

Lehman Brothers Institutional Liquidity Cash Management Funds

Cash Management Money Market Portfolio

Cash Management Prime Portfolio



Annual Report

March 31, 2007



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Chairman's Letter

Dear Shareholder,

I am pleased to present to you this annual report for the Cash Management Money Market Portfolio and the Cash Management Prime Portfolio for the period ending March 31, 2007. The report includes portfolio commentary, a listing of the Portfolios' investments, and their audited financial statements for the reporting period.

After two final 25 basis point increases through June 2006, the Federal Reserve paused in the policy of monetary tightening it had been pursuing since June of 2004, and kept the key Fed Funds rate at 5.25% for the balance of the reporting period. The central bank continues to articulate concerns about inflation; it has noted that it will look to future data releases to assess the impact of past rate increases in containing inflation and engineering a soft landing for the economy. This will determine whether, in the view of the Fed, further increases will be necessary or if rates can be reduced.

The Portfolios performed admirably and as expected throughout the period. Our investment strategy combines a distinct process for interest rate risk management with dedicated credit research to build portfolios of high-quality securities that seek to respond quickly to changes in interest rates without sacrificing yield.

As always, we intend to proceed with caution to protect our clients' principal and maintain daily liquidity and diversification.

Sincerely,

A handwritten signature in black ink that reads "Peter Sundman". The signature is written in a cursive, flowing style.

PETER SUNDMAN
CHAIRMAN OF THE BOARD
LEHMAN BROTHERS INSTITUTIONAL LIQUIDITY CASH MANAGEMENT FUNDS

Institutional Liquidity Cash Management Funds Portfolio Commentaries

We are pleased to report that both the Cash Management Money Market Portfolio and the Cash Management Prime Portfolio delivered positive returns and outperformed the iMoneyNet Money Fund Report Taxable First Tier Institutional Average during the fiscal year ending March 31, 2007.

The first three months of the period were marked by a continuation of the Federal Reserve's current cycle of tightening, bringing the total number of increases to 17, which added 425 basis points to the key Fed Funds rate over two years. In the statement accompanying its June 2006 rate decision, the Fed acknowledged that previous tightening moves had fostered the desired slowdown of economic growth, as evidenced by declining housing statistics and higher energy costs that were beginning to restrain consumer balance sheets. Data releases throughout July reinforced this view, and the Fed paused its cycle of tightening by leaving rates unchanged at the early August meeting, and remained on hold for the balance of the fiscal year.

The combination of slower economic growth and a pause in the Fed's two-year tightening campaign led to a rally in bonds that began in the third quarter of 2006, with the market delivering its best quarterly total return in four years and the fifth best in the last 10 years,* as average yields on the 10-year Treasury declined roughly 40 basis points between October and December 2006.

The Federal Reserve remained on hold throughout the first quarter of 2007, and at its March 21st meeting, removed the tightening bias from the language in the accompanying statement. This is a significant shift and suggests that board members may be a bit more sanguine with respect to economic prospects. During the 12-month reporting period, investors were focused on strains in the U.S. sub-prime mortgage market, inflationary pressures, and a vibrant U.S. employment picture. In recent months, there has been considerable anxiety surrounding the sub-prime mortgage market as delinquencies and foreclosures continue to climb higher. The employment picture remains benign as monthly non-farm payrolls for the quarter averaged gains of 152,000 and the unemployment rate dropped to 4.4% at the end of March. The Core Personal Consumption Expenditures (PCE) Price Index, policy makers' preferred measure of inflation, increased to an annualized rate of 2.4% in February. This is above Fed officials' comfort levels.

Going forward, we expect the Federal Reserve to leave rates unchanged in the short term as it assesses the macroeconomic impact of a housing led slowdown on the broader economy. Inherent problems persist in the sub-prime sector, though it is unclear whether these problems will permeate to the prime sector. Inflation remains stubbornly high, although we feel the Federal Reserve will be hard-pressed to raise short-term rates, despite its confessed willingness to do so. Ultimately, we anticipate the next move by the Fed will be to take rates lower, or to take no action and remain neutral. In the interim, we anticipate that rates will remain in a limited range as the market and the Fed digest incoming data. We will seek to capitalize on pockets of interest rate volatility in an effort to provide consistent and secure returns to our shareholders.

Cash Management Money Market Portfolio

For the fiscal year ending on March 31, 2007, the Cash Management Money Market Portfolio returned 5.22% compared to the iMoneyNet Money Fund Report Taxable First Tier Institutional Average's 5.00%. The Portfolio closed fiscal 2007 with a 5.24% seven-day current yield and a 5.38% seven-day effective yield; this more closely reflects current earnings than the six-month or one-year figures.

