UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)

)

RESERVE FUND   )   File No. NY-7999

)

WITNESS: CATHERINE CROWLEY

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PLACE: Securities and Exchange Commission

             Three World Financial Center

             New York, New York 10281

DATE: February 5, 2009

     The above-entitled matter came on for

hearing at 10:20 a.m.

1   APPEARANCES:

2   On behalf of the Securities and Exchange
     Commission:

3

            MICHAEL OSNATO, ESQ.

4   MICHAEL BIRNBAUM, ESQ.

5   ALISON CONN, ESQ.

               Enforcement Division

6   Securities and Exchange Commission

               Three World Financial Center

7   New York, New York 10281

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9   On behalf of the Witness:

10   ALLEN & OVERY, LLP

             1221 Avenue of the Americas

11   New York, New York 10020

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13   By: ROBERT KNUTS, ESQ.

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1   than in the context of the board meetings where

2   he was offering advice as counsel to the funds.

3   Q.   I'd like to put in front of you

4   again, Ms. Crowley, Exhibit 44 which is the

5   initial draft of the minutes that you prepared

6   for the meetings on September 15th. I'd like

7   again to go back to the 1 p.m. session and I want

8   to ask you about the source of the bracketed

9   figure of $8 billion in redemptions, it appears

10   three lines from the top of the second paragraph.

11   Where did you get that number from when you

12   drafted this document?

13   A.   I don't remember, I'd have to check

14   my notes if I had written down 8 billion or else

15   I couldn't remember what the number was, so Bruce

16   had said put a bracket there until I could

17   confirm it.

18   Q.   I'd like to put in front of you again

19   your notes from the meeting of the 15th at

20   1 o'clock, which is Exhibit 45, and ask you if

21   you can identify any section of your notes in

22   which there's a discussion of a level of

23   redemptions.

24   A.   No, not here.

25   Q.   So if there's no reflection in your

1 notes as to the number dollar amount of

2 redemptions as of 1 o'clock, what else would you

3 have done or what else did you do to allow

4 yourself to put brackets at least around the

5 8 billion dollar figure in your draft?

6   A.   At the time I drafted these I

7 probably recalled that he had said that we had

8 some level of redemptions. There had to be some

9 prefatory language before Bruce says let's do a

10 credit support agreement and I may have recalled

11 it when I drafted it, I don't recall it now.

12   Q.   One of the next questions I had for

13 you, the substance of your initial draft does

14 reflect some contextual discussion about the

15 reasons why a credit support agreement was viewed

16 as important.

17   A.   Uh-huh.

18   Q.   It's not reflected in your notes. So

19 is it your testimony that when you drafted your

20 first set of typed minutes you were -- in setting

21 forth the context of the discussion you were

22 relying on your memory?

23   A.   That's correct.

24   Q.   And you think that the 8 billion

25 dollar bracketed reference also comes from

1 memory?

2   A.   Yes, I do.

3   Q.   By putting it in brackets were you

4 signaling to other recipients that they ought to

5 think about whether that was the right number?

6   A.   That's correct.

7   Q.   We know from the final draft of the

8 minutes that your bracketed 8 billion is doubled

9 to 16.5 billion. Do you know how that happened?

10   A.   No, I don't. I presume somebody

11 looked at the actual amount and corrected it.

12   Q.   Well, if somebody looked at the

13 actual amount by looking at the Reserve's

14 business records well after the fact and inserted

15 that number into the final draft, we can't have

16 any confidence that the board was actually told

17 that number, can we?

18   A.   That's a tough question. I guess

19 not. I'm saying my memory -- it was based on my

20 memory, my memory is apparently wrong and I hope

21 that whoever gave them that dollar amount gave

22 them the correct amount. I mean it sort of goes

23 on in a linear way, they would have known at

24 1 o'clock what those amounts were.

25   Q.   I understand that. I understand

1 that. And I'll represent to you that there's a

2 set of minutes prepared on the 16th of September

3 reflecting an independent trustee's executives

4 session, and in that final set of minutes there's

5 a statement that the trustees, at least

6 independent trustees believe they were told

7 redemptions were $5 billion?

8   A.   Okay, I didn't know that.

9   Q.   So we have the 5 billion from the

10 independent trustees, we have the bracketed 8

11 from your draft and we have the final version

12 which has 16.5 billion. Do you know which is

13 the right one?

14   A.   I believe the 16.5 is the right one.

15   MS. CONN: By right, we mean the one

16   that was actually conveyed to the

17   trustees?

18   THE WITNESS: No, I cannot tell you

19   that was the one that was actually

20   conveyed to the trustees, I don't recall.

21   MS. CONN: Did you instruct somebody

22   to find out what the redemption level was

23   at 1 o'clock in order to put that

24   information into the minutes?

25   THE WITNESS: I would have asked Pat

1   Farrell or somebody like that to look at

2   the numbers and tell me what it was. As I

3   said, I solicited comments from anyone who

4   participates. He wasn't in town but he

5   was the one who would go back and tell me

6   what was that number and ticks it in the

7   minutes for me.

8   MS. CONN: Did he do that?

9   THE WITNESS: I believe it was he,

10   yes.

11   MR. BIRNBAUM: When you asked Mr.

12   Farrell to follow up was your request to

13   Mr. Farrell in substance to find out the

14   actual level of redemptions or the level

15   of redemptions that was stated at the

16   meeting?

17   THE WITNESS: I would have asked him

18   to just tell me what is the -- can you

19   tell what was the level -- can you tell me

20   what was the level of redemption requests

21   at 1 o'clock and I wouldn't have

22   remembered whether, as I say, mine was

23   misremembered or what, so all I would have

24   asked for was what were the actual

25   redemptions.

1   MR. OSNATO: Let's go off the record,

2   please, at 2:35 and take a short break.

3   (Recess taken)

4   MR. OSNATO: Back on the record at

5   2:45 p.m.

6   BY MR. OSNATO:

7   Q.   Ms. Crowley, am I correct in the

8   course of our break you did not confer with the

9   staff about the substance of your testimony?

10   A.   That's correct.

11   Q.   In the course of the drafting and

12   editing process of the minutes on the 15th and

13   16th, do you know if Willkie Farr, counsel who

14   are representing the Reserve entities in

15   connection with the SEC investigation, provided

16   comments to the drafts?

17   A.   On the 15th and 16th, I'm sorry, what

18   is your question?

19   Q.   In the process subsequent to the 15th

20   and 16th of editing and finalizing the minutes of

21   the meetings on the 15th and 16th, do you know if

22   regulatory counsel for the Reserve entities have

23   provided edits and comments to the minutes?

24   MR. KNUTS: I just have to jump in

25   because I'm not sure -- I think that is a