are the rating designations of certain short-term instruments and issuers and their respective meanings.

Standard & Poor's ("S&P") Instruments with the greatest capacity for timely payment are rated A by S&P. Issues (including commercial paper) within this category are further redefined with designations 1, 2 and 3 to indicate the relative degree of safety; A-1, the highest of the three, indicates the degree of safety regarding timely payment is strong; A-2 indicates that the capacity for timely repayment is satisfactory; A-3 indicates that capacity for timely payment is adequate, however, they are more vulnerable to the adverse changes of circumstances than obligations rated A-1 or A-2. S&P ratings with respect to certain municipal note issues with a maturity of less than three years reflects the liquidity factors and market access risks unique to notes. SP-1, the highest note rating, indicates a strong capacity to pay principal and interest. Issues that possess a very strong capacity to pay debt service will be given an "SP-1+" designation. SP-2, the second highest note rating, indicates a satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.

Moody's Investors Service, Inc. ("Moody's") employs the designations of Prime-1, Prime-2 and Prime-3 to indicate the relative capacity of the rated issuers (which includes issuers of commercial paper) to repay punctually. Prime-1 issues have a superior capacity for repayment. Prime-2 issues have a strong capacity for timely repayment, but to a lesser degree than Prime-1, Prime-3 issues have an acceptable capacity for repayment.

Moody's highest rating for short-term notes is MIG1/VMIG1; MIG-1/VMIG-1 denotes "superior credit quality", enjoying "highly reliable liquidity support" or "demonstrated broad-based access to the market for refinancing"; MIG2/VMIG2 denotes "strong credit quality" with margins of protection that are ample although not so large as MIG1/VMIG1.

Fitch Ratings ("Fitch") employs the ratings F1 - F3 for short-term investment grade obligations (which includes commercial paper). F1 denotes the highest credit quality. It indicates the strongest capacity for timely payment of financial commitments. A "+" may be appended to an F1 rating class to denote any exceptionally strong credit feature. F2 denotes good credit quality. It indicates a satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings. F3 denotes fair credit quality. It indicates that the capacity for timely payment of financial commitments is adequate; however, near-term adverse changes could result in a reduction to non-investment grade.

Fitch Ratings are placed on Rating Watch to notify investors that there is a reasonable probability of a rating change and the likely direction of such change. These are designated as "Positive", indicating a potential upgrade, "Negative", for a potential downgrade, or "Evolving", if ratings may be raised, lowered or maintained. Rating Watch is typically resolved over a relatively short period.

Fitch Individual Ratings are assigned only to banks. 'A' denotes a very strong bank. Characteristics may include outstanding profitability and balance sheet integrity, franchise, management, operating environment or prospects. 'B' denotes a strong bank. There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, management, operating environment or prospects. 'C' denotes an adequate bank, which, however, possesses one or more troublesome aspects. There may be some concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects.

Corporate Debt Obligations. The following summarizes the ratings used by S&P for corporate debt obligations:

AAA - This is the highest rating assigned by S&P to a debt obligation and indicates an extremely high capacity to pay interest and repay principal.

AA - Debt rated AA has a very strong capacity to pay interest and repay principal and differs from AAA issues only in small degree.

A - Debt rated A has a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher-rated categories.

BBB - This is the lowest investment grade. Debt rated BBB has an adequate capacity to pay interest and repay principal. Although it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than for bonds in higher rated categories.

The following summarizes the ratings used by Moody's for corporate debt obligations:

Aaa - Bonds that are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edged." Interest payments are protected by a large or exceptionally stable margin, and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa - Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude, or there may be other elements present that make the long-term risks appear somewhat larger than in Aaa securities.

A - Bonds that are rated A possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present that suggest a susceptibility to impairment some time in the future.