MONEY MARKET MASTER SERIES

Maturity Diversification (% by Maturity)

1 - 7 Days	25.6%
8 - 30 Days	26.5
31 - 90 Days	27.9
91 - 180 Days	9.8
181+ Days	10.2

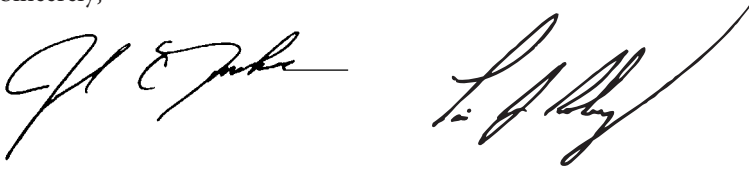
Cash Management Prime Portfolio

For the fiscal year ending on March 31, 2007, the Cash Management Prime Portfolio returned 5.24% compared to the iMoneyNet Money Fund Report Taxable First Tier Institutional Average's 5.00%. The Portfolio closed fiscal 2007 with a 5.23% seven-day current yield and a 5.37% seven-day effective yield; this more closely reflects current earnings than the six-month or one-year figures.

PRIME MASTER SERIES

Maturity Diversification (% by Maturity)	
1 - 7 Days	22.8%
8 - 30 Days	30.2
31 - 90 Days	30.6
91 - 180 Days	11.5
181+ Days	4.9

Sincerely,



JOHN C. DONOHUE AND TIMOTHY J. ROBESY
PORTFOLIO CO-MANAGERS

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Portfolio.

The composition, industries and holdings of the Portfolio are subject to change. Investment return will fluctuate. Past performance is no guarantee of future results.

* As measured by the Lehman Brothers U.S. Aggregate Index.

Endnotes

- 1 Neuberger Berman Management Inc. (“Management”) has contractually undertaken to reimburse Cash Management Money Market Portfolio and Cash Management Prime Portfolio so that total operating expenses (exclusive of taxes, interest, brokerage commissions and extraordinary expenses) of each Fund are limited to 0.15% of average daily net assets. The undertakings last until March 31, 2010. Each Fund has contractually undertaken to reimburse Management for the excess expenses paid by Management, provided the reimbursements do not cause operating expenses (exclusive of taxes, interest, brokerage commissions, and extraordinary expenses) to exceed the above-stated expense limitation and the reimbursements are made within three years after the year that Management incurred the expense. For the year ended March 31, 2007, if this reimbursement was not made, performance would be lower for Cash Management Money Market Portfolio. For the year ended March 31, 2007, there was no reimbursement of expenses by Management to Cash Management Prime Portfolio.

Prior to December 18, 2006, Management voluntarily agreed to waive its investment management fee in the amount of 0.02% of the average net assets of each Master Series in which the Portfolio invests. As a result of this waiver, each Portfolio indirectly received a management fee waiver and the investment management fee of each corresponding Master Series was limited to 0.08% of its average net assets. If this voluntary waiver was not in place, performance would have been lower for each Portfolio. Effective December 18, 2006, the Management fee of each corresponding Master Series was changed to an annual rate of 0.08% of its average daily net assets.

- 2 “Current yield” of a money market fund refers to the income generated by an investment in the Fund over a recent 7-day period. This income is then “annualized.” The “effective yield” is calculated similarly but, when annualized, the income earned by an investment in the Fund is assumed to be reinvested. The “effective yield” will be slightly higher than the “current yield” because of the compounding effect of this assumed reinvestment. Yields of a money market fund will fluctuate and past performance is no guarantee of future results. Unaudited performance data current to the most recent month-end are available by calling 888-556-9030.

Glossary of Indices

**The iMoneyNet Money Fund Report
Taxable First Tier Institutional
Average:**

Measures the performance of institutional money market mutual funds which invest in anything allowable, except Second Tier Commercial Paper.

**Lehman Brothers U.S. Aggregate
Index:**

An unmanaged index that represents the U.S. domestic investment grade bond market. It is comprised of the Lehman Brothers Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, including securities that are of investment-grade quality or better, have at least one year to maturity, and have an outstanding par value of at least \$100 million.

Please note that indices do not take into account any fees and expenses or any tax consequences of investing in the individual securities that they track and that individuals cannot invest directly in any index. Data about the performance of these indices are prepared or obtained by Neuberger Berman Management Inc. and include reinvestment of all dividends and capital gain distributions. The Portfolios may invest in securities not included in the above-described indices.

