



The Primary Fund

Plan of Liquidation and Distribution of Assets

The Board of Trustees (the “Board”) of The Reserve Fund (the “Trust”) has adopted the following Plan to effect the orderly liquidation of assets of the Primary Fund (the “Fund”) and the distribution of those assets in a fair and equitable manner. The Plan will be implemented subject to the supervision of the Securities and Exchange Commission (the “Commission”), as required by the terms of an exemptive order issued by the Commission on September 22, 2008 (the “Order”).

PREAMBLE

The Fund held debt securities issued by Lehman Brothers Holdings, Inc. (“Lehman Holdings”) on and before September 15, 2008 to the date hereof, which filed for bankruptcy protection on September 15, 2008. The Fund has not sold or purchased any securities issued by Lehman Holdings since September 15, 2008. Lehman Holdings investments were priced by the Board to amounts below par on September 15, 2008 and September 16, 2008. These actions, combined with the decline in the Fund’s assets due to redemptions, caused the Fund’s net asset value per share to decline to below \$1.00.

The Fund ceased calculating its NAV on September 17, 2008 and has been closed to new investments (other than through dividend reinvestment) since that date. At present, although the situation can vary day-by-day, securities held by the Fund generally cannot be sold at prices approximating amortized cost because of current market conditions.

Shareholders of the Fund have placed redemption orders from September 15, 2008 to the date hereof representing substantially all of the assets of the Fund. In addition, the Board, including trustees who are not interested persons of the Trust (“Independent Trustees”), have unanimously determined that it is in the best interest of the Fund and its shareholders to liquidate the assets of the Fund and to distribute those assets in the manner provided in the Declaration of Trust¹ and in this Plan.

¹ The Trust is a Massachusetts business trust and is governed by a Declaration of Trust (the “Declaration”). Under Article NINTH, Section 4(b) of the Declaration, either the Trustees or the shareholders are authorized to liquidate the Fund. Upon making provisions for the payment of all outstanding obligations, taxes and other liabilities, accrued or contingent, the Trustees are required by the Declaration to distribute the remaining assets of the Fund ratably among the holders of the outstanding shares of the Fund. Further, under Article FOURTH, Section 2(f) of the Declaration, the Trustees are authorized to abolish the Fund and under Section 2(e), upon liquidation or termination of the Fund, the shareholders are entitled to receive a pro rata share of the net assets of the Fund.



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DISTRIBUTION APPROACH

Approximately \$10.83 billion of redemption orders were received on September 15, 2008 and paid on that date. Because of the extreme illiquidity of the market for Fund assets on that day, these redemption orders were largely paid through an overdraft facility made available by the Fund's custodian. In addition, approximately \$21.1 billion in redemption orders were received on September 15, 2008 through 11:00 a.m. on September 16, 2008 that remain unfunded (except for certain *de minimis* amounts paid in connection with debit card transactions, ACH transactions or check redemptions written against an investor's account ("service transactions")). These redemption orders were received at a time when the Fund's published net asset value per share was \$1.00. Approximately \$6.975 billion in redemption orders were received on September 16, 2008 between 11:00 a.m. and 3:00 p.m. that remain unfunded (except for service transactions). These redemption orders were received at a time when the Fund's net asset value per share was \$.99. Approximately \$1.32 billion in redemption orders were received after 3:00 p.m. on September 16, 2008 through the close of business on September 16, 2008, during which time the Fund's published NAV was \$.97 per share. Subsequent to September 16, 2008 through September 30, 2008, \$17.9 billion of redemption orders were received. As of the close of business on September 30, 2008, approximately \$3.03 billion had not been redeemed. Inter fund transactions aggregating approximately \$2.20 billion were executed in October 2008.

