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08 CIV 10006



**UNITED STATES DISTRICT COURT
OF THE SOUTHERN DISTRICT OF NEW YORK**

LEON FRENKEL, on Behalf of himself and
All Others Similarly Situated, :
 :
Plaintiff, :
 :
v. :
 :
THE RESERVE, THE PRIMARY FUND, :
RESRV PARTNERS, INC., RESERVE :
MANAGEMENT COMPANY, INC., BRUCE :
R. BENT, BRUCE R. BENT II, ARTHUR T. :
BENT III, WILLIAM VIKLUND, JOSEPH D. :
DONNELLY, EDWIN EHLERT, JR., :
WILLIAM J. MONTGORIS, FRANK J. :
STALZER, SANTA ALBICOCCO, STEPHEN :
P. ZIENIEWICZ, RONALD J. ARTINIAN and :
PATRICK J. FARRELL, :
 :
Defendants. :
_____ :

Case No.
CLASS ACTION
**COMPLAINT FOR VIOLATION OF
FEDERAL SECURITIES LAWS**
JURY TRIAL DEMANDED

Plaintiff, individually and on behalf of all other persons similarly situated, as and for his Complaint against Defendants, alleges as follows:

INTRODUCTION

1. This is an action by and on behalf of persons who purchased shares of the Primary Fund (Ticker: RFIXX) (also referred to as the "PM Fund" or "Fund" herein), during the period November 18, 2005 through September 16, 2008, inclusive (the "PM Class Period"), against the PM Fund's underwriter, investment adviser, officers and directors for violations of the disclosure requirements of federal securities laws. The Registration Statements and Prospectuses for the Primary Fund dated September 2, 2004 and September 28, 2007 (collectively, as more fully defined below, the "PM Registration Statements and Prospectuses") which offered shares to the public, and documents which constituted a part thereof, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and/or omitted to state material facts required to be stated therein, relating, *inter alia*, to (i) the lack of true diversification of each of the Fund's assets and exposure to, at minimum, now largely worthless debt securities of Lehman Brothers Holdings, Inc. ("Lehman Brothers") valued at \$785 million in the PM Fund; (ii) the fact that the Fund purchased commercial papers despite representation in the Prospectus not to do so, (iii) the fact that the Fund's risk profile was not, as claimed, only marginally higher than cash, (iv) the high vulnerability of the Fund which suddenly and precipitously dropped below \$1 per share to between \$0.95 per share and \$0.97 per share and thus causing loss of principal, (v) the fact that the net asset value of the Fund ("NAV") was highly speculative and inflated; and (vi) the fact that the Fund was not liquid or investments redeemable.

2. Plaintiff, by and through his undersigned attorneys, brings this action upon

personal knowledge as to himself and his own acts, upon the investigation conducted by and through his counsel as to all other matters, including without limitation, analysis of publicly available news articles and reports, public filings with the Securities and Exchange Commission ("SEC"), review of various web sites and internet information sources, including The Reserve Fund's website (reservefunds.com/reservenews.shtml), news reports, press releases and other matters of public record, prospectuses, Statements of Additional Information, annual and semi-annual reports issued by and on behalf of the Fund, and sales materials, and upon information and belief.

JURISDICTION AND VENUE

3. The claims asserted herein arise under and pursuant to §§ 11, 12(a)(2) and 15 of the Securities Act of 1933 ("1933 Act"), 15 U.S.C. §§ 77k, 77i and 77o.

4. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 22 of the 1933 Act.

5. Venue is proper in this District pursuant to 28 U.S.C. §1391(b), because the Defendants maintain offices in this District, are headquartered in this District, and many of the acts and practices complained of herein occurred in substantial part in this District.

6. In connection with the acts alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

7. Plaintiff Leon Frenkel acquired shares of the Primary Fund pursuant to the PM

Registration Statements and Prospectuses at issue in this complaint, as set forth in the accompanying certification, and has been damaged thereby.

8. Defendant, The Reserve Fund, the registrant (sometimes referred to as "Registrant" or "Reserve") is a Massachusetts business Trust that is an open-end management investment company registered with the Securities & Exchange Commission (the "SEC") under The Investment Company Act of 1940. The Trust has its principal place of business at 1250 Broadway, New York, NY 10001. The Reserve Fund maintains as one of its family of funds, the Primary Fund.

9. The Primary Fund is a member of Reserve's family of funds and is advised by the Investment Adviser and employs Resrv, as defined below, as principal underwriter, transfer agent and shareholder services agent. Thus, the Fund is deemed to be under common control of the Registrant. The Fund is a money market mutual fund organized as a series of the Trust. The Primary Fund has a stated investment objective of investing in high quality short term securities so as to maintain a net asset value of \$1.00 per share.

10. Defendant Resrv Partners, Inc. ("Resrv" or "Underwriter") is also headquartered at 1250 Broadway, New York, New York 10001. Resrv is the principal underwriter with respect to the PM Fund's Registration Statements and Prospectuses and is controlled by its officers and directors who are also Trustees and Officers of the Registrant, as well as officers and directors of the investment advisor to the Fund, Reserve Management Company, Inc. ("RMCI"), including Bruce R. Bent, Bruce R. Bent II, Arthur T. Bent III, Christina Massaro, Patrick J. Farrell and Catherine Crowley. Pursuant to a Distribution Agreement, Resrv was, during the respective Class Periods, the principal underwriter for shares of the PM Fund and is agent for the purpose of the continuous offering of the PM Fund's shares.