Baa - Bonds that are rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present, but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Appendix B

RESERVE MANAGEMENT COMPANY, INC

PROXY VOTING POLICY AND PROCEDURES

I. POLICY

Reserve Management Company, Inc. (the “Adviser”) acts as investment adviser for the various series of The Reserve funds, registered investment companies, referred to collectively as the “Funds”. The Adviser has full authority to vote proxies on behalf of each Fund. Although the Funds do not invest in corporate securities, they may on occasion invest in affiliated or other mutual funds which may issue proxies from time to time. Therefore, the Adviser will vote all proxies and act on all other actions in a timely manner as part of its authority in accordance with this Policy and Procedures.

When voting proxies for the Funds, the Adviser’s utmost concern is that all decisions be made solely in the best interest of each Fund. The Adviser will act in a prudent and diligent manner intended to enhance the economic value of the assets of each Fund’s account.

II. PURPOSE

The purpose of these Policies and Procedures is to memorialize the procedures and policies adopted by the Adviser to enable it to comply with its fiduciary responsibilities to clients and the requirements of Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended (“Advisers Act”).

III. PROCEDURES

The Portfolio Manager of each Fund (each a “Portfolio Manager”) is ultimately responsible for ensuring that all proxies received by the Adviser are voted in a timely manner and in a manner consistent with the Adviser’s determination of each Fund’s best interests. Although many proxy proposals can be voted in accordance with the Funds’ established guidelines (see Section V. below, “Guidelines”), the Adviser recognizes that some proposals require special consideration which may dictate that the Adviser makes an exception to the Guidelines.

A. Conflicts of Interest

Where a proxy proposal raises a material conflict between the Adviser’s interests and an interest of any Fund, the Adviser will resolve such a conflict in the manner described below:

1. Vote in Accordance with the Guidelines. To the extent that the Adviser has little or no discretion to deviate from the Guidelines with respect to the proposal in question, the Adviser shall vote in accordance with such pre-determined voting policy.
2. Obtain Consent. To the extent that the Adviser has discretion to deviate from the Guidelines with respect to the proposal in question, the Adviser will disclose the conflict to each affected Fund and obtain consent to the proposed vote prior to voting the securities. The disclosure will include sufficient detail regarding the matter to be voted on and the nature of the Adviser’s conflict such that each affected Fund would be able to make an informed decision regarding the vote. If a Fund does not respond to such a conflict disclosure request or denies the request, the Adviser will abstain from voting the securities held by that Fund’s account.

Each Portfolio Manager will review the proxy proposal for conflicts of interest as part of the overall vote review process. All material conflicts of interest so identified by the Adviser will be addressed as described above in this Section III.A.

B. Limitations

In certain circumstances, in accordance with a Fund’s investment advisory agreement (or other written directive) or where the Adviser has determined that it is in the Fund’s best interest, the Adviser will not vote proxies received. The following are certain circumstances where the Adviser will limit its role in voting proxies:

1. Fund Maintains Proxy Voting Authority: Where a Fund specifies in writing that it will maintain the authority to vote proxies itself or that it has delegated the right to vote proxies to a third party, the Adviser will not vote the securities and will direct the relevant custodian to send the proxy material directly to the Fund. If any proxy material is received by the Adviser, it will promptly be forwarded to the Fund or specified third party.
2. Terminated Account: Once a Fund account has been terminated with the Adviser in accordance with its investment advisory agreement, the Adviser will not vote any proxies received after the termination. However, the Fund may specify in writing that proxies should be directed to the Fund (or a specified third party) for action.
3. Limited Value: If the Adviser determines that the value of a Fund's economic interest or the value of the portfolio holding is indeterminable or insignificant, the Adviser may abstain from voting a Fund's proxies. The Adviser also will not vote proxies received for securities which are no longer held by the Fund's account. In addition, the Adviser generally will not vote securities where the economic value of the securities in the Fund account is less than \$500.
4. Securities Lending Programs: When securities are out on loan, they are transferred into the borrower's name and are voted by the borrower, in its discretion. However, where the Adviser determines that a proxy vote (or other shareholder action) is materially important to the Fund's account, the Adviser may recall the security for purposes of voting, subject to the securities lending agreements with the Funds' custodian in place at that time.
5. Unjustifiable Costs: In certain circumstances, after doing a cost-benefit analysis, the Adviser may abstain from voting where the cost of voting a Fund's proxy would exceed any anticipated benefits to the Fund of the proxy proposal.

