

STATEMENT OF ADDITIONAL INFORMATION

Treasury & Repo Fund of The Reserve Fund

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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 the Treasury & Repo Fund, a series of the Trust (the "Fund"). As of the date of this SAI, the Treasury & Repo Fund is 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. Additional series and classes may be added by the Board of Trustees (the "Board") of the Trust without a shareholder vote.

This statement of additional information ("SAI") is not a prospectus, and should be read in conjunction with the prospectus of the Fund dated July 29, 2008 (the "Prospectus"). The Prospectus is incorporated by reference into this SAI and this SAI is incorporated by reference into the Prospectus. The Treasury & Repo Fund has not been in operation for more than a calendar year and therefore does not have audited financial statements.

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

This SAI is dated July 29, 2008.

Supplement Dated March 19, 2009

**PRIMARY FUND
TREASURY & REPO FUND
U.S. TREASURY 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.

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TABLE OF CONTENTS

	<u>Page</u>
Investment Objective and Policies	2
Money Market Instruments and Investment Strategies	3
Risks of Investing in the Fund	5
Portfolio Transactions	5
Management of the Trust	6
Investment Management Arrangements	11
Distribution Arrangements	12
Other Service Providers	12
How to Buy and Sell Shares	13
Shareholder Services	13
Dividends and Taxes	14
Information About the Trust	16
Financial Statements	17
Appendix A — Credit Ratings	18
Appendix B — Proxy Voting Policy and Procedures	19

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

Investment Objective and Policies

The investment objective of the 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 the Fund will achieve its investment objective.

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

Fundamental Policies. The 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 the Fund. A majority of the outstanding shares of the Fund means the vote of the lesser of (i) 67% or more of the shares of the 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 the Fund’s fundamental investment policies, the 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 25% or more of its total assets in any particular industry or group of industries, except to the extent that its investments may be concentrated exclusively in U.S. government securities and domestic bank obligations or repurchase agreements secured by such obligations;
- (5) purchase, sell or otherwise invest in real estate or commodities or commodity contracts;
- (6) make loans except through loans of portfolio securities (in an amount not to exceed 33 1/3% of the Fund’s total assets, including loan collateral), acquisition of securities consistent with its objective and policies and as otherwise permitted by the Investment Company Act;
- (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.

The Fund intends to operate as a diversified investment company. 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, the 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, the 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. Accordingly, the Fund may invest only in short term money market obligations, rated in one of the two highest short-term ratings from a nationally recognized statistical rating organization or in the securities of other open-end investment companies with substantially the same investment objective as the Fund. The average maturity of the Fund’s securities portfolio will not be more than 90 days.

In addition, the Fund will not purchase securities with maturities of more than 762 days (25 months) for securities issued or guaranteed by the U.S. government, as to principal and interest, or 397 days (13 months) for other securities.

The Fund will invest 80% of the Fund's net assets (plus any borrowings for investment purposes) in U.S. Treasury securities and repurchase agreements fully collateralized by such investments. This policy is fundamental and may only be changed by obtaining shareholder approval.

The Investment Company Act prohibits open-end funds from issuing "senior securities" other than bank borrowings that have at least 300% asset coverage. The 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, the Fund may invest substantially all of its assets in another open-end investment company with substantially the same investment objective as the Fund.

The Fund may invest its assets without limit in money market funds, including affiliated funds.

As a matter of operating policy, the Fund may not invest in companies for the purposes of exercising management or control.

Money Market Instruments and Investment Strategies

The following section contains more detailed information about the types of instruments in which the Fund may invest, the strategies the Fund 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 the Fund achieve its investment objective.

MONEY MARKET INSTRUMENTS

U.S. Treasury Obligations. The Fund will 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. Generally, the Treasury & Repo 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.