11. Defendant RMCI (also referred to as "Investment Advisor") has its headquarters also at 1250 Broadway, New York, New York 10001. RMCI is the investment advisor to the Fund. As the investment advisor, RMCI oversees the management and administration of the Fund. As compensation for these services, RMCI receives a management fee from the Fund.

12. Defendant Bruce R. Bent is the Chairman of Resrv, Chairman of RMCI, and Chairman, President, Treasurer and Trustee of Reserve. As a result of his positions with Resrv and RMCI, Mr. Bent is deemed to be a controlling person of the Investment Adviser and the Registrant.

13. Defendant Bruce R. Bent ("BR Bent") is also Chairman, President, Treasurer and Trustee of Reserve and the Primary Fund. BR Bent signed or authorized the signing of the false and misleading Registration Statements.

14. Defendant Bruce R. Bent II ("BR Bent II") was Co-Chief Executive Officer, Senior Vice President and Assistant Treasurer of the Registrant and the Funds and signed the Registration Statement for the PM Fund dated September 28, 2007, the Statement of Additional Information ("SAI"), dated September 28, 2007, the Certified Shareholder Report of Registered Management Investment Companies filed with the SEC on or about February 8, 2008 and the Certified Shareholder Report for the year end May 31, 2008, filed with the SEC on or about August 8, 2008, both of which were documents constituting part of the September 2007 PM Prospectus and Registration Statement. He also signed the Registration Statement and Prospectus filed with the SEC on September 2, 2004 ("Sept. 2004 Registration Statement") and the Certified Shareholder Report filed with the SEC on July 30, 2004 for the Fiscal year ending May 31, 2004.

15. Defendant Arthur T. Bent III (AT Bent III") was Co-Chief Executive Officer,

Senior Vice President and Assistant Secretary of the Registrant and the Funds and signed the Registration Statement dated September 28, 2007, the Statement of Additional Information ("SAI"), dated September 28, 2007, the Certified Shareholder Report of Registered Management Investment Companies filed with the SEC on or about February 8, 2008 and the Certified Shareholder Report for the year end May 31, 2008, filed with the SEC on or about August 8, 2008, both of which were documents incorporated by reference into the September 2007 PM Prospectus and Registration Statement. He also signed the Sept. 2004 Registration Statement and the Certified Shareholder Report filed with the SEC on July 30, 2004 for the Fiscal year ending May 31, 2004.

16. During the PM Class Period, Defendants William Viklund, Joseph D. Donnelly, Edwin Ehlert, Jr., William J. Montgoris, Frank J. Stalzer, Santa Albicocco, Stephen P. Zieniewicz and Ronald J. Artinian were all Trustees of the Registrant and the PM Fund and each signed the PM Registration Statement dated September 28, 2007, and the SAI. In addition, Defendants Viklund, Ehlert and Montgoris signed the Sept. 2004 Registration Statement.

17. Defendant Patrick J. Farrell ("Farrell") was, at all relevant times, the Chief Financial Officer of the Registrant and of the Funds and signed the Certified Shareholder Report of Registered Management Investment Companies filed with the SEC on or about February 8, 2008 and the Certified Shareholder Report for the year end May 31, 2008, filed with the SEC on or about August 8, 2008.

18. The Defendants referenced above in paragraphs 12-17 are collectively referred to herein as the "Individual Defendants."

**THE FALSE AND DEFECTIVE REGISTRATION
STATEMENTS AND PROSPECTUSES**

Allegations Regarding The Primary Fund

19. This is a class action on behalf of all persons or entities (a) who purchased the shares of the Primary Fund during the period November 18, 2005 through September 16, 2008, inclusive, pursuant to the Fund's untrue or misleading Registration Statements and Prospectuses dated, respectively, September 28, 2007 (the "Sept. 2007 Prospectus") and September 2, 2004 (the Sept. 2004 Prospectus") (collectively, the "PM Registration Statements and Prospectuses") issued in connection with the continued offerings of the PM Fund's shares, seeking to pursue remedies under the 1933 Act.

20. The Primary Fund was marketed to investors as an income producing version of a money market fund, which offered a combination of safety and liquidity, or the ability to quickly access cash. The PM Fund's investment objective, as stated in both PM Prospectuses was "to seek as high a level of current income *as is consistent with the preservation of capital and liquidity* ." (Emphasis added).

21. The PM Fund was designed (as were other related Reserve-issued funds) as "money market funds, designed as a convenient alternative to direct investment of temporary cash balances in short-term instruments."

22. On or before November 18, 2005, Defendants began a continuous offering of shares of the PM Fund pursuant to the Sept. 2004 PM Registration Statement and Prospectus along with associated sales materials and advertisements which also constitute a prospectus under the securities laws.