IV. RECORD KEEPING

In accordance with Rule 204-2 under the Advisers Act, the Adviser will maintain for the time periods set forth in the Rule (i) these proxy voting procedures and policies, and all amendments thereto; (ii) all proxy statements received regarding securities held by the Fund (provided however, that the Adviser may rely on the proxy statement filed on EDGAR as its records); (iii) a record of all votes cast on behalf of each Fund; (iv) records of all client requests for proxy voting information; (v) any documents prepared by the Adviser that were material to making a decision how to vote or that memorialized the basis for the decision; and (vi) all records relating to requests made to the Funds regarding conflicts of interest in voting the proxy.

The Adviser will describe in its Part II of Form ADV (or other brochure fulfilling the requirement of Rule 204-3) its proxy voting policies and procedures and will inform each Fund as to how they may obtain information on how the Adviser voted proxies with respect to securities held by each Fund. Clients may obtain information on how their securities were voted or a copy of the Adviser's Policies and Procedures by written request addressed to the Adviser. The Adviser will coordinate with each Fund to assist in the provision of all information required to be filed on Form N-PX.

V. PROXY VOTING GUIDELINES

Each proxy issue will be considered individually. The following guidelines are a partial list, do not include all potential voting issues and are to be used in voting proposals contained in the proxy statements, but will not be used as rigid rules. The Adviser is instructed to vote all proxies in accordance with these guidelines, except as otherwise instructed. However, because proxy issues and the circumstances of individual companies are so varied, there may be instances when proxies may not be voted in strict adherence to these guidelines.

The following guidelines are grouped according to the types of proposals generally presented to stockholders. Part A deals with proposals that have been approved and recommended by the company's board of directors. Part B deals with proposals submitted by stockholders for inclusion in proxy statements. Part C addresses unique considerations pertaining to foreign issuers.

A. Board Approved Proposals

The vast majority of matters presented to stockholders relate to proposals made by the issuer itself. These proposals have been approved and recommended by the issuer's board of directors. The Funds fully support the enhanced corporate governance practices being implemented and intend to hold corporate boards accountable for their actions in promoting stockholder interests. Accordingly, the Funds' proxies will generally be voted for board-approved proposals, except as follows:

- a. The Funds will withhold votes for any nominee for director who is considered independent by the company but who has received compensation from the company other than for service as a director (such as for investment banking, consulting, legal or financial advisory services).
- b. The Funds will vote on a case-by-case basis in contested elections of directors and on proposals to classify a board of directors.

The Funds will vote on a case-by-case basis on board approved proposals:

- relating to executive compensation.
- relating to changes in a company's capitalization.
- relating to acquisitions, mergers, re-incorporations, reorganizations and other similar transactions.
- to adopt any form of anti-takeover measures.
- to amend a company's charter or bylaws (except for charter amendments which are necessary to effect stock splits, to change a company's name or to authorize additional shares of common stock).
- on other business matters where the Funds are otherwise withholding votes for the entire board of directors.

B. Stockholder Proposals

The Securities and Exchange Commission regulations permit stockholders to submit proposals for inclusion in a company's proxy statement. These proposals often seek to change some aspect of the company's corporate governance structure or to change some aspect of its business operations. The Funds will vote on a case-by-case basis on all shareholder proposals.

C. Voting Shares of Foreign Issuers

Because foreign issuers are incorporated outside of the United States, protection for shareholders may vary significantly from jurisdiction to jurisdiction. Laws governing certain foreign issuers may provide substantially less protection for shareholders. As a result, the above guidelines, which are premised on the existence of sound corporate governance and disclosure frameworks, may not be appropriate under some circumstances for foreign issuers. Therefore, the Funds will vote proxies of foreign issuers on a case-by-case basis.

Approved as of March 5, 2007