

UNITED STATES DEPARTMENT OF THE TREASURY

November 19, 2008

The Reserve Fund
1250 Broadway
New York, NY 10001
Attention: President

Letter Agreement (“Letter Agreement”) Relating to the Guarantee Agreement, dated as of September 19, 2008, between the Treasury and The Reserve Fund (the “Guarantee Agreement”)

Ladies and Gentlemen:

Reference is hereby made to the Guarantee Agreement, dated as of September 19, 2008, between the United States Department of the Treasury (the “Treasury”) and The Reserve Fund (the “Investment Company”), a business trust organized under the laws of Massachusetts, on behalf of the funds listed in Annex A attached thereto, including the U.S. Government Fund (the “Fund”), a series of the Investment Company. The Treasury has requested, and the Investment Company has agreed, to enter into this Letter Agreement to address certain matters arising out of the Investment Company’s decision to suspend the redemption of the Fund’s shares and to liquidate the Fund.

The Investment Company, on behalf of itself and the Fund, and the Treasury hereby agree as follows:

1. Definitions.

(a) Unless otherwise defined herein, capitalized terms used herein have the meaning assigned to such terms in the Guarantee Agreement.

(b) “Amortized Cost” of a security shall mean the acquisition cost of a security, as adjusted for the amortization of premium or the accretion of discount, plus accrued but unpaid interest.

(c) “Portfolio Securities” shall mean all securities held by the Fund other than investments of the type specified in Section 2(d). For the purposes of clarity, the term Portfolio Securities does not include cash.

(d) “Letter Agreement Date” shall mean November 19, 2008.

2. Sale of Portfolio Securities

(a) General. The Investment Company shall use its best efforts to sell or otherwise dispose of all Portfolio Securities not later than the 45th day after the Letter Agreement Date ("Final Sale Date").

(b) Sales of Portfolio Securities at Amortized Cost. In no event shall the Investment Company cause the Fund to dispose of any Portfolio Security if the net proceeds to the Fund from such sale (after deducting brokerage fees or other transaction expenses, if any, payable to third parties) (the "Net Proceeds") would be less than such Security's Amortized Cost *unless*

(i) the Investment Company obtains the prior written consent of the Treasury to such transaction, which approval Treasury may withhold in its sole and absolute discretion; or

(ii) the Net Proceeds from all sales of Portfolio Securities on the date of such sale is greater than or equal to the aggregate of the Amortized Cost of the Portfolio Securities sold on such date.

(c) Use of Proceeds. The Net Proceeds shall be used in furtherance of the Fund's liquidation, and such proceeds (net of accrued or anticipated Fund expenses including, for this purpose, fees that would be payable to the Investment Adviser under the Investment Management Agreement between the Investment Adviser and the Investment Company, on behalf of the Fund (the "Investment Management Agreement") and fees that would be payable to the Investment Company's Trustees with respect to the Fund (the "Trustee's Fees") notwithstanding the waiver described in Section 5(a)(viii), provided that the amounts that are held to pay such fees shall only be paid if permitted by the waiver described in Section 5(a)(viii)) shall be distributed to the Fund's shareholders as promptly as practicable after the accumulation by the Fund of cash of sufficient magnitude to make a distribution in an efficient manner *provided, however*, that the accumulation of \$1 billion of proceeds shall be deemed to be of sufficient magnitude to make a distribution unless the accounts of the Fund shareholders have not been reconciled to the extent necessary for a distribution on terms acceptable to the Board of Trustees, in which case the Investment Company shall use its best efforts to reconcile the accounts as soon as practicable and shall provide weekly reports to the Treasury describing the status of the distribution.

(d) Limitation on Temporary Investments. Pending the application of the Net Proceeds as required under Section 2(c), such proceeds shall be held in cash or invested solely in (i) U.S. Treasury bills with a remaining maturity not to exceed 30 days, *provided, however*, that the maturity date of such Treasury bills shall be at least one day prior to the anticipated date on which the Fund will make a distribution to its shareholders; (ii) overnight time deposits placed with a "bank" (as such term is defined in the 1940 Act) or "foreign bank" (as such term is defined in Rule 3a-6 under the 1940 Act) whose short-term debt securities, in each case, are

“First Tier Securities” and “Rated Securities” (as such terms are defined in Rule 2a-7 under the 1940 Act) (each an “Eligible Bank”); and (iii) overnight repurchase agreements entered into with Eligible Banks or broker-dealers that have outstanding First Tier Securities, which repurchase agreements are “collateralized fully” (as such term is defined in Rule 5b-3 under the 1940 Act) by Government Securities (as such term is defined in the 1940 Act).

