



IMPORTANT NOTICE TO RESERVE FUNDS INVESTORS

Many shareholders have been contacting us about the Primary and Government Funds. We hope this answers some of the questions you have.

Primary Fund

When will we receive our money from the Primary Fund?

We will be distributing \$20 billion out of the Primary Fund on or about October 13, 2008. That distribution is about 32% of the assets as of the opening of business on September 15, 2008. It is the first distribution out of the Fund. Others will follow as dollars become available either as our assets mature or as we sell them. The markets for short-term securities remain illiquid except for short-term U.S. Treasuries. We will liquidate assets as soon as we can, but we don't think it is in our shareholders interests to sell at fire-sale prices.

Will investors who redeemed after the Fund “broke the buck” be treated differently than those whose redemption orders were received before the fund “broke the buck”?

We can't answer this yet. We are working with the SEC to develop a plan of liquidation that will be fair to all shareholders. As soon as it's available we will post it on our website.

Do you think any Fund assets won't pay off at maturity?

We have a \$785 million face amount position in Lehman Holdings commercial paper and medium term notes, which is now being carried at zero. Except for that, we have no reason to think our investments have any credit problems. Of course, things can change particularly considering the continued global fiscal problems, so we can't be certain about whether we'll be paid in full at maturity. But right now, we believe we will.

Some investors have claimed that Reserve secretly tipped off investors on Monday, September 15, about “breaking the buck.” What is your response?

- The notion that the Reserve would secretly tip investors with material nonpublic information and create a “run” on the Reserve Primary Fund is absurd. The Fund's portfolio holdings were available to any investor who asked, including the people who have sued us.
- Shareholders in the Fund should be outraged that these lawsuits are causing the Fund to waste valuable time and effort in litigation at a time when all efforts should be focused on getting money back to investors. When the dust settles, we are confident that the “insider trading” allegations will be dismissed.



The Reserve

Government Fund

Please explain why the Government Fund is frozen. Aren't U.S. Treasuries trading?

U.S. Treasuries are liquid, but the Government Fund invests primarily in securities backed by the U.S. Government, such as Fannie Maes, Freddie Macs, and Ginnie Maes. These securities are not likely to default, they are just illiquid.

When will I get my money out of the Government Fund?

Like the Primary Fund, this Fund is also going to be liquidated. If the market becomes liquid, the portfolio holdings should be able to be sold relatively quickly at par. But in today's market, which is unprecedented, we can't obtain what we think is a fair price for them. So we intend to hold them until the markets open up or the securities mature. A table of maturities has been posted on our website at TheR.com.

Why can't the Fund distribute securities in kind?

We are considering doing in-kind transactions, but there are several big obstacles. For example, we hold securities in large denominations and they can't be broken into smaller pieces for distribution without incurring costs for the fund and for individual shareholders to hold the securities. Also, we can't allow "cherry-picking" of the most-liquid holdings by larger investors who want to take an in-kind distribution. However, we are considering all solutions that enable you to help us get your money back sooner.

Will I get \$1 for each Fund share when the Fund is liquidated?

The Fund holds securities of government-sponsored insurers, like FNMA, FHLMC and GNMA. We can't imagine the government not backing these securities, which is another way of saying we expect to recover the full amount when they mature.

Primary and Government Funds

How can I get more information about fund holdings?

Beginning today, we are posting on our website on a one-day lag the complete portfolio of the Funds, along with other information, such as ranges of portfolio securities. We will try to keep posting information investors want to see. If you call us, please understand that we cannot by law give some investors information before we give it to others. So we are going to use these webpostings as the primary means of communicating with our investors, so everyone gets the same information at the same time. We ask that you not call the staff of the SEC—we know more about the Funds and they can't tell you any more than we can.

A final word: We can't tell you how much we regret that we have had to freeze redemptions on the Primary and Government Funds. We did it because we thought it was the best way to protect all shareholders and treat all shareholders fairly. We are doing our best to restore liquidity to your investments in the Funds and thank you for your patience.

Bruce R. Bent
Reserve Management Company, Inc.