Litigation has been commenced against the Fund, the members of the Board, Reserve Management Company, Inc. ("RMCI"), the Fund's investment adviser, and related parties asserting or challenging the entitlement of investors to \$1.00 per share and making certain other claims. Without debating the merits of any claim at this point, the Board considers it important to provide liquidity to investors without prejudicing the legal rights and remedies, if any, of any Distributee's claims. Consequently, the approach adopted in this Plan is to make interim payments (such distributions together, the "Interim Distributions") to Distributees Pro Rata (as such terms are defined below) out of Fund assets up to the amount of a special reserve, which would include amounts that would be required to satisfy disputed claims. The Board currently expects to initially determine the amount of the special reserve within the next three weeks, although the Board may increase or decrease the amount in the special reserve. The entitlement to amounts other than the Interim Distributions has not been determined as of the date of this Plan. The Fund and the Board are aware that competing legal and equitable claims can be and have been made by investors that submitted redemption orders at different points in time on September 15th and 16th and thereafter. The Fund will attempt to resolve the question of entitlement and, thus pay out the special reserve, as soon as practicable but understands that the resolution may require protracted negotiated agreements with Distributees, court proceedings and/or regulatory relief, any of which may take a long period of time and involve substantial expense. (No regulatory relief to resolve this issue has been sought as of the date of this Plan.) For the moment, then, investors should understand that the entitlement to amounts other than the Interim Distributions has been left to be resolved at a future date.



The Fund has retained in the Fund all net income generated from Fund holdings since September 15, 2008. The net income will be distributed in the same manner that excess funds in the special reserve are distributed in accordance with the Declaration.

To be clear, the resolution of the entitlements to assets after the Interim Distributions have been made and the competing claims have been resolved will not inhibit the Fund's payment of the Interim Distributions, which shall proceed as expeditiously as possible consistent with this Plan.

In making Interim Distributions, all Distributees are being treated the same regardless of when or if they tendered redemption orders to the Fund.

ASSET ACCUMULATION

RMCI, as investment adviser, shall accumulate assets of the Fund either (1) through the receipt of proceeds upon maturity of Fund holdings or (2) by sale of Fund assets. To the extent that a portfolio holding can be liquidated at or above amortized cost through exercise of a contractual right (e.g., demand or other liquidity feature), RMCI will exercise that right at the earliest practical date.

The Board has directed that, except as provided in the next sentence or as otherwise directed by the Board, RMCI shall not dispose of securities at prices below amortized cost except where two or more securities are sold at an aggregate price equal to or greater than the sum of the amortized cost of these securities. With regard to interests in Lehman Holdings or any other security that in the future experiences an event described in paragraphs (c) (6) (ii) (A) through (D) of Rule 2a-7 under the Investment Company Act of 1940 (an "event of default"), RMCI shall comply with Rule 2a-7 under the Investment Company Act of 1940. If the Board determines that it is in the best interest of the Fund and its shareholders to retain the securities, RMCI shall not dispose of these securities except at a time and price it reasonably considers appropriate after consultation with the Board. Notwithstanding the above, the Board intends to monitor RMCI's progress in accumulating cash, and it reserves the right to permit the disposition of assets at prices below amortized cost based on all relevant factors, particularly the time period remaining until certain securities mature. In addition, RMCI and the Fund intend to participate in all available government programs that provide liquidity to Fund assets to the extent the Board concludes it to be in the best interest of the Fund shareholders to do so, although such participation cannot be guaranteed.

In taking the approach described in the previous paragraph, the Board noted that the two aspects of the Fund's investment objective -- capital preservation and liquidity -- were in conflict because of the market conditions affecting Fund holdings. The Board is of the view, after consultation with RMCI, that sales of Fund holdings at currently available market prices would result in a material loss of principal. At this time, the Board does not believe that it is in the best interest of the Fund's shareholders to sell Fund holdings at currently available prices in order to provide liquidity. Rather, the Board believes it is in the best interest of the Fund's



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shareholders to accumulate cash in a manner that maximizes the amount received by the Fund on the disposition of assets.

All assets accumulated may be invested only in U.S. Treasury bills with a maturity not to exceed 30 days, overnight time deposits of U.S. or non-U.S. banks whose short-term debt securities are rated A-1/P-1, and overnight repurchase agreements “collateralized fully” (within the meaning of Rule 2a-7 under the Investment Company Act of 1940) by U.S. Government securities. RMCI may not purchase any other investments for the Fund. In investing accumulated cash in other than overnight investments, RMCI will select maturities that do not extend beyond the next anticipated distribution date.