Information About Your Portfolio's Expenses

These tables are designed to provide information regarding costs related to your investments. All mutual funds incur operating expenses, which include each portfolio's proportionate share of expenses of its corresponding master series, administrative service fees and other expenses. The following examples are based on an investment of \$1,000 made at the beginning of the six month period ended March 31, 2007 and held for the entire period. The tables illustrate the portfolio's costs in two ways:

Actual Expenses and Performance:

The first section of the table provides information about actual account values and actual expenses in dollars, based on the portfolio's actual performance during the period. You may use the information in this line, together with the amount you invested, to estimate the expenses you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first section of the table under the heading entitled "Expenses Paid During the Period" to estimate the expenses you paid over the period.

Hypothetical Example for Comparison Purposes:

The second section of the table provides information about hypothetical account values and hypothetical expenses based on the portfolio's actual expense ratio and an assumed rate of return at 5% per year before expenses. This return is not the portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in these portfolios versus other funds. To do so, compare the expenses shown in this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Expense Information As of 3/31/07 (Unaudited)

CASH MANAGEMENT MONEY MARKET PORTFOLIO

	Beginning Account Value 10/1/06	Ending Account Value 3/31/07	Expenses Paid During the Period* 10/1/06 - 3/31/07	Expense Ratio
Actual	\$1,000.00	\$1,026.30	\$0.76	.15%
Hypothetical (5% annual return before expenses)**	\$1,000.00	\$1,024.18	\$0.76	.15%

CASH MANAGEMENT PRIME PORTFOLIO

	Beginning Account Value 10/1/06	Ending Account Value 3/31/07	Expenses Paid During the Period* 10/1/06 - 3/31/07	Expense Ratio
Actual	\$1,000.00	\$1,026.30	\$0.76	.15%
Hypothetical (5% annual return before expenses)**	\$1,000.00	\$1,024.18	\$0.76	.15%

* For each portfolio, expenses are equal to the annualized expense ratio for the portfolio, multiplied by the average account value over the period, multiplied by 182/365 (to reflect the one-half year period shown). Each portfolio's expense ratio includes its proportionate share of the expenses of its corresponding master series.

** Hypothetical 5% annual return before expenses is calculated by multiplying the number of days in the most recent half year divided by 365.

Statements of Assets and Liabilities

Institutional Liquidity Cash Management Funds

(000's omitted except per share amounts)

	<u>Cash Management Money Market Portfolio</u>	<u>Cash Management Prime Portfolio</u>
	March 31, 2007	March 31, 2007
Assets		
Investment in corresponding Master Series, at value (Note A)	\$192,863	\$1,660,847
Receivable from administrator-net (Note B)	5	—
Total Assets	<u>192,868</u>	<u>1,660,847</u>
Liabilities		
Dividends payable	162	743
Payable to administrator-net (Note B)	—	97
Accrued expenses and other payables	39	44
Total Liabilities	<u>201</u>	<u>884</u>
Net Assets at value	<u>\$192,667</u>	<u>\$1,659,963</u>
Net Assets consist of:		
Paid-in capital	\$192,675	\$1,660,025
Undistributed net investment income (loss)	—	1
Accumulated net realized gains (losses) on investment	(8)	(63)
Net Assets at value	<u>\$192,667</u>	<u>\$1,659,963</u>
Shares Outstanding (\$.001 par value; unlimited shares authorized)	<u>192,675</u>	<u>1,660,024</u>
Net Asset Value, offering and redemption price per share	<u>\$1.00</u>	<u>\$1.00</u>

Statements of Operations

Institutional Liquidity Cash Management Funds (000's omitted)

	CASH MANAGEMENT MONEY MARKET PORTFOLIO	CASH MANAGEMENT PRIME PORTFOLIO
	For the Year Ended March 31, 2007	For the Year Ended March 31, 2007
Investment Income		
Investment income from corresponding Master Series (Note A)	\$9,659	\$92,076
Expenses from corresponding Master Series (Notes A & B)	(189)	(1,710)
Net investment income from corresponding Master Series	<u>\$9,470</u>	<u>\$90,366</u>
Expenses:		
Administration fees (Note B)	92	869
Audit fees	13	5
Legal fees	53	44
Registration and filing fees	42	253
Shareholder reports	10	32
Shareholder servicing agent fees	19	15
Trustees' fees and expenses	6	6
Miscellaneous	8	38
Total expenses	<u>243</u>	<u>1,262</u>
Expenses reimbursed by administrator (Note B)	(65)	—
Administration fees waived (Note B)	(92)	(363)
Total net expenses	<u>86</u>	<u>899</u>
Net investment income (loss)	<u>\$9,384</u>	<u>\$89,467</u>
Realized and Unrealized Gain (Loss) on Investments (Note A):		
Net gain (loss) on investments from corresponding Master Series	(4)	(30)
Net increase (decrease) in net assets resulting from operations	<u>\$9,380</u>	<u>\$89,437</u>

