

**Minutes of Executive Session of The Independent Trustees of The Reserve Funds
Tuesday, September 16, 2008**

A telephonic meeting of the Independent Trustees of The Reserve Funds was held on Tuesday, September 16, 2008 commencing at 10:30 a.m. This meeting immediately followed the telephonic meeting of the full Board held earlier that morning.

Initially, the Independent Trustees indicated how shocked they were by the information relayed to them by Reserve Management during the morning's earlier call. The Trustees noted that at 1:30 p.m. yesterday Management had indicated that redemptions were approximately \$5 billion and that Management intended to enter into a capital support agreement to support the \$1.00 NAV. Moreover, in response to a direct question from counsel to the Independent Trustees regarding whether Management had sufficient capital to support a \$1.00 NAV, Management assured the Trustees that they did. The Trustees further noted that no indication had been given prior to this morning's call that redemptions had mushroomed to \$20 billion and that there essentially was a run on the funds.

There was then an extensive discussion as to how to value the Lehman commercial paper held by the Primary Fund. Mr. Strauss reviewed for the Trustees the applicable law. He reiterated that the Trustees are required to value the Lehman paper at fair value as determined in good faith by the Trustees. He noted that the SEC staffs' view is that a Board's fair value determination is made in good faith when it is the result of a sincere and honest assessment of the amount that the fund might reasonably expect to receive for a security upon its current sale based upon all of the appropriate factors that are available to the Board. He emphasized that the circumstances under which the Trustees are now required to value the Lehman paper are unique and that the SEC guidance as to factors a Board might consider had not been developed in the context of a money market fund which may well be in liquidation mode and may well be required to sell large blocks of illiquid securities immediately to fund redemption requests. He stated that ultimately the Trustees should be guided by their best business judgment after taking into account all factors they considered relevant.

The Trustees noted that they had questioned Management extensively about the state of the current market for the Lehman paper, including whether there were any trades or actual bids and that Management had advised the Trustees that there were no trades or bids. While according to Management there were "indications of interest," Management had advised that these indications of interest represented prices at which dealers were willing to work the order and attempt to obtain buyers. The Trustees determined that in light of the fact that there were no actual trades or bids in the markets, these indications of interest were more a reflection of a bankruptcy type valuation than an estimate of value that could be

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realized on a current sale. The Trustees considered whether indications of interest, not reflective of an amount that could be realized on a current sale, were an appropriate measure of fair value under these circumstances. They noted in this regard the magnitude of current redemptions and the likelihood of substantial additional redemptions. As a result, large blocks of the Lehman paper (and reasonably likely the entire position) would be required to be sold in order to fund redemption requests. Under these circumstances, the Trustees were concerned that pricing the Lehman paper based on an assessment of value in a bankruptcy proceeding or based on a third party pricing model would likely produce a NAV that could not be realized through a current sale of Lehman paper. They contrasted the current situation to that on Monday where it appeared that the Primary Fund would continue as a going concern and therefore would not have to sell large blocks of Lehman paper to fund redemption requests. The Trustees further considered that the Reserve was seeking an order from the SEC which would enable the Primary Fund to suspend redemptions and extend the period of payment of redemption requests for more than seven days which would afford Management the opportunity to sell securities in an orderly manner but that Management was not optimistic that the relief would be obtained. After consideration of the alternatives, the Trustees were of the view that their focus needed to be on the value that could be realized on an immediate sale of the entire Lehman position (not just portions thereof) in order to insure that the Primary Fund would be able to satisfy redemption requests at the NAV calculated by the Fund and that shareholders who remain in the Funds are not disadvantaged. In the Trustees view, in light of the absence of any trades or bids or any other reliable indications of value that would lead the Trustees to believe that a current sale of the Lehman paper is practicable, the Lehman paper should be valued at zero.

Mr. Strauss noted that, under the unique circumstances present here, particularly given the huge amounts of redemptions and the likelihood that more will follow, the Independent Trustees could reasonably determine in good faith to value the Lehman paper based on the price that could be realized on an immediate sale of the entire Lehman position (not just portions thereof) in order to insure that all shareholders are treated fairly.

After extensive discussion with a particular focus on insuring that all shareholders, including redeemers, and those that remain in the Primary Fund, are treated fairly and equitably, the Independent Trustees determined that Reserve Management should be directed to (i) immediately seek firm bids on the entire Lehman position and (ii) if Management was unable to obtain such firm bids, then it should value the Lehman paper at zero.

The meeting was adjourned at approximately 12:30 p.m.