All Fund assets, including cash accumulated pursuant to this Plan, will remain in the custody of the Fund’s custodian, as required by the Investment Company Act of 1940, until paid to Distributees.

Based on a review of current Fund holdings, the Fund expects that the following Fund holdings will mature within the time frame indicated:

Maturing Times	Amount Maturing
cash and cash equivalents on December 2, 2008	\$14,590,142,167.20
between December 3, 2008 and December 31, 2008	\$ 434,904,473.14 *
between January 1, 2009 and March 31, 2009	\$ 2,681,030,446.12 **
between April 1, 2009 and June 30, 2009	\$ 1,439,823,910.21
between July 1, 2009 and October 15, 2009	\$ 5,436,999,264.26
Total	\$24,582,900,260.93

* Excludes \$535 million face amount of debt securities issued by Lehman Holdings with maturity dates of October 10, 27 and 29, 2008.

** Excludes \$250 million face amount of debt securities issued by Lehman Holdings with a maturity date of March 20, 2009.

RMCI and the Board cannot currently estimate exactly when distributions will be paid, as that is dependent on market conditions affecting the ability to sell portfolio holdings and the maturities of portfolio holdings. All remaining proceeds will be available for distribution at the latest shortly after the longest-dated Fund holding matures (which is currently October 15, 2009), except for the amounts retained in the special reserve (described below).

DISTRIBUTIONS

Cash will be distributed to Distributees in the following manner:



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On October 30 and 31, 2008 \$26 billion was distributed to Distributees Pro Rata. The Fund began a distribution of approximately \$14.4 billion to Distributees Pro Rata on December 3, 2008.

Following the December 3rd distribution, when the Fund has accumulated cash in the amount of \$5 billion, the Fund shall distribute such amount to Distributees Pro Rata on or about the tenth business day following the date as of which such amount of assets have been accumulated. The Board may, in its discretion, determine to distribute assets in smaller amounts, particularly where additional cash is not expected to be accumulated within a reasonable period. At such time as \$5 billion in cash has been accumulated, the Fund shall provide a notice to investors on its website setting forth the expected distribution date.

Such Interim Distributions shall continue to be made until the Fund's net assets (other than the special reserve and net income generated from Fund holdings since September 15, 2008) have been distributed. However, a final distribution will not be made until all liabilities of and claims against the Fund or potentially affecting Fund assets have been accrued or paid and provision is made for the costs and expenses of the Fund. All payments (unless the recipient agrees otherwise) are received without prejudice to whatever legal rights or remedies, if any, a recipient may have.

Each distribution will be accompanied by a public statement on the Fund's website stating the value of the assets remaining after the distribution.

Prior to any distribution and subsequent to any distribution, an independent registered public accounting firm will be engaged to perform agreed-upon procedures to assist the Board and the Fund's management in their evaluation of the accuracy of the distribution pursuant to the distribution approach as contemplated herein. The Board and the Fund's management are responsible for the distribution. The agreed-upon procedures engagement will be performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board and the Fund's management. The performance of these agreed-upon procedures, is not an examination by the independent registered public accounting firm, the objective of which would be an expression of an opinion as to the accuracy of the distribution. Thus, the independent registered public accounting firm will not express such an opinion. The report issued by the independent registered public accounting firm will be solely for the information and use of the Board and the Fund's management, and is not intended to be and should not be used by anyone other than these specified parties.

Amounts payable to Distributees that have received redemption proceeds through ACH wires, debit card transactions or check-writing shall be reduced dollar-for-dollar by amounts paid to them on and after September 15, 2008.

All distributions will be made in cash rather than in-kind unless the Board determines that in-kind redemptions can be made in a manner that is fair to all investors. Any in-



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kind redemptions must include a pro rata interest in the Fund's Lehman Holdings investments and any other investments which in the future experience an event of default.

Special Reserve. The Trust, the Fund, RMCI, Resrv Partners, Inc. ("Resrv Partners"), the Fund's distributor, and their officers, directors and trustees are currently the subject of several civil lawsuits; these parties could also become the subject of additional legal proceedings. All distributions will be made after outstanding obligations are accrued or paid and provision is made for the costs and expenses of the Fund, including legal and accounting fees, and the creation of a special reserve in an amount deemed reasonable and appropriate by the Board (recognizing, however, that the first two Interim Distributions have been made without the amount of the special reserve having been determined), taking into consideration, among other things, available insurance coverage. The Board, the Fund, RMCI, Reserve Partners and others participate in a joint directors and officers liability policy with a \$10 million aggregate limit of liability.