3. ESF Purchase of Remaining Securities.

(a) Notice. In the event that the Fund has not sold all of its Portfolio Securities on or before the Final Sale Date, it shall, not later than the second Business Day following the Final Sale Date, deliver to the Treasury and its designee a notice in the form of Exhibit A (the “Sale of Portfolio Securities Notice”).

(b) Purchase and Sale Conditions. The Investment Company agrees that it shall cause the Fund to sell to the ESF, and the Treasury, on behalf of the ESF, agrees that it shall purchase from the Fund, all Portfolio Securities that are owned by the Fund on the Final Sale Date (the “Remaining Securities”) for a sale price equal to the aggregate of such Securities’ Amortized Cost (the “Purchase Price”), as Reported in the Sale of Portfolio Securities Notice, which Purchase Price shall be adjusted as set forth in Section 3(c). Such purchase and sale shall be subject to the following conditions:

(i) The settlement of the purchase and sale of the Remaining Securities shall take place no later than the fifth Business Day following the Final Sale Date or on such later Business Day as (A) the Investment Company certifies that, within one Business Day of receipt of the Purchase Price proceeds, no legal or technical impediment exists that will prevent the distribution of such proceeds to Fund shareholders (which settlement date shall be not later than the ninth Business Day following the Final Sale Date) or (B) may be agreed upon by the Investment Company and the Treasury (the “Settlement Date”).

(ii) The obligation of the ESF to consummate the purchase of the Remaining Securities shall be subject to the conditions (which conditions may be waived by the Treasury in its sole and absolute discretion) that:

(A) either the Investment Company or the Fund shall be, on the Settlement Date, the lawful owner, beneficially and of record, of the Remaining Securities, free and clear of all security interests, claims, liens, equities or other encumbrances or adverse claims of any kind and any other limitation or restriction;

(B) a Guarantee Event shall not have occurred; and

(C) the Treasury shall have sufficient funds available for the payment of the purchase price within the ESF, as determined by the Treasury in its sole and absolute discretion, which amount may be further adjusted as set forth in Section 2(f) of the Guarantee Agreement (for which purpose, the Sale of Portfolio Securities Notice shall be deemed to be a Payment Request Notice under Section 7(g) of the Guarantee Agreement).

(iii) The obligation of each party to consummate the purchase and sale of the Remaining Securities shall be subject to the conditions that no statute, rule, regulation, judgment, decree or order of any kind shall have been enacted, entered, promulgated or enforced by any court or other governmental authority that prohibits the consummation of the transactions contemplated hereby or has the effect of making them illegal.

(iv) (A) The Investment Company shall have provided the Treasury with a schedule, in the form specified by the Treasury or its designee, setting forth the basis for the calculation of the Amortized Cost of each of the Remaining Securities; (B) the Fund's current independent auditor or another accounting firm acceptable to the Treasury in its sole and absolute discretion (the "Independent Auditor") shall have (I) audited such schedule and a schedule setting forth the amount of cash and other assets distributed, or set aside for distribution, by the Fund to its shareholders after September 17, 2008, and (II) provided the Treasury with an opinion and/or other report acceptable to the Treasury in its sole and absolute discretion confirming the accuracy of such calculations and amounts; and (C) the Treasury shall have determined in its sole and absolute discretion that such calculations and amounts are true and correct.

(v) The Investment Company shall not have established any reserves with respect to the liquidation of the Fund other than for the payment of permitted Fund operating expenses, which shall not include any reserves for payments on claims asserted against the Fund and which reserves shall not exceed the expenses listed on Exhibit D reduced by the expenses related to Trustees' fees and the comprehensive management fee.

(c) Adjustment to the Purchase Price. In no event shall the Purchase Price exceed an amount equal to:

(i) the number of the shares of the Fund outstanding on September 17, 2008 (after giving effect to the issuance and redemption of shares, the orders for which were deemed received by the Fund prior to the determination, in accordance with Rule 22c-1, of its final NAV for such date), multiplied by

(ii) \$1.00, plus

(iii) the amount of income earned by the Fund after September 14, 2008; minus

(iv) the amount of cash and other assets distributed, or set aside for distribution, by the Fund, including amounts distributed or to be distributed as income or gains, to Fund shareholders after September 17, 2008.

(d) Payment of Purchase Price. The Treasury shall deliver to the Investment Company on the Settlement Date the aggregate Purchase Price for the Remaining Securities in United States dollars via wire transfer of immediately available funds in accordance with the written settlement instructions communicated by the Investment Company to the Treasury.

(e) Delivery of Remaining Securities. The Investment Company shall deliver or cause the delivery of the Remaining Securities promptly following the receipt of written notice from the Treasury in accordance with the written settlement instructions communicated by the Treasury to the Investment Company.