23. The Sept. 2004 Prospectus stated (at p. 4): "**COMMERCIAL PAPER: The Funds may not invest in commercial paper.**" Thus, at the times Plaintiff and members of the

proposed class invested in the PM Fund, the Fund was not authorized or allowed by its own Prospectus to invest in commercial paper.

24. The PM Sept. 2004 Prospectus incorporated certain documents by reference. The PM Sept. 2004 Prospectus stated: “The Statement of Addition Information [“2004 SAI”] contains additional and more detailed information about the Funds and is incorporated by reference into this Prospectus. Each Fund’s Annual and Semi-Annual Reports list the Fund’s holdings, describe the Fund’s performance, and include other information about the Fund’s investments.”

25. The 2004 SAI, in addition, stated: “The Prospectus is incorporated by reference into this SAI and this SAI is incorporated by reference into the Prospectus. Each Fund’s audited financial statements are incorporated by reference into this SAI from its Annual Report to shareholders for the fiscal year ended May 31, 2004 (the “2004 Annual Report”).”

26. The 2004 Annual Report (Form N-CSR), for the Primary Fund for the year end May 31, 2004 (“2004 Annual Report”), was filed with the SEC on or about July 30, 2004, and signed by Defendants BR Bent II and AT Bent III. The 2004 Annual Report was referenced in the Registration Statement and Sept. 2004 Prospectus and constituted a part of such Registration Statement and Prospectus. The introduction to the 2004 Annual Report, touted the ability of the PM Fund to provide safety of principal immediate liquidity versus other types of investments and was written and signed by Bruce R. Bent, and stated:

For over thirty years, Reserve has focused on its responsibility as the guardian of our clients’ cash. We work under the premise that the balances we hold for you are in Reserve/reservefor your next investment, to pay a bill, as your working capital, or just-in-case. Life in general has become more complex and with it our corporate and individual lives. Substantially more has been

demand of Reserve as your cash manager, and we have successfully anticipated these requirements. Over the past four calendar years, our compounded annual growth rate for cash we oversee is 40%. For the first five months of 2004 we grew by 27% or \$6 billion to a total of over \$30 billion. Your confidence in Reserve is duly appreciated and reinforces our commitment to safety, liquidity, and a reasonable rate of return.

* * *

We will continue to serve your interests in all that we do - providing a return with a high degree of safety and liquidity for the cash that you have entrusted to us.

27. The 2004 Annual Report constituted a part of or was incorporated by reference into, the Sept. 2004 Prospectus and the 2004 SAI.

28. The Annual Report constituted a part of the Sept. 2004 Prospectus and the 2004 SAI. The statements set forth above in paragraph 26 are materially false and misleading because while touting the Fund's public devotion to safety of principal as they failed to disclose in the PM Prospectuses, or in supplementary disclosure, the significant risks inherent in the eventual change of direction into holding a substantial amount of the Fund's assets in riskier securities, such as the debt securities of Lehman Brothers, Inc.

29. Both the Sept. 2004 Prospectus and the subsequent Sept. 2007 Prospectus stated, referring to the Primary Fund (among other funds), that "The Funds are money market funds, designed as a convenient alternative to the direct investment of temporary cash balances in short-term instruments. The Funds seek to employ idle cash at yields competitive with yields of other comparable short-term investments, and to reduce or eliminate the mechanical problems of direct investment, such as scheduling maturities and reinvestment, evaluating the credit of issuers, investing in round lots and safeguarding the receipt and delivery of securities. Each

Fund invests only in short-term securities and seeks to maintain a stable \$1.00 share price.”

30. The PM 2007 Prospectus further stated that “Because money market funds may only invest in securities with a lower level of risk, over time they may produce lower returns than investments in stocks or bonds, which entail higher levels of risk” and that “Investments in money market funds provide greater security and liquidity than other types of investments...” With regard to ease of liquidity, the PM Sept. 2007 Prospectus further represented that “Redemption requests received after the cut-off time for the calculation of a Fund’s final NAV on any day will be redeemed at the net asset value calculated on the next business day. *Proceeds from a redemption request will be transmitted to a shareholder no later than the next business day after the receipt of the redemption request in good order.*” (Emphasis added). A near verbatim, substantially similar representation was made at page 15 of the PM Sept. 2004 Prospectus.

31. The PM Sept. 2007 Prospectus also incorporated certain documents by reference. The PM Sept. 2007 Prospectus stated: “The Statement of Addition Information [“2007 SAI”] contains additional and more detailed information about the Funds and is incorporated by reference into this Prospectus. Each Fund’s Annual and Semi-Annual Reports list the Fund’s holdings, describe the Fund’s performance, and include other information about the Fund’s investments.”

32. On February 8, 2008, the Registrant filed a report for the period ending November 30, 2007 with the SEC, entitled “Certified Shareholder Report of Registered Investment Companies,” which constituted a part of the misleading Registration Statement and Prospectus and the SAI which was incorporated by reference therein. The Report for the Primary Fund, for the semi-annual period ended November 30, 2007 (“Semi-Annual Report”), was filed on or

about February 8, 2008, and signed by Defendants BR Bent II, Arthur T. Bent III and Farrell.