INVESTMENT STRATEGIES

The Fund may also employ the following investment strategies:

Repurchase Agreements. The Fund will 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. The Fund will limit REPOs to those financial institutions and securities dealers who are deemed credit worthy pursuant to guidelines established by the Fund's Trustees. To reduce the risk of incurring a loss on a REPO, the Fund will follow procedures intended to provide that all REPOs are at least 100% collateralized as to principal and interest and marked-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. The 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 counterparty 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. The 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 Fund will 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 the 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 and possession of it to a second party in return for receiving a percentage of its value. During the time a reverse REPO is outstanding, the 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 the 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. The Fund may invest in illiquid securities if such investments would not exceed 10% of the Fund's net assets. The liquidity of the Fund's investments is monitored under the supervision and direction of the Fund's Trustees. Investments currently considered illiquid include REPOs not maturing within seven days and certain restricted securities.

Borrowing. The 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. The Fund may borrow at times to meet redemption requests rather than sell portfolio securities to raise the necessary cash. Borrowing subjects the Fund to interest costs. Borrowing could also involve leverage if securities were purchased with the borrowed money. To avoid this, the Fund will not purchase securities while borrowings are outstanding. The 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, the Fund could suffer a loss where the market value of securities received as collateral falls below the market value of the borrowed securities. The Fund could also experience delays and costs in gaining access to the collateral.

The Fund may pledge, hypothecate, or in any manner transfer any security owned by the Fund as security for indebtedness, but only in accordance with the limits discussed above.

Securities Lending Agreements. The Fund may from time to time lend securities on a short-term basis to banks, 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. The Fund receives the income on the loaned securities. Where the 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 the 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, the 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. The Fund is obligated to return the collateral to the borrower at the termination of the loan. The Fund may pay reasonable finders, custodian and administrative fees. The Fund may employ a third party agent to implement its securities lending program, and the agent will receive a fee from Fund for its services. Loan arrangements made by the Fund will comply with all applicable regulatory requirements including the rules of the Financial Industry Regulatory Authority ("FINRA").

The 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, the Fund could suffer a loss where the market value of securities received as collateral falls below the market value of the borrowed securities. The Fund could also experience delays and costs in gaining access to the collateral. The Fund will not have the right to vote on securities while they are being lent, but will recall securities on loan in order that these securities may be voted by the Fund if the holders of the securities are asked to vote upon or consent on matters materially affecting the investment.

Credit Quality. The SEC has adopted regulations that dictate the credit quality requirements for money market funds. These require the Fund 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. 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 the Fund, the Adviser would take such action, including no action, determined to be in the best interest of the Fund.

Risks of Investing in the Fund

The principal risk factors associated with an investment in the Fund are the risk of fluctuations in short-term interest rates and the risk of default among one or more issuers of securities that comprise the 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 the 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. The Fund may lose money if interest rates rise sharply in a manner not anticipated by Fund management.

Temporary Defensive Positions. The Fund 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, the 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. In an extreme emergency, the Fund would maintain a large percentage of uninvested cash. If the 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 Fund are normally principal transactions at net prices. Therefore the Fund does 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 Adviser places all orders for the purchase and sale of the 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 the Fund as determined by the Adviser. Dealers who execute investment securities transactions may also sell shares of the 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 Fund’s portfolio holdings, as of the previous day if available, will be sent via facsimile at no charge by calling 800-637-1700. This information is available to any person or entity on request. The Fund’s Chief Investment Officer is responsible for authorizing the daily release of the portfolio holdings. The Fund may provide nonpublic portfolio holdings information to RMCI and its affiliates. RMCI may distribute or authorize the distribution of the Fund’s portfolio holdings that are not yet publicly available to RMCI’s employees and affiliates that provide services to the Fund and require this information to fulfill their contractual duties relating to the Fund. To address possible conflicts between the interests of Fund shareholders and those of the RMCI and its affiliates, no consideration may be received by the Fund, RMCI or its affiliates or any of their employees in connection with the disclosure of portfolio holdings information. In addition, persons approved to receive nonpublic portfolio holdings information will receive it only as often as necessary for the purpose for which it is provided. The Trust, RMCI and Resrv Partners, Inc. (“Resrv” or the “Distributor”) have also adopted a Code of Ethics that prohibits revealing information relating to the Fund’s portfolio or activities except to the Trust, RMCI, RMC and Resrv, establishes 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 deals with other situations that may pose a conflict of interest or a potential conflict of interest. The Code of Ethics 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, high-quality short-term debt instruments including repurchase agreements, stock indices, shares of registered open-end investment companies (mutual funds)(other than Reportable Funds, as defined by the Code of Ethics) or exchange-traded funds, other than those organized as unit investment trusts. An Access Person, as defined by the Code of Ethics, may only engage in personal securities transactions in accordance with the procedures and guidelines established under the Policies And Procedures Concerning the Misuse of Material Non-Public Information (the "Insider Trading Policy"). The employees, affiliates and subsidiaries of the Trust, RMCI and Resrv must annually certify to compliance with the Code of Ethics and the Insider Trading Policy.