(f) Distribution of Proceeds. Within three days after receipt or, if the Settlement Date is determined in accordance with Section 3(b)(i)(A), one Business Day after receipt by the Fund, the Investment Company shall distribute the proceeds from the sale of the Remaining Securities to Fund shareholders (net of accrued Fund expenses including, for this purpose, fees that would be payable to the Investment Adviser under the Investment Management Agreement and to the Trustees as Trustee's Fees notwithstanding the waiver described in Section 5(a)(viii), provided that the amounts that are held to pay such fees shall only be paid if permitted by the waiver described in Section 5(a)(viii)) in furtherance of the Fund's liquidation.

4. Liquidation and Other Matters.

(a) Cash on Hand and Payments Received. Any cash currently held by the Fund or any principal, interest or other payment paid on or in relation to the Portfolio Securities or other assets of the Fund that are received by the Fund after the Letter Agreement Date shall be applied, as promptly as practicable, to (i) distributions to Fund shareholders in the same manner as the proceeds from the sales of Portfolio Securities pursuant to Section 2(c) and (ii) pay expenses of the Fund, including fees that would be payable under the Investment Management Agreement and to the Trustees as Trustee's Fees notwithstanding the waiver described in Section 5(a)(viii), provided that the amounts that are held to pay such fees shall only be paid if permitted by the waiver described in Section 5(a)(viii). Pending such application, such proceeds may only be invested or reinvested as specified in Section 2(d).

(b) Liquidation. Upon the sale of all of the Portfolio Securities (including the sale contemplated by Section 3) and the redemption of the Fund's shares, the Investment Company shall promptly complete the actions necessary under applicable state and federal law to liquidate the Fund and, upon completion, the Investment Company shall provide the Treasury with a certificate in the form of Exhibit B (the "Certificate of Liquidation").

5. Representations and Covenants

(a) Representations. The Investment Company, on behalf of the Fund, represents and warrants that:

(i) The Investment Company has all requisite power and authority to execute and deliver this Letter Agreement and to perform its obligations hereunder, and this Letter Agreement has been duly and validly authorized by all requisite action;

(ii) The Board of Trustees, including a majority of its members who are not "interested persons" of the Investment Company as determined under the 1940 Act, has determined that entering into this Letter Agreement and the Investment Company's fulfillment of its obligations hereunder are in the best interests of the Fund and its shareholders;

(iii) The execution, delivery and performance of this Letter Agreement do not violate, conflict with, result in a breach of any provision of, constitute a default (or an event which with notice or lapse of time or both would become a default) or give to any third party any right of termination, cancellation, amendment or acceleration under (A) any law applicable to the Investment Company, (B) any order or judgment of any court or other agency of government applicable to it or any of its assets, (C) any provision of its organizational documents or (D) any contractual restriction binding on or affecting it or any of its assets;

(iv) All governmental, third party and other consents or approvals that are required to have been obtained by the Investment Company with respect to execution, delivery and performance of this Letter Agreement have been obtained and are in full force and effect and all conditions of any such consents have been complied with;

(v) The Investment Company's obligations under this Letter Agreement constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to

equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law));

(vi) As of the Letter Agreement Date, no Guarantee Event has occurred;

(vii) Exhibit C is the Portfolio Schedule of the Fund, which sets forth all of the Fund's Portfolio Securities on November 18, 2008, and the Fund has not entered into any commitment, agreement or understanding to acquire additional assets that is not reflected on such Portfolio Schedule except for such investments as are permitted under Section 2(d);

(viii) The Investment Adviser has waived the payment of all fees due under its Investment Management Agreement and the Trustees have waived the payment of all Trustee's Fees that accrue on and after the Letter Agreement Date to the extent that (A) such fees exceed the amount of income earned and received by the Fund after September 14, 2008 that has not been distributed, or set aside for distribution, to Fund shareholders and (B) Fund shareholders have not received distributions of at least \$1.00 per share after September 14, 2008 (after giving effect to the distribution of the Purchase Price proceeds to Fund shareholders);

(ix) The Fund suspended the redemption of its shares as of September 17, 2008 and, since such date, has not issued any additional shares;

(x) The trustees of the Investment Company who are not "interested persons" of the Investment Company as determined under the 1940 Act and who constitute a majority of the Board have determined that it should not be necessary to establish any reserves in connection with the anticipated liquidation of the Fund; and

(xi) Exhibit D sets forth a schedule of specific types (including creditor's names if available) of expenses that the Investment Company currently believes will be payable by, or with respect to, the Fund pending its liquidation, including the party to which such expenses shall be paid.