The Semi-Annual Report's introduction was written and signed by Bruce R. Bent, dated, January 25, 2008 and stated:

The current liquidity and mortgage crises have provoked everyone-institutions, corporations and individuals- to question just how safe their cash really is. And it's about time.

The management of a money market fund is counter-cultural to the vast majority of organizations that sponsor or manage virtually all the money funds because these organizations are not specialists in cash management. Rather they manage stock and bond funds, the focus of which is the highest rate of return, not safety of principal, liquidity and soundness of sleep.

When we created the world's first money fund in 1970, we clearly stipulated the tenets that define a money fund: **sanctity of principal, immediate liquidity**, a reasonable rate of return— all while living under the overarching rubric of boring investors into a sound sleep. Unfortunately, a number of firms that sponsor money funds, and a number of investors that selected them, have lost sight of the purpose of a money fund and the simple rules that guide them in their foolhardy quest for a few extra basis points. . . . The cash entrusted to a money fund is your reserve resource that you expect to be there no matter what.... [T]his is your working capital to pay the rent, to finance inventory and receivables, to put food on the table. This is definitely not money to take risks with, and that is exactly how it should be managed. (Emphasis added).

We have been "accused" by some of **asserting these tenets as if they were dogma, to which The Reserve pleads: Guilty as charged.** If one focused on the goal of effective cash management, the truths to accomplish it are self evident and unequivocal, and reaching for yield **while risking principal, liquidity or peace of mind is not among them.** (emphasis added).

33. The 2007 SAI, in addition, stated: "The Prospectus is incorporated by reference into this SAI and this SAI is incorporated by reference into the Prospectus. Each Fund's audited

financial statements are incorporated by reference into this SAI from its Annual Report to shareholders for the fiscal year ended May 31, 2007 (the "Annual Report")."

34. The Annual Report for the Primary Fund for the year end May 31, 2008 ("2008 Annual Report"), was filed with the SEC on or about August 8, 2008, and signed by Defendants BR Bent II, AT Bent III and Farrell. The Annual Report was referenced in the September 2007 PM Registration Statement and Prospectus and constituted a part of such Registration Statement and Prospectus. The introduction of the 2008 Annual Report, touted the ability of the Fund to provide safety of principal despite the subprime crisis versus other types of investments and was written and signed by Bruce R. Bent, and stated:

Many dangerous Structured Investment Vehicles (SIV's) were folded by their sponsors which had the effect of taking matches from children that had proved themselves unworthy of the responsibility, underscoring my earlier points that not anyone can run a money fund. One year has passed since the subprime and SIV crisis shook the foundation of our markets, which has investors questioning the safety of their money funds. Good!

We are pleased to report that you, and the markets in general, have embraced the very concept and foundation on which The Reserve was founded, an unwavering discipline focused on protecting your principal, providing daily liquidity and transparency, and all the while boring you into a sound sleep. Experience has prevailed and as a result, The Reserve's assets grew by nearly 100% or 61 billion, over the past year.

35. The 2008 Annual Report constituted a part of or was incorporated by reference into, the Prospectus and the SAI.

36. The 2008 Annual Report further stated that:

There has been no change in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial

reporting.

37. The 2008 Annual Report constituted a part of the Sept. 2007 Prospectus and the 2007 SAI. The statements set forth above in paragraphs 32 through 34 and 36 are materially false and misleading because while touting the Fund's public devotion to safety of principal as "dogma" they failed to disclose the significant risks inherent in their internal strategy such as holding a substantial amount of the Fund's assets in the debt securities of Lehman Brothers, an investment banking company which by February 8, 2008 and by August 8, 2008, the dates on which positive statements were made by defendants, as set forth in paragraphs 32 through 34 and 36, despite the fact that it was widely known Lehman Brothers was experiencing significant losses and substantial instability as a direct result of its investments in residential mortgages through various forms of securitization.

38. For instance, on September 18, 2007 in a press release, Lehman Brothers reported very substantial valuation reductions on leveraged loan commitments and mortgage related positions within its Fixed Income Capital Markets. By January 17, 2008, Lehman Brothers announced it would substantially reduce its resources and capacity in the U.S. residential mortgage origination space. Further by June 16, 2008, in announcing its second quarter results for its quarter ended May 31, 2008, Lehman Brothers reported a massive loss of \$2.8 billion, in sharp contrast to profits for both the first quarter of 2008, and the comparable second quarter of 2007, denoting in no uncertain terms its vulnerability to the then current economic woes emanating from the sub-prime crisis.

39. Despite the turmoil in the financial markets and the substantial likelihood of overwhelming debt and loss in certain financial institutions in which Defendants had invested in

debt securities of, some of these institutions, despite their purporting to have a corner on the market of financial prudence, and their espousals stating their ability to preserve two principles: the sanctity of safety of principal and the importance of immediate liquidity. This included investment by Defendants in the PM Fund of \$785 million dollars, in face value, of debt securities of Lehman Brothers, despite the above known facts described above and the fact that Lehman Brothers had been rumored to be highly unstable for months. The September 16, 2008 letter revealed for the first time the Fund's reliance on this huge and risky investment and that the Fund would value this \$785 million of Lehman debt securities at zero.