Any nonpublic portfolio holdings information made to entities other than RMCI and its affiliates will be reviewed by the Chief Compliance Officer ("CCO") prior to any release of the portfolio holdings information. The CCO will approve the furnishing of nonpublic portfolio holdings information to a third party only if she/he considers the furnishing of such information to be in the best interests of the Fund and its shareholders. There are no ongoing arrangements with third parties to make available information about the Fund's portfolio holdings that is not publicly available.

The Fund does not expect to disclose information about the Fund's portfolio holdings that is not publicly available to individual and institutional investors, to intermediaries that distribute the Fund's shares or to any other third party. The Fund may provide nonpublic portfolio holdings information to publications that rate, rank or otherwise categorize investment companies.

The Board receives and reviews quarterly reports 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 the 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 the 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 is responsible for the management and supervision of the Fund. The Trustees approve all material agreements between the Fund and the Fund's service providers.

The Board has an Audit Committee, a Nominating Committee and a Valuation Committee. The Audit Committee consists of Trustees who are not "interested persons" of the Fund as defined in the Investment Company Act (the "Independent Trustees"). The Audit Committee reviews the 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 Fund, include all appropriate biographical information and set forth the qualifications of the proposed nominee. The Secretary of the Fund 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 Fund's valuation procedures. The Audit Committee met five (5) times, and the Nominating Committee and the Valuation Committee both did not meet, during the fiscal year ended March 31, 2008. The Valuation Committee is comprised of Messrs. Bent and Ehlert.

Biographical Information. Biographical information relating to the Independent Trustees, the Officers of the Fund 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 Fund oversee five registered investment companies, with 23 portfolios, in the Reserve fund family.

<u>Name, Address, Age</u>	<u>Positions With the Fund</u>	<u>Term of Office** and Length of Service</u>	<u>Principal Occupations during the Last Five Years and Other Directorships</u>
Interested Trustee			
Bruce R. Bent†*# Age: 71 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 in 1970; officer thereof since 1970.
Independent Trustees			
Edwin Ehlert, Jr. Age: 77 The Reserve 1250 Broadway New York, NY 10001	Trustee	Trustee Since Inception	Retired. President of Premier Resources, Inc. (meeting management firm) since 1987; Trustee of other Reserve funds.
William E. Viklund Age: 68 The Reserve 1250 Broadway New York, NY 10001	Trustee	Trustee since Inception	Retired since 1996; Trustee of other Reserve funds.
William J. Montgoris Age: 61 The Reserve 1250 Broadway New York, NY 10001	Trustee	Trustee Since Inception	Retired since 1999; Director of Stage Stores, Inc. (retailing) since 2004; Director of OfficeMax, Inc. (consumer goods/office supplies) since 2007; Director of Carters Inc. (consumer goods/apparel) since 2007; Trustee of other Reserve funds.
Frank J. Stalzer Age: 51 The Reserve 1250 Broadway New York, NY 10001	Trustee	Trustee Since Inception	President of Astrex Electronics since 2006; Vice President and GM of Arrow/Zeus from 2004 to 2005; Vice President of Marketing of Arrow/Zeus from 2002 to 2004; Trustee of other Reserve funds.
Ronald J. Artinian Age: 60 The Reserve 1250 Broadway New York, NY 10001	Trustee	Trustee Since Inception	Private investor since 1998; Director of First Real Estate Investment Trust of New Jersey since 1992; Director of NYMagic, Inc. (insurance) since 2008; Trustee of other Reserve funds.