(b) Certain Matters Regarding Redemption. The Treasury acknowledges that the Fund suspended redemption of its shares as of September 17, 2008 in accordance with an order issued by the SEC (the "SEC Order"), which order was published in Investment Company Act of 1940 Release No. 28386 (September 22, 2008). The Treasury agrees that such suspension of redemptions, in accordance with the SEC Order, is not inconsistent with the representation made by the Investment Company in Section 8(d) of the Guarantee Agreement.

(c) Additional Covenants of the Investment Company.

(i) On the first Business Day of each week until the Final Sale Date, the Investment Company, on behalf of the Fund, shall provide the Treasury with a Portfolio Schedule as of the close of business on the last Business Day of the prior week.

(ii) The Fund shall not issue any additional shares.

(iii) Neither the Investment Adviser, nor any “affiliated person” (as such term is defined in the 1940 Act) of the Investment Adviser, or affiliated person of such person, shall receive any fees, payments or other compensation in connection with the Fund’s disposition of Portfolio Securities or the investment or reinvestment of Fund assets.

(d) Guarantee Event. For the avoidance of doubt, the parties agree that if, prior to the purchase of securities by the ESF as described in Section 3, a Guarantee Event occurs, the provisions of the Guarantee Agreement shall apply in full force and effect and the obligations of the parties under the Guarantee Agreement shall continue in full force and effect, provided, however, that (i) all sales of Portfolio Securities shall be made in accordance with Section 2(b), (ii) the ESF shall have the option, in its sole and absolute discretion, to purchase any Portfolio Security at Amortized Cost in accordance with the terms of Section 3 but shall not otherwise be required to purchase the Remaining Securities, and (iii) the Fund shall be required to liquidate within 30 days unless the Treasury consents, in writing, to an extension.

6. General

(a) Binding Effect. This Letter Agreement, upon execution and delivery by the parties, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns as of the Letter Agreement Date.

(b) Assignments. The Investment Company may not assign its rights under this Letter Agreement to any person or entity, in whole or in part, without the prior written consent of the Treasury, whose consent may be withheld in the Treasury’s sole and absolute discretion.

(c) Headings, Section and Exhibit References. The headings contained in this Letter Agreement are for purposes of convenience only and shall not affect the meaning or interpretation of this Letter Agreement. Unless otherwise specified, all references to a Section or Exhibit in this Letter Agreement are referenced to a Section of, or Exhibit to, this Letter Agreement.

(d) Entire Agreement. This Letter Agreement, together with the Guarantee Agreement and all other agreements or documents executed by one or more parties hereto and delivered to one or more other parties hereto in connection herewith, constitutes the entire

agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

(e) Waivers and Amendments. No waiver of any provision hereof or of any right or remedy hereunder shall be effective unless in writing and signed by the party against whom such waiver is sought to be enforced. No delay in exercising, no course of dealing with respect to or no partial exercise of any right or remedy hereunder shall constitute a waiver of any other right or remedy, or future exercise thereof.

(f) Severability. If any provision of this Letter Agreement is determined to be invalid under any applicable statute or rule of law, it is to that extent to be deemed omitted, and the balance of the Letter Agreement shall remain enforceable.

(g) Notices. All Notices under this Letter Agreement shall be made in accordance with the instructions under the Guarantee Agreement.

(h) Certain Matters Related to the ESF. Nothing in this Letter Agreement shall limit the authority of the Treasury or the Secretary to control or use the ESF, including funds held by the ESF that have been designated for use in the Program, for any other purpose. For purposes of Section 10(b) of the Gold Reserve Act, as amended (31 U.S.C. 5302(b)), this Letter Agreement is an “instrument of credit” and the shares of the Fund to which it relates are “securities.”

(i) Counterparts. This Letter Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall together constitute one and the same instrument.

(j) Termination.

(i) This Letter Agreement shall terminate upon the earlier to occur of (A) a Guarantee Event, provided, however, that Sections 5(c) and 5(d) shall continue in full force and effect or (B) the liquidation of the Fund in accordance with Section 4.

(ii) In the event that (i) the Program is extended and (ii) the Fund is eligible to continue to participate in the Program under Section 3(c) of the Guarantee Agreement, the Fund shall take such actions as are necessary to continue to participate in the Program, *provided, however*, that the Treasury waives the payment by the Fund of any Program Extension Participation Payment.

(k) Governing Law and Venue. This Letter Agreement shall be governed by, and construed in accordance with, the federal law of the United States of America if and to the extent such federal law is applicable, and otherwise in accordance with the laws of the State of

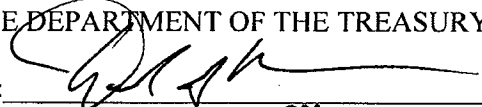
New York without regard to its conflict of laws provisions (except Section 5-1401 of the New York General Obligations Law). Except as otherwise required by law, the United States District Court for the District of Columbia shall have exclusive jurisdiction over all civil actions arising out of this Letter Agreement, and the venue for any such civil action shall lie exclusively in the United States District Court for the District of Columbia.