40. In conjunction with that disclosure, on September 16, 2008, Defendants stunned the financial markets by announcing that for the first time in the history of their money market management, they were valuing the NAV of the shares of the Fund at less than \$1.00 per share and thereby "breaking the buck." Thus, despite stating expressly in their SEC-filed documents, that people invested in the PM Fund in order to preserve cash, such as their the basic working capital "to pay rent, finance inventory and receivables, put food on the table" and "sleep soundly" knowing that the principal entrusted to Defendants was safe, Defendants stated that they were lowering the NAV of each share of the Fund to \$0.97 per share. On September 18, 2008, it was reported the value had further declined to \$0.95 per share and then, later in the day, the share NAV was revalued back to \$ 0.97. Thereafter, Defendants stopped publicly providing any valuation for the Fund's shares.

41. Furthermore, as reported in The New York Times on Wednesday, September 18, 2008 ("*Money Market Fund Warns Its Customers Face Losses*"), the stated value of the other investments of the Fund were also at risk at the time of many of the statements Defendants made

if they needed to be sold over a short period to pay for redemptions. The article noted: “The fund’s financial records also show that more than half of its portfolio on May 31 consisted of asset-backed commercial paper and notes from a host of issuers besides Lehman, few of them names likely to be familiar to the financial markets. If these arcane investments had to be sold or cashed out quickly to meet redemptions, it is unclear what prices they would fetch or whether the issuers would be able to return the fund’s money promptly, said Keith Long, of Otter Creek Management, a hedge fund based in Palm Beach, Fla.”

42. Moreover, despite the PM Prospectuses touting the fact that shares which were redeemed would be paid the following day, and despite the fact that Defendant BR Bent, in his forward to the Semi-Annual Report and the 2004 Annual Report, highlighted the importance to investors of the Fund providing “immediate liquidity” and a “high degree of safety and liquidity for the cash that you have entrusted to [the Fund],” Defendants announced in the September 16, 2008 letter, which disclosed the devaluation of the PM Fund’s NAV to below \$1.00 per share, that there would be a hold placed on the redemption of shares of the Fund and that this would prevent any repayment to investors attempting to redeem shares for at least seven (7) days.

43. Thereafter, on or about September 22, 2008, The Reserve Fund sought and obtained from the SEC an Order allowing it to suspend any payments for redemptions to shareholders who continued to maintain investments in the Primary Fund.

44. In addition, it was revealed in a related lawsuit filed by Ameriprise Financial Securities, Inc. and Securities America, Inc. in the U.S. District court for the District of Minnesota on September 19, 2008, that, the day before the Reserve’s September 16, 2008 announcement, the Reserve Fund allegedly notified a series of major institutional investors that

PM Fund had material exposure to impaired securities issued by Lehman Brothers Holdings, Inc., which had that morning declared its intention to file for Chapter 11 Bankruptcy. It is alleged that the Trust and its agents informed these institutional investors that Lehman's Bankruptcy would have a severe negative consequence on the value on the Primary Fund's portfolio. As a result, the suit alleged, the PM Fund value went from \$65 billion dollars to \$23 billion dollars, a drop which negatively and materially impacted the valuation of the net asset value for the remaining holders. The PM Fund's net asset value was reduced on September 16, 2008 to \$0.97 and then to \$0.95. As a result of the claim of alleged secret "tipping," Ameriprise Financial Securities, Inc. and Securities America, Inc. (2 institutional investors who did not receive the benefit of such "tip") sued The Reserve Fund, The Reserve Management Company, Inc. and Bruce R. Bent in the action filed in the Federal District Court of Minnesota.

45. On September 29, 2008, The Reserve announced that it was liquidating the Primary Fund and that investors would receive an interim distribution which was expected to occur around October 13, 2008 and that the interim distribution would be in the amount of \$20 billion for all investors who were in the Primary Fund as of close of business September 15, 2008. However, the announcement did not state whether further distributions would be made, when such distributions would be made or whether investors would ultimately be made whole at \$1.00 NAV. Nor did the announcement indicate whether interest would be paid on the funds withheld for the period between September 16, 2008 and October 13, 2008 and such other or further periods for which investors' redemptions were refused. The announcement stated:

The Fund cannot currently estimate when additional distributions to investors will be made. However, the Board and the Fund's advisors are acting as expeditiously as markets permit to restore

liquidity to investors. As developments occur, every effort will be made to communicate them to investors.

46. On September 30, 2008, the Reserve issued another statement concerning redemption of shares and repayment of investors' funds and stated in part:

The Fund cannot currently estimate when additional distributions to investors will be made. When the plan is finalized, it will be made available on our website, www.TheR.com.

47. On October 30, 2008, the Reserve issued a further statement announcing a distribution of \$26 billion to Primary Fund shareholders which represented approximately 50% of each investor's current account balance. It further stated that this represented "approximately 50 percent of the total assets of the Fund as of the close of business on September 15, 2008" and that "approximately \$25 billion in total assets remain in the Fund."

48. However, to date, the Reserve Fund has not publicly indicated to any of the investors what the value of the Primary Fund is, either in total asset value or in Net Asset Value (NAV). Nor has it indicated how long its suspension on redemptions will be maintained. The shroud of secrecy around which it has wrapped around the Primary Fund is substantially impacting investors who purchased significant amounts of shares in the Primary Fund.