Santa Albicocco Age: 57 The Reserve 1250 Broadway New York, NY 10001	Trustee	Trustee Since Inception	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 Inception	Executive Director - University of Washington Medical Center since 2007; Chief Operating Officer - Saint Louis University Hospital from 2004 to 2007; Vice President Support Services - South Nassau Communities Hospital from 2001 to 2004; Trustee of other Reserve funds.
Officers Who Are Not Trustees			
Bruce R. Bent II†# Age: 42 The Reserve 1250 Broadway New York, NY 10001	Co-Chief Executive Officer, Senior Vice President and Assistant Treasurer	Senior Vice President and Assistant Secretary since 2000, Co-Chief Executive Officer since 2005.	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; Former Trustee of Trusts in The Reserve fund complex.
Arthur T. Bent III†# Age: 40 The Reserve 1250 Broadway New York, NY 10001	Co-Chief Executive Officer, Senior Vice President and Assistant Secretary	Assistant Treasurer since 2000, Co-Chief Executive Officer and Senior Vice President since 2005.	Chief Operating Officer, Treasurer, Senior Vice President and Assistant Secretary of RMCI, President, Treasurer and Assistant Secretary of RMC, and Treasurer, Assistant Secretary and Director of Resrv since 2000.
Patrick J. Farrell Age: 48 The Reserve 1250 Broadway New York, NY 10001	Chief Financial Officer	Chief Financial Officer since 2006.	Chief Financial Officer of RMCI 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 – Morgan Funds; Managing Director New York Life Investment Management from 2001 to 2005.
Christina Massaro Age: 41 The Reserve 1250 Broadway New York, NY 10001	Chief Compliance Officer	Chief Compliance Officer since 2005	Chief Compliance Officer of the Fund, 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.
Catherine Crowley Age : 54 The Reserve 1250 Broadway New York, NY 10001	Secretary	Secretary since 2007.	General Counsel, RMCI since 2007; Senior Vice President, Secretary-RMC since 2007; Senior Vice President, Associate General Counsel-J.P. Morgan Chase, October 1986-April 2004.

* Mr. Bruce Bent is an “interested person” of the Fund as defined in Section 2(a) (19) of the Investment Company Act, due to his positions with RMC, RMCI and Resrv.

** Each Trustee shall hold office until he/she 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 Independent 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, Mr. Bruce R. Bent II and Mr. Arthur T. Bent II also serve as officers to an 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, 2007, the Trustees’ beneficial ownership of the equity securities of the Fund and other registered investment companies in the Reserve/Hallmark fund complex overseen by each Trustee (the “Supervised Funds”) are indicated below:

**AGGREGATE DOLLAR
RANGE OF EQUITY
SECURITIES IN THE FUNDS**

Name*	Treasury & Repo Fund	AGGREGATE DOLLAR RANGE OF EQUITY SECURITIES IN ALL SUPERVISED FUNDS
INTERESTED TRUSTEES:		
Bruce R. Bent	None	Over \$100,000
INDEPENDENT TRUSTEES:		
Edwin Ehlert, Jr.	None	Over \$100,000
William E. Viklund	None	\$50,001-\$100,000
Joseph Donnelly*	None	\$10,001-\$50,000
William J. Montgoris	None	\$50,001-\$100,000
Frank Stalzer	None	\$50,001-\$100,000
Ronald J. Artinian	None	\$10,001-\$50,000
Santa Albicocco	None	\$10,001-\$50,000
Stephen P. Zieniewicz	None	\$10,001-\$50,000

*Resigned June 12, 2008

As of July 10, 2008, neither the Independent Trustees nor any of their immediate family members owned beneficially or of record any securities of the Adviser, Resrv or an entity controlling, controlled by or under common control with the Adviser or Resrv.

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 March 31, 2008, the Independent Trustees received the following compensation from the Fund and Supervised Funds. Mr. Bruce Bent does not receive compensation from any of the Funds.