(l) No Third-Party Beneficiaries. Nothing in this Letter Agreement shall confer any rights upon any Designated Shareholder or any other person other than the parties hereto and their respective successors and permitted assigns.

(m) Limitation of Liability. The Treasury agrees that the obligations and agreements of the Investment Company under this Letter Agreement are undertaken on behalf of the Fund and that any claims against the Investment Company hereunder shall be limited in all cases to the Fund to which the claim relates and its assets. The Treasury agrees that it shall not seek satisfaction of any claims from any other series or portfolio of the Investment Company that is not the Fund.

If the above correctly reflects our understanding and agreement with respect to the foregoing matters, please so confirm by signing the enclosed copy of this letter agreement in the space provided below.

THE DEPARTMENT OF THE TREASURY

By: 

Name: **DAVID G. NASON**

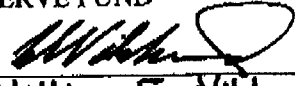
Title: **Assistant Secretary for Financial Institutions**

Date of Execution: 11-19-08

Address: Department of the Treasury
Attn: MMFGP
1425 New York Avenue, N.W.
Suite 2100
Washington, DC 20220
E-mail:
moneymarketfundsguaranteeprogram
@do.treas.gov

Acknowledged and agreed as of the date first above written; in addition, the Investment Company confirms all representations, warranties, and covenants made above.

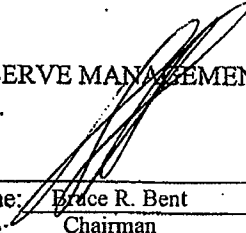
THE RESERVE FUND

By: 
Name: William E. Viklund
Title: Trustee
Date of Execution: November 18, 2008

Address for Notices:

The Investment Adviser of the Fund hereby acknowledges and agrees to this Letter Agreement and confirms that, to the extent required under Section 5(a)(viii), it has waived the payment of fees payable under the Investment Management Agreement that accrue on and after the Letter Agreement Date.

RESERVE MANAGEMENT COMPANY,
INC.

By: 
Name: Bruce R. Bent
Title: Chairman
Date of Execution: November 18, 2008

Address for Notices:

The Reserve
1250 Broadway
32nd Floor
New York, NY 10001

Exhibit A: Form of Sale of Portfolio Securities Notice

To: The Department of the Treasury

Cc: The Securities and Exchange Commission

1

This Notice is delivered in accordance with Section 3 of the Letter Agreement dated as of November 19, 2008 between the United States Department of the Treasury (the “Treasury”) and The Reserve Fund (the “Investment Company”), a business trust organized under the laws of Massachusetts (the “Letter Agreement”), with respect to the U.S. Government Fund (the “Fund”), a series of the Investment Company. Capitalized terms used herein have the meaning assigned to such terms in the Letter Agreement.

The Investment Company represents and warrants that as of [insert Final Sale Date] (the “Final Sale Date”), which is not later than the 45th day after the Letter Agreement Date:

1. The Investment Company has used its best efforts to sell or otherwise dispose of all Portfolio Securities at or above Amortized Cost. The Portfolio Schedule (as such term is defined in the Guarantee Agreement) as of the date of this Notice is attached to this Notice as Schedule A.

2. Since the Letter Agreement Date, the Investment Company has not disposed of any Portfolio Security in contravention of Section 2(b) of the Letter Agreement. The list of the Portfolio Securities which have been sold is attached to this Notice on Schedule B, prepared in Microsoft Excel format or such other format as the Treasury may request, including, with respect to each security: (i) the CUSIP number (if any); (ii) principal amount; (iii) maturity date as determined under Rule 2a-7; (iv) final maturity date, if different from the maturity date referred to in clause (iii); (v) the net sale price; (vi) the date of the sale; and (vii) the Amortized Cost.

3. A schedule setting forth the Investment Company’s basis for the calculation of the Amortized Cost of each of the Remaining Securities, a copy of which is attached hereto as Schedule C, is true and correct in all respects. The Investment Company has caused the Independent Auditor to deliver to the Treasury the opinion or report required by the Section 3(b) of the Letter Agreement.

4. Either the Investment Company or the Fund is the lawful owner, beneficially and of record, of the Remaining Securities, free and clear of all security interests, claims, liens, equities or other encumbrances or adverse claims of any kind and any other limitation or restriction.