49. The true material facts, or material facts omitted necessary to make the statements made not misleading and/or omitted material facts required to be stated therein, were:

1. the Fund was not well-diversified and was overly concentrated on debt securities of a company that was tottering on the brink of disaster in a far higher amount than was prudent for a money market fund;

2. The Fund invested in commercial paper after investors purchased shares based on the representation it would not do so;
3. There was not an unwavering discipline focused on protecting the principal, providing daily liquidity and transparency, and all the while “boring [the investor] into a sound sleep” as represented by Defendants;
4. The immediate liquidity was illusory and not present;
5. The promise of safety and sanctity of principal was materially false and not achievable in the current economic environment in light of the securities owned by the Fund;
6. The ability to maintain the NAV at \$1.00 was tenuous because of the undue weight by the Fund in investments which were riskier in an effort to seek higher yield;
7. the Fund’s investment managers and officers did not have real expertise in valuing the mortgage backed securities they purchased, or assessing the risk or such investments’ effect on the core goals of safety of principal and immediate liquidity;
8. The Lehman Brothers debt securities, which in turn, relied on mortgage backed securities in which Lehman was investing in to an unsafe degree were highly vulnerable to becoming illiquid and worthless; and
9. the net asset values (“NAVs”) of the Funds were speculative and inflated.

CLASS ACTION ALLEGATIONS

50. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons or entities (a) who purchased the shares of the Primary Fund during the period November 18, 2005 through September 16, 2008, inclusive, pursuant to the Fund’s untrue or misleading Registration Statements and Prospectuses dated September 28, 2007 and September 2, 2004 (collectively, the

"PM Prospectus") issued in connection with the continued offerings of the PM Fund's shares, seeking to pursue remedies under the 1933 Act. Excluded from the Class are Defendants, the Officers and Directors of the Resrv, RMCI, Reserve and the Fund, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

51. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Registrant or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

52. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

53. Plaintiff will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation.

54. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- a. whether the 1933 Act was violated by Defendants' acts as alleged;
- b. whether statements made by Defendants to the investing public in the PM Fund's Registration Statements and Prospectuses misrepresented material

- facts about the business, operations and management of the Fund; and
- c. to what extent the members of the Class have sustained damages and the proper measure of damages.

55. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to redress individually the wrongs done to them. There will be no difficulty in the management of this action as a class action.

COUNT I

VIOLATIONS OF SECTION 11 OF THE 1933 ACT AGAINST ALL DEFENDANTS REGARDING THE PRIMARY FUND

56. Plaintiff repeats and incorporates each allegation contained above.
57. This Count is brought pursuant to §11 of the 1933 Act, 15 U.S.C. §77 k, on behalf of the PM Class, against all Defendants.
58. The PM Registration Statements and PM Prospectuses and documents which were part thereof contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and/or omitted to state material facts required to be stated therein.
59. The Defendants named herein were responsible for the contents and dissemination of

the PM Registration Statements.

60. None of the Defendants herein made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the PM Registration Statements were true and without omissions of any material facts and were not misleading.

61. By reasons of the conduct herein alleged, each Defendant violated, and/or controlled a person who violated, §11 of the 1933 Act.

62. Plaintiff Leon Frenkel acquired the PM Fund's shares pursuant to the Registration Statements and Prospectuses and materials incorporated therein.

63. Plaintiff Leon Frenkel and the PM Class have sustained damages. The value of the PM Fund's shares has declined substantially subsequent to and due to Defendants' violations.

64. At the time of their purchases of the PM Fund's shares, Plaintiff and other members of the PM Class were without knowledge of the facts concerning the untrue statements or omissions herein and could not have reasonably discovered those facts prior to September 16, 2008. Less than one year had elapsed from the time that the Plaintiff discovered or reasonably could have discovered the facts upon which this complaint is based to the time that Plaintiff filed this complaint. Less than three years have elapsed between the time that the securities upon which this Count is brought were offered to the public and the time Plaintiff filed this Complaint or the initial Complaint into which this matter is consolidated was filed.

COUNT II

VIOLATIONS OF SECTION 12(A)(2) OF THE 1933 ACT AGAINST THE RESERVE FUND AND RESERV

65. This Count II is asserted against The Reserve Fund and Resrv, as underwriter of the

Fund's shares (hereinafter the "§12 Defendants").

66. Plaintiff repeats and incorporates each and every allegation contained above as if fully set forth herein, except to the extent any allegations above contain facts which are unnecessary or irrelevant for purposes of stating a claim under Section 12, including allegations that might be interpreted to sound in fraud or relating to any state of mind on the part of the § 12 Defendants, other than strict liability or negligence.

67. The §12 Defendants offered and sold a security, namely shares of the PM Fund's shares, respectively, by means of a prospectus or were controlling persons of said Fund or of those who offered and sold said Fund's shares. Each of the prospectuses contained untrue statements of material facts and omitted to state material facts necessary in order to make the statements, in light of the circumstances under which they were made, not misleading, which statements and omissions the §12 Defendants would have known, were false or were material facts which were required to be disclosed to avoid the representations which were made from being misleading.