The special reserve will be used to satisfy (a) anticipated costs and expenses of the Fund, including legal and accounting fees; (b) pending or threatened claims against the Fund, its officers and Trustees; and (c) claims, including but not limited to claims for indemnification, that could be made against Fund assets. Estimated amounts that could be required to satisfy disputed claims will be included in the special reserve. If the special reserve were not required to satisfy these costs, expenses and claims, the Fund's net asset value per share would be approximately \$0.985 (assuming all Distributees receive a Pro Rata disbursement out of the Fund). Pursuant to the Fund's governing documents and Section 17(h) of the Investment Company Act of 1940, the Trust cannot indemnify any Trustee or officer of the Trust for any liability to the Trust or its shareholders to which he would otherwise be subject by reason of willful malfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office ("disabling conduct"). In addition, under the advisory agreement with RMCI, the distribution agreement with Resrv Partners and Section 17(i) of the Investment Company Act of 1940, RMCI, Resrv Partners, their officers, directors, employees or agents remain liable for acts or omissions constituting disabling conduct.

The amount to be set aside initially in the special reserve has not yet been determined. Because of the difficulty in estimating the amount of damages, if any, that may be awarded and the amount of defense costs given the early stage of legal proceedings related to the Fund, the special reserve is initially expected to be large. However, any amounts set aside can be increased or decreased in the discretion of the Board. Amounts in the special reserve shall become available to be disbursed to Distributees only after the resolution of all claims and potential claims to the satisfaction of the Board and shall be disbursed in accordance with the Declaration. Neither RMCI nor its affiliates are obligated to pay expenses incurred in connection with the liquidation of the Fund.

REPORTING

The following will be provided on the Fund's website daily:



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1. Fund portfolio holdings, including cash and cash equivalents, as of the close of business on the day prior to posting. The holdings report will account for securities sold but not yet settled.
2. Face amount, maturity (showing the first date a demand or other liquidity feature is exercisable), current coupon, security description, CUSIP number and amortized cost with respect to each portfolio holding as of the close of business on the day prior to the posting.
3. The average weighted maturity of the Fund's portfolio holdings.

The Fund will also provide the following information no less frequently than every two weeks, except that the special reserve need not be disclosed until it has been initially determined by the Board:

1. Accrued Fund expenses, in aggregate dollar amount and as a percentage of the Fund's net assets
2. Amount of special reserve
3. Amount of undistributed net income
4. Number of shares outstanding
5. Dollar amounts of securities maturing in succeeding 30, 60 and 90 day periods

RMCI shall provide the Board and the Board will evaluate no less frequently than twice a month a report on RMCI's progress in accumulating the assets of the Fund, as provided in this Plan. Such report shall note securities sold and the sale price thereof in relation to amortized cost and securities maturing and the amount received upon maturity. It shall also describe efforts to sell Lehman Holdings securities and any other assets the value of which is considered impaired.

RMCI shall also provide to the Board copies of all written or email communications from shareholders received by the adviser and any of its affiliates and responses provided thereto.

DEFINITIONS

For purposes of this Plan, the following definitions apply:

Amortized cost of a security means the acquisition cost of a security, as adjusted for the amortization of premium or the accretion of discount, plus accrued but unpaid interest.



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Distributees are (i) investors that owned shares of the Fund at 8:00 a.m., Eastern time, on September 15, 2008, which excludes those that were redeemed in cash or that exchanged into another Reserve Fund on or after September 15, 2008, and (ii) investors that purchased Fund shares on and after September 15, 2008.

Pro Rata means the proportion that unfunded shares held by a Distributee bears to the aggregate unfunded shares of all Distributees.

AMENDMENT

This Plan can be amended from time to time by the Board, in its absolute discretion, provided that notice of any material changes shall be provided to Distributees (by means of a website posting) and to the Commission prior to implementation.

Dated: December 3, 2008