¹ [insert date]

5. No Guarantee Event has occurred after the Letter Agreement Date.

6. No statute, rule, regulation, judgment, decree or order of any kind has been enacted, entered, promulgated or enforced by any court or other governmental authority that prohibits the consummation of the transactions contemplated hereby or has the effect of making them illegal.

7. The Investment Company has not established any reserves with respect to the liquidation of the Fund other than for the payment of permitted Fund operating expenses, which does not include any reserves for payments on claims asserted against the Fund and which reserves shall not exceed the expenses listed on Exhibit D reduced by the expenses related to Trustees' fees and the comprehensive management fee.

8. The sale price for the Remaining Securities is in the aggregate \$ _____ (the "Purchase Price"). To the extent necessary, the Purchase Price has been adjusted as required by Section 3(c) and a detailed report of the calculations underlying the adjustment is set forth in Schedule D.

9. The payment instructions for the Purchase Price are attached hereto as Schedule E.

[10. The Settlement Date shall be [_____]. The Investment Company certifies that that, within one Business Day of receipt, it can distribute the Purchase Price proceeds to Fund shareholders in accordance with Section 3 of the Letter Agreement.]²

THE RESERVE FUND

By: _____
Name:
Title:

ADDRESS FOR NOTICES

The Investment Adviser confirms the accuracy of the representations set forth above.

² [Insert this paragraph if the Settlement Date is determined under Section 3(b)(i)(A).]

RESERVE MANAGEMENT COMPANY,
INC.

By: _____
Name:
Title:

ADDRESS FOR NOTICES

**SCHEDULE A TO SALE OF PORTFOLIO SECURITIES NOTICE:
THE REMAINING SECURITIES**

**SCHEDULE B TO SALE OF PORTFOLIO SECURITIES NOTICE:
SALES OF PORTFOLIO SECURITIES**

**SCHEDULE C TO SALE OF PORTFOLIO SECURITIES NOTICE:
BASIS FOR AMORTIZED COST DETERMINATION FOR REMAINING SECURITIES**

**SCHEDULE D TO SALE OF PORTFOLIO SECURITIES NOTICE:
BASIS FOR PURCHASE PRICE ADJUSTMENT**

**SCHEDULE E TO SALE OF PORTFOLIO SECURITIES NOTICE:
PAYMENT INSTRUCTIONS**

Exhibit B: Form of Certificate of Liquidation

To: The Department of the Treasury

Cc: The Securities and Exchange Commission

[Date]

This Certificate is delivered in accordance with Section 4(b) of the Letter Agreement dated as of November 19, 2008 between the United States Department of the Treasury (the "Treasury") and The Reserve Fund (the "Investment Company"), a business trust organized under the laws of Massachusetts (the "Letter Agreement"), with respect to the U.S. Government Fund (the "Fund"), a series of the Investment Company. Capitalized terms used herein have the meaning assigned to such terms in the Letter Agreement.

The undersigned, a duly appointed officer of the Investment Company, hereby certifies that as of [insert Date of Liquidation] (the "Liquidation Date") with respect to the Fund:

1. The Investment Company has disbursed to the Fund's shareholders of record all of the amounts received from the Treasury, net of permissible expenses, in accordance with the Letter Agreement.

2. Since September 17, 2008, each shareholder of record of the Fund has received, with respect to each share such shareholder held of record on such date, an amount equal to, but not greater than, \$1.00 per share plus such shareholder's pro rata share of the assets attributable to the Fund's net income after September 14, 2008.

3. On the Liquidation Date, the amount of the remaining total assets of the Fund, after giving effect to the distributions to shareholders, was \$_____ and the amount of the Fund's remaining liabilities was \$_____. Schedule A to this Certificate sets forth a schedule of the Fund's remaining assets and liabilities. The Investment Company has not established any reserves with respect to the liquidation of the Fund other than for the payment of permitted Fund operating expenses, which does not include any reserves for payments on claims asserted against the Fund which reserves shall not exceed the expenses listed on Exhibit D reduced by the expenses related to Trustees' fees and the comprehensive management fee.

THE RESERVE FUND

By: _____
Name:

Title:
Date of Execution:

ADDRESS FOR NOTICES

**SCHEDULE A TO CERTIFICATE OF LIQUIDATION: REMAINING ASSETS AND
LIABILITIES**

Exhibit C: Portfolio Schedule

1. C-1 – Portfolio Schedule with pricing as of November 14, 2008.
2. C-2 – Schedule of Investments as of November 18, 2008.