68. The §12 Defendants actively solicited the sale of the Fund's shares to serve their own financial interests.

69. Plaintiff and members of the Class did not know that the representations made to them in connection with the distribution to them by the §12 Defendants regarding the matters described above were untrue and did not know the above described material facts that were not disclosed.

70. As a result of the matters set forth herein, pursuant to §12 (a)(2) of the 1933 Act, Plaintiff and Class members are entitled to recover the consideration paid for such security with interest thereon, less the amount of any income received thereon, upon the tender of such

security, or for damages if they no longer own such shares.

71. Plaintiff and putative Class members who do not opt out, hereby tender their shares in the Fund.

72. The §12 Defendants are liable to Plaintiff and Class members pursuant to §12 (a)(2) of the 1933 Act, as sellers of the shares of the PM Fund.

COUNT III

VIOLATIONS OF SECTION 15 OF THE 1933 ACT AGAINST THE INDIVIDUAL DEFENDANTS

73. Plaintiff repeats and incorporates each allegation contained above.

74. This Count is brought pursuant to §15 of the 1933 Act against the Individual Defendants.

75. Each of the Individual Defendants was a control person of the PM Fund or the Defendant, the Reserve, by virtue of his or her position as a trustee and/or senior officer of the Fund or the Defendant Reserve and related entities. The Individual Defendants each had a series of direct and/or indirect business and/or personal relationships with other trustees and/or officers of the Defendant Reserve entities and the Fund.

76. Each of the Individual Defendants was a culpable participant in the violations of §§ 11 and 12 of the 1933 Act alleged in the Counts above, based on their having signed or authorized the signing of the Registration Statements and having otherwise participated in the process of issuing the Registration Statements and Prospectus.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for relief and judgment, as follows:

- A. Determining that this action is a proper class action, certifying Plaintiff as Class representative under Rule 23 of the Federal Rules of Civil Procedure;
- B. Awarding compensatory damages in favor of Plaintiff and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of the defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- C. Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- D. Awarding recessionary damages; and
- E. Such equitable, injunctive or other relief as deemed appropriate by the Court.

JURY DEMAND

Plaintiff demands a trial by jury.

Dated: November 18, 2008

BY: 

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Counsel for Plaintiff

**CERTIFICATION OF LEAD PLAINTIFF
PURSUANT TO FEDERAL SECURITIES LAWS**

Leon Frenkel, certifies as follows:

1. I am an adult individual and make this Certification in support of the filing of the Complaint (“complaint”) in this action and my request for appointment as a Lead Plaintiff in the within action.

2. I have reviewed the complaint against The Reserve, The Primary Fund, related companies, and signers of the Registration Statement described in the complaint, approve the allegations made. I authorize the filing of a motion for lead plaintiff on my behalf by the law firm which filed the complaint, Kantrowitz Goldhamer & Graifman, P.C. and its co-counsel Stull Stull & Brody.

4. My purchases of the Fund’s shares, the securities which are the subject of this action, were not at the direction of counsel or in order to participate in this private action.

5. I am willing to serve as a representative party on behalf of the class, including providing testimony at deposition and/or trial, if necessary. I am willing to serve as a representative party either individually or as part of a group. I understand that a lead plaintiff is a representative party who acts on behalf of other class members in directing the action.

6. To the best of my current knowledge, I have made no transactions during the class period, as set forth in the complaint, in the securities that are the subject of the action except as follows:

Date	Type of Transaction	Amount of Shares	Price / Share
3/19/2007	Purchase	750,000.00	\$1.00
3/29/2007	Purchase	4,022.28	\$1.00
3/30/2007	Purchase	43.76	\$1.00
3/30/2007	Purchase	1,186.36	\$1.00
4/1/2007	Purchase	15,833.52	\$1.00
4/1/2007	Purchase	6,109.30	\$1.00
4/2/2007	Purchase	7,800.00	\$1.00
4/2/2007	Purchase	58,000.00	\$1.00
4/12/2007	Purchase	50,000.00	\$1.00
4/25/2007	Purchase	52,800.00	\$1.00
4/26/2007	Purchase	6,797.56	\$1.00
4/30/2007	Purchase	3,634.00	\$1.00
4/30/2007	Purchase	27.04	\$1.00
5/7/2007	Sale	-7,300.00	\$1.00
5/17/2007	Purchase	18,700.00	\$1.00
5/31/2007	Purchase	4,248.35	\$1.00
5/31/2007	Purchase	0.63	\$1.00
6/1/2007	Purchase	11,200.00	\$1.00
6/14/2007	Sale	-103,000.00	\$1.00
6/30/2007	Purchase	4,036.17	\$1.00
6/30/2007	Purchase	0.37	\$1.00
7/1/2007	Purchase	15,600.00	\$1.00
7/5/2007	Sale	-6,000.00	\$1.00
7/5/2007	Purchase	4,165.70	\$1.00
7/6/2007	Purchase	3,068.18	\$1.00
7/6/2007	Purchase	16,468.73	\$1.00
7/13/2007	Purchase	52,000.00	\$1.00
7/31/2007	Purchase	4,144.52	\$1.00
7/31/2007	Purchase	5.74	\$1.00
8/1/2007	Purchase	12,000.00	\$1.00
8/16/2007	Purchase	37,000.00	\$1.00
8/31/2007	Purchase	4,441.38	\$1.00
8/31/2007	Purchase	5.96	\$1.00
9/3/2007	Purchase	41,000.00	\$1.00
9/17/2007	Sale	-70,400.00	\$1.00
9/21/2007	Purchase	20,700.00	\$1.00
9/28/2007	Purchase	4,573.54	\$1.00
9/28/2007	Purchase	6.29	\$1.00
10/1/2007	Purchase	18,000.00	\$1.00
10/2/2007	Purchase	5,108.50	\$1.00
10/2/2007	Purchase	16,959.34	\$1.00
10/2/2007	Purchase	3,188.06	\$1.00
10/5/2007	Purchase	22,000.00	\$1.00
10/9/2007	Purchase	36,200.00	\$1.00
10/25/2007	Purchase	4.89	\$1.00