Name*	Treasury & Repo Fund	Compensation from all Reserve/Hallmark Funds*
Interested Trustees:		
Bruce R. Bent	\$ 0	\$ 0
Independent Trustees:		
Edwin Ehlert, Jr.	\$ 0	\$ 57,000
William E. Viklund	\$ 0	\$ 55,000
Joseph D. Donnelly**	\$ 0	\$ 55,000
William J. Montgoris	\$ 0	\$ 83,000
Frank Stalzer	\$ 0	\$ 52,500
Ronald J. Artinian	\$ 0	\$ 57,000
Santa Albicocco	\$ 0	\$ 76,750
Stephen P. Zieniewicz	\$ 0	\$ 55,833

*Each Trustee serves on the Board of Trustees of five registered investment companies, which encompass a total of 23 portfolios.

** Resigned June 12, 2008

As of July 1, 2008, the Trustees and Officers, in the aggregate, owned less than 1% of any class of the 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 the CCO) of the Fund receive any compensation from the Trust or the Fund.

Code Of Ethics. The Trust, the Adviser and Resrv have adopted a Code of Ethics, conforming to the requirements of the Investment Company Act. The purpose of the Code of Ethics 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 of Ethics, an Access Person may only engage in personal securities transactions in accordance with the procedures and guidelines established. The Code of Ethics 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, high-quality short-term debt instruments including repurchase agreements, stock indices, shares of registered open-end investment companies (mutual funds) (other than Reportable Funds, as defined by the Code of Ethics) or exchange-traded funds, other than those organized as unit investment trusts.

Principal Shareholders. As of July 1, 2008, no persons or entities owned of record, or were known to own beneficially, 5% or more of any Class of the outstanding shares of the Fund.

<u>Name and Address of Beneficial Owner</u>	<u>Class</u>	<u>Percentage</u>
RESERVE MANAGEMENT CORP. 1250 BROADWAY NEW YORK, NY 10001	Institutional	100
RESERVE MANAGEMENT CORP. 1250 BROADWAY NEW YORK, NY 10001	Liquidity Class I	100
RESERVE MANAGEMENT CORP. 1250 BROADWAY NEW YORK, NY 10001	R	100

Persons or organizations beneficially owning, either directly or through one or more controlled companies, 25% or more of the outstanding shares of the Fund may be presumed to “control” (as that term is defined in the Investment Company Act) the Fund. As a result, these persons or organizations could have the ability to approve or reject those matters submitted to the shareholders of the Fund for their approval. As of July 1, 2008, no person or organization was a control person of the 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 the Fund, has entered into an Investment Management Agreement with the Adviser (the “Management Agreement”), which provides for a comprehensive management fee structure. Under the Management Agreement, RMCI manages the Fund’s investments in accordance with its investment objective and policies, subject to the overall supervision of the Trustees.

Under the terms of the Management Agreement, RMCI is paid a comprehensive management fee (the “Management Fee”), which includes the advisory fee (0.08% of each Class’s average daily net assets), all administrative and customary operating expenses of the Fund, 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 definition of operating and other expenses 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 plans under Rule 12b-1 of the Investment Company Act, 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. The Fund will pay its direct or allocated share of applicable expenses. The Management Fee is paid on the average daily net assets of the Fund according to the following schedule:

<u>Class</u>	<u>Investor Class III</u>	<u>Investor Class II</u>	<u>Investor Class I</u>	<u>Class Treasurer’s Trust</u>	<u>Liquidity Class V</u>	<u>Liquidity Class IV</u>	<u>Liquidity Class III</u>	<u>Liquidity Class II</u>	<u>Liquidity Class I</u>	<u>Class Institutional</u>
0.81%	0.76%	0.56%	0.51%	0.61%	0.46%	0.36%	0.26%	0.21%	0.16%	0.13%

The Management Agreement is renewed annually if approved by the Trustees and by a separate vote of a majority of the Independent Trustees. The 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 the Fund.

From time to time, RMCI may waive receipt of its fees and/or voluntarily assume certain expenses of the 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 in the amount shown for the fiscal years indicated:

Year ended March 31,	Management Fee	Fee Waiver
2006	N/A	N/A
2007	N/A	N/A
2008	N/A	N/A

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 Fund. Under its respective Distribution Plan, the 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 Fund’s 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.