Exhibit C-1: Portfolio Schedule

11/14/2008 Reserve U.S. Government Fund

Custody Cusip	Security Description	Security Status	Maturity Date	Share /Par	Amortized Cost	Market Value	Variance %	FT/IDC Vendor Price
31331X3B6	FED FARM CREDIT	First Tier Security	03/11/2009	100,000,000	100,000,000	99,777,000	-0.223	99.777
31331X3P5	FEDERAL FARM CR BKS CONS SYST	First Tier Security	03/17/2009	250,000,000	250,000,000	249,420,750	-0.2317	99.7683
31331XW73	FEDERAL FARM CR BKS	First Tier Security	02/23/2009	200,000,000	200,000,000	199,610,000	-0.195	99.805
31331Y3A6	FEDERAL FARM CREDIT BANK	First Tier Security	01/11/2010	235,000,000	235,000,000	234,835,735	-0.0699	99.9301
31331YDS6	FEDERAL FARM CREDIT BANK	First Tier Security	11/16/2009	250,000,000	250,000,000	248,307,750	-0.6769	99.3231
31331YDS6	FEDERAL FARM CREDIT BANK	First Tier Security	11/16/2009	250,000,000	250,000,000	248,307,750	-0.6769	99.3231
3133XLZNG	FEDERAL HOME LN MTG DISC NTS	First Tier Security	02/20/2009	100,000,000	100,000,000	99,816,300	-0.1837	99.8163
3133XNDG1	FEDERAL HOME LN BKS	First Tier Security	11/20/2009	200,000,000	200,000,000	199,684,800	-0.1576	99.8424
3133XNF61	FEDERAL HOME LN BKS	First Tier Security	11/23/2009	200,000,000	200,000,000	199,682,000	-0.159	99.841
3133XPEC4	FEDERAL HOME LN BKS	First Tier Security	01/30/2009	200,000,000	200,000,000	199,728,400	-0.1358	99.8642
3133XPFE9	FEDERAL HOME LN BKS	First Tier Security	01/30/2009	250,000,000	250,000,000	249,670,250	-0.1319	99.8681
3133XPFE9	FEDERAL HOME LN BKS	First Tier Security	01/30/2009	250,000,000	250,000,000	249,670,250	-0.1319	99.8681
3133XPMW1	FEDERAL HOME LN BKS	First Tier Security	08/07/2009	250,000,000	250,000,000	248,880,500	-0.4478	99.5522
3133XPP57	FEDERAL HOME LN BKS	First Tier Security	02/20/2009	250,000,000	250,000,000	249,610,000	-0.156	99.844
3133XQQC9	FEDERAL HOME LN BKS	First Tier Security	04/13/2009	100,000,000	100,000,000	99,960,800	-0.0392	99.9608
3133XQRC8	FEDERAL HOME LN BKS	First Tier Security	04/21/2009	100,000,000	100,000,000	99,754,300	-0.2457	99.7543
3133XQTM4	FEDERAL HOME LN BKS	First Tier Security	10/28/2009	200,000,000	200,000,000	199,796,200	-0.1019	99.8981
3133XRQA1	FEDERAL HOME LN BKS	First Tier Security	12/28/2009	250,000,000	250,000,000	249,831,750	-0.0673	99.9327
3133XRWM8	FED HOME LN BANK CONS BD	First Tier Security	01/28/2009	350,000,000	350,000,000	350,070,000	0.02	100.02
3136F9GL1	FANNIE MAE	First Tier Security	10/07/2009	100,000,000	100,000,000	99,861,500	-0.1385	99.8615
3136F9GL1	FANNIE MAE	First Tier Security	10/07/2009	100,000,000	100,000,000	99,861,500	-0.1385	99.8615
31398AKZ4	FEDERAL NATL MTG ASSN	First Tier Security	01/09/2009	875,000,000	875,000,000	875,000,000	0	100
31398AMA7	FANNIE MAE	First Tier Security	01/23/2009	200,000,000	200,000,000	199,755,000	-0.1225	99.8775
31398APF3	FEDERAL NATL MTG ASSN	First Tier Security	09/03/2009	125,000,000	125,000,000	124,837,375	-0.1301	99.8699
31398APF3	FEDERAL NATL MTG ASSN	First Tier Security	09/03/2009	250,000,000	250,000,000	249,674,750	-0.1301	99.8699
				5,635,000,000	5,635,000,000	5,625,404,660		



Schedule of Investments

(November 18, 2008 Unaudited)