10/26/2007 Purchase	21,000.00	\$1.00
10/31/2007 Purchase	4,879.75	\$1.00
10/31/2007 Purchase	3.9	\$1.00
11/3/2007 Purchase	36,200.00	\$1.00
11/28/2007 Purchase	6,500.00	\$1.00
11/30/2007 Purchase	4,791.37	\$1.00
12/4/2007 Purchase	109.26	\$1.00
12/6/2007 Purchase	12,500.00	\$1.00
12/11/2007 Purchase	23,000.00	\$1.00
12/28/2007 Sale	-7,000.00	\$1.00
12/31/2007 Purchase	5,207.90	\$1.00
12/31/2007 Purchase	41,203.71	\$1.00
12/31/2007 Purchase	38,351.76	\$1.00
12/31/2007 Purchase	7,001.69	\$1.00
12/31/2007 Purchase	4,003.03	\$1.00
12/31/2007 Purchase	19,708.38	\$1.00
1/2/2008 Sale	-3,200.00	\$1.00
1/14/2008 Sale	-70,700.00	\$1.00
1/23/2008 Purchase	6,100.00	\$1.00
1/31/2008 Purchase	5,254.07	\$1.00
2/1/2008 Purchase	19,800.00	\$1.00
2/6/2008 Sale	-3,400.00	\$1.00
2/13/2008 Purchase	53,000.00	\$1.00
2/29/2008 Purchase	4,356.39	\$1.00
2/29/2008 Sale	-1,300.00	\$1.00
3/7/2008 Purchase	42,000.00	\$1.00
3/20/2008 Purchase	15,500.00	\$1.00
3/24/2008 Purchase	15,500.00	\$1.00
3/28/2008 Purchase	2,893.27	\$1.00
3/31/2008 Purchase	4,312.29	\$1.00
3/31/2008 Purchase	17,010.15	\$1.00
3/31/2008 Purchase	2,597.32	\$1.00
3/31/2008 Purchase	0.01	\$1.00
4/3/2008 Purchase	41,000.00	\$1.00
4/15/2008 Sale	-467,600.00	\$1.00
4/30/2008 Purchase	3,243.01	\$1.00
4/30/2008 Purchase	0.03	\$1.00
5/1/2008 Purchase	27,800.00	\$1.00
5/9/2008 Purchase	21,000.00	\$1.00
5/31/2008 Purchase	2,674.41	\$1.00
6/1/2008 Sale	-1,300.00	\$1.00
6/5/2008 Purchase	27,000.00	\$1.00
6/16/2008 Sale	-70,000.00	\$1.00
6/30/2008 Purchase	26,951.39	\$1.00
6/30/2008 Purchase	30,569.67	\$1.00
6/30/2008 Purchase	15,622.01	\$1.00
6/30/2008 Purchase	3,935.09	\$1.00
6/30/2008 Purchase	2,441.78	\$1.00
7/2/2008 Purchase	67,700.00	\$1.00

7/7/2008 Purchase	6,729.73	\$1.00
7/25/2008 Purchase	17,800.00	\$1.00
7/31/2008 Purchase	2,743.58	\$1.00
8/29/2008 Purchase	2,789.57	\$1.00
8/2/2008 Sale	-1,200.00	\$1.00
9/5/2008 Purchase	15,600.00	\$1.00
9/15/2008 Sale	-45,000.00	\$1.00
9/16/2008 Purchase	1,179.49	\$1.00
Total	1,183,544.18	


7. I have not served or sought to serve as a class representative in a federal securities case in the last three years.

8. I will not accept any payment for serving as a representative party on behalf of the Class beyond Plaintiff's pro rata share of any recovery, except as ordered or approved by the court pursuant to section 27(a)(4) of the Securities Act, or section 21D(a)(4) of the Securities Exchange Act and including any award for reasonable costs and expenses directly relating to the representation of the class.

9. The matters stated in this declaration are true to the best of my knowledge, information and belief.

10. I hereby certify, under penalty of perjury that the foregoing is true and correct.

Dated: November 14, 2008


LEON FRINKKEL