The 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 the Fund and its shareholders. The Fund paid the following fees under its Distribution Plan for the periods indicated:

March 31, 2006	March 31, 2007	March 31, 2008
N/A	N/A	N/A

Distribution Agreement. The Trust, on behalf of the Fund, has entered into a distribution agreement with Resrv, an affiliate of RMCI (the “Distribution Agreement”) for the distribution of the Fund’s shares. Resrv, located at 1250 Broadway, New York, NY 10001, acts as the “principal underwriter” for the Fund, 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 Agreement and the Distribution Plans, RMCI may, at its discretion, pay an Intermediary amounts from its own resources, including amounts paid to it under the Management Agreement. 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 the 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 the 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 Agreement. 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 the Fund or retain shares of the Fund in their clients’ accounts, RMCI and its affiliates benefit from the incremental management and other fees paid to RMCI and its affiliates by the Fund with respect to those assets.

Approval Of Distribution Arrangements. The Distribution Plan and the Distribution Agreement may be renewed from year to year, if approved by the Trustees and by a majority of the Independent 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 Independent 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. The Distribution Plan and Distribution Agreement may be terminated at any time by a vote of the majority of the outstanding voting securities of the Fund, or by a vote of the Independent Trustees. The 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. State Street Bank and Trust Company, 2 Avenue De Lafayette, Boston, MA 02111, is the custodian of the assets of the Fund pursuant to an agreement with the Trust on behalf of the Fund.

Independent Registered Public Accounting Firm. The Audit Committee has selected KPMG LLP, 345 Park Avenue, New York, NY 10154, as the Trust's independent registered public accounting 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 ("Reserve CPA") and the Reserve Cash Performance Account Plus ("Reserve 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 Fund. 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 Reserve CPA investors. There is no additional fee for Reserve 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 Fund 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 JPMorgan Chase at 800-VISA-911, which can be reached 24 hours a day, seven (7) days a week, or by 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 Reserve CPA and Reserve CPA "Plus" packages, as well as the Terms & Conditions of the Reserve Airline Rewards Program, please call The Reserve at 800-637-1700. The Fund will charge a nonrefundable annual Reserve CPA "Plus" service fee, currently \$60, which may be charged to the account at the rate of \$5 monthly. Reserve CPA and Reserve 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

The 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. The 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 the Fund as undeliverable or remains un-cashed for six months, the Fund reserves 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. The 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 Fund 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 the 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, the 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 the Fund's taxable year, (i) at least 50% of the market value of the 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 the 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 the 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 the Fund's taxable income and capital gains will be distributed to avoid entirely the imposition of the tax. In such event, the Fund will be liable for the tax only on the amount by which it does not meet the foregoing distribution requirements.

Dividends paid by the 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 the 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 Fund generally will not be eligible for taxation at the reduced rates. Similarly, because no portion of the Fund's income is expected to consist of dividends paid by U.S. corporations, no portion of the dividends paid by the Fund is expected to be eligible for the corporate dividends-received deduction. 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 the Fund's shares. Distributions in excess of the 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 the 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 the Fund on the reinvestment date. If the 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 the 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.

In the event that the Fund fails to maintain a constant NAV per share, upon the sale or other disposition of shares of the 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 the Fund's shares will be disallowed if other shares of the 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 Fund is 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) the 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 the 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 the 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 the Fund.

The foregoing is a summary of certain material U.S. federal income tax considerations regarding the purchase, ownership and disposition of shares of the Fund. This summary does not address all of the potential U.S. federal income tax consequences that may be applicable to the 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 the 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 Fund's 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 Fund 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 for the most recent 12 month period ended June 30 will be 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. This information will also be available at SEC's website at <http://www.sec.gov>.

Information About the Trust

The Reserve Fund's 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 the 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 that require that each class be preferred over all other classes in respect to assets specifically allocated to such class. Upon liquidation of the 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. All consideration received by the Trust for shares of the Fund and/or classes and all assets in which such consideration is invested will belong to that Fund and/or class (subject only to rights of the 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.

Financial Statements

The Treasury & Repo Fund had not yet commenced operations as of its fiscal year ended March 31, 2008, no financial information is available as of the date of this SAI.

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.

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 6, 2008