Fund Name: US GOVERNMENT

DESCRIPTION	MATURITY DATE*	EFFECTIVE MATURITY DATE	COUPON RATE (%)	UNITS (US\$)	PCT OF PORTFOLIO
Fannie Mae					
FANNIE MAE (FLOATING RATE)	10/07/2009	01/07/2009	0.6200	200,000,000	3.15%
FANNIE MAE (FLOATING RATE)	01/23/2009	01/23/2009	1.5600	200,000,000	3.15%
FEDERAL NATL MTG ASSN (FLOATING RATE)	09/03/2009	12/03/2008	0.6100	375,000,000	5.91%
FEDERAL NATL MTG ASSN (FLOATING RATE)	01/09/2009	01/09/2009	2.1000	875,000,000	13.80%
Total Fannie Mae				1,650,000,000	26.02%
Federal Farm Credit Bank - Floating Rate					
FED FARM CREDIT (FLOATING RATE)	03/11/2009	12/11/2008	1.5300	100,000,000	1.58%
FEDERAL FARM CR BKS (FLOATING RATE)	02/23/2009	11/23/2008	1.5000	200,000,000	3.15%
FEDERAL FARM CR BKS CONS SYST (FLOATING RATE)	03/17/2009	12/17/2008	2.0400	250,000,000	3.94%
FEDERAL FARM CREDIT BANK (FLOATING RATE)	01/11/2010	01/11/2009	0.7200	235,000,000	3.71%
FEDERAL FARM CREDIT BANK (FLOATING RATE)	11/16/2009	02/16/2009	1.0600	500,000,000	7.88%
Total Federal Farm Credit Bank - Floating Rate				1,285,000,000	20.26%
Federal Home Loan Bank					
FED HOME LN BANK CONS BD (FLOATING RATE)	01/28/2009	01/28/2009	0.8700	350,000,000	5.52%
FEDERAL HOME LN BK CONS DSC NT (ZERO COUPON RATE)	11/19/2008	11/19/2008	0.0500	372,715,000	5.88%
FEDERAL HOME LN BKS (FLOATING RATE)	12/28/2009	12/28/2008	0.7200	250,000,000	3.94%
FEDERAL HOME LN BKS (FLOATING RATE)	11/23/2009	11/23/2008	2.6260	200,000,000	3.15%
FEDERAL HOME LN BKS (FLOATING RATE)	11/20/2009	11/20/2008	2.6300	200,000,000	3.15%
FEDERAL HOME LN BKS (FLOATING RATE)	10/28/2009	01/28/2009	0.6700	200,000,000	3.15%
FEDERAL HOME LN BKS (FLOATING RATE)	08/07/2009	02/07/2009	1.1200	250,000,000	3.94%
FEDERAL HOME LN BKS (FLOATING RATE)	04/21/2009	01/21/2009	1.6650	100,000,000	1.58%
FEDERAL HOME LN BKS (FLOATING RATE)	04/13/2009	01/13/2009	0.6700	100,000,000	1.58%
FEDERAL HOME LN BKS (FLOATING RATE)	02/20/2009	11/22/2008	2.1300	250,000,000	3.94%
FEDERAL HOME LN BKS (FLOATING RATE)	01/30/2009	01/30/2009	1.0600	500,000,000	7.88%
FEDERAL HOME LN BKS (FLOATING RATE)	01/30/2009	01/30/2009	1.0600	200,000,000	3.15%
Total Federal Home Loan Bank				2,972,715,000	46.88%
Federal Home Loan Mortgage Corp					
FEDERAL HOME LN MTG DISC NTS (FLOATING RATE)	02/20/2009	11/20/2008	2.0200	100,000,000	1.58%
Total Federal Home Loan Mortgage Corp				100,000,000	1.58%
Investment Total				6,007,715,000	94.73%
Cash Held at Custodian Bank*				334,036,181	5.27%
Portfolio Total				6,341,751,181	100.00%
Average Weighted Maturity					1 Days

*To determine the cash that is available for eventual distribution, add time deposits and securities maturing in one day to cash held at custodian bank. A negative cash number represents an overdrawn balance.



*The maturity dates of the securities in The Reserve funds are less than 397 calendar days, except for some U.S. government securities which may have maturity dates that are greater than 397 calendar days but less than 762 days. Securities that appear to have longer maturities are subject to maturity-shortening demand features, such as interest-adjustment provisions or floating interest rates. Maturity dates do not reflect reset or call dates.

Portfolio composition is subject to change at any time. If securities are sold with a delayed settlement date, the above portfolio listing will not reflect those securities. However, the securities are still assets of the fund and will continue to earn interest until the trade settles.

This data is unaudited and provided for informational purposes only and is not intended for trading purposes.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in a money market fund. You should carefully consider the investment objectives, risks and charges and expenses of the Fund before investing. The Fund's Prospectus contains this and other information about the Fund. The Fund's Prospectus may be obtained by writing to The Reserve, 1250 Broadway, New York, New York 10001-3701 or by calling 1-800-637-1700 and pressing "0." You should read the Prospectus carefully before you invest.

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