Statements of Changes in Net Assets

Institutional Liquidity Cash Management Funds (000's omitted)

	CASH MANAGEMENT MONEY MARKET PORTFOLIO		CASH MANAGEMENT PRIME PORTFOLIO	
	Year Ended March 31, 2007	Year Ended March 31, 2006	Year Ended March 31, 2007	Year Ended March 31, 2006
Increase (Decrease) in Net Assets:				
From Operations:				
Net investment income (loss)	\$9,384	\$7,360	\$89,467	\$33,576
Net realized gain (loss) on investments from corresponding Master Series	(4)	(4)	(30)	(33)
Net increase (decrease) in net assets resulting from operations	9,380	7,356	89,437	33,543
Distributions to Shareholders From (Note A):				
Net investment income	(9,384)	(7,360)	(89,467)	(33,576)
Total distributions to shareholders	(9,384)	(7,360)	(89,467)	(33,576)
From Portfolio Share Transactions (Note D):				
Proceeds from shares sold	1,672,595	1,501,232	22,368,889	13,980,057
Proceeds from reinvestment of dividends and distributions	6,484	6,716	76,609	31,234
Payments for shares redeemed	(1,679,989)	(1,480,074)	(22,330,171)	(13,042,201)
Net increase (decrease) from Portfolio share transactions	(910)	27,874	115,327	969,090
Net Increase (Decrease) in Net Assets	(914)	27,870	115,297	969,057
Net Assets:				
Beginning of year	193,581	165,711	1,544,666	575,609
End of year	\$192,667	\$193,581	\$1,659,963	\$1,544,666
Undistributed net investment income (loss) at end of year	\$—	\$—	\$1	\$1

Notes to Financial Statements Institutional Liquidity Cash Management Funds

Note A—Summary of Significant Accounting Policies:

- 1 **General:** The Cash Management Money Market Portfolio (“Money Market”) (formerly, the Lehman Brothers Institutional Liquidity Fund) and the Cash Management Prime Portfolio (“Prime”) (formerly, Lehman Brothers Prime Money Fund) (individually a “Portfolio,” collectively, the “Portfolios”), are separate operating series of Lehman Brothers Institutional Liquidity Cash Management Funds (the “Trust”) (formerly, Lehman Brothers Institutional Liquidity Series), a Delaware statutory trust organized pursuant to a Trust Instrument dated October 1, 2004. The Trust is registered as a diversified, open-end management investment company under the Investment Company Act of 1940, as amended (the “1940 Act”), and its shares are registered under the Securities Act of 1933, as amended. The Board of Trustees of the Trust (the “Board”) may establish additional series or classes of shares without the approval of shareholders.

The assets of each Portfolio belong only to that Portfolio, and the liabilities of each Portfolio are borne solely by that Portfolio and no other series of the Trust.

Each Portfolio seeks to achieve its investment objective by investing all of its net investable assets in a Master Series of Institutional Liquidity Trust (each a “Master Series,” collectively, the “Master Series”) that has an investment objective identical to, and a name similar to, that of each respective Portfolio. Money Market invests in Money Market Master Series (formerly, Institutional Liquidity Portfolio) and Prime invests in Prime Master Series (formerly, Prime Portfolio). The value of each Portfolio’s investment in its corresponding Master Series reflects the Portfolio’s proportionate interest in the net assets of its corresponding Master Series (7.74% for Money Market and 25.62% for Prime, at March 31, 2007). The performance of each Portfolio is directly affected by the performance of its corresponding Master Series. The financial statements of the Master Series, including the Schedules of Investments, are included elsewhere in this report and should be read in conjunction with the Portfolios’ financial statements.

It is the policy of the Portfolios to maintain a continuous net asset value per share of \$1.00; the Portfolios have adopted certain investment, valuation, and distribution policies, which conform to general industry practice, to enable them to do so. However, there is no assurance the Portfolios will be able to maintain a stable net asset value per share. Each of these Portfolios complies with Rule 2a-7 of the 1940 Act.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires Management to make estimates and assumptions at the date of the financial statements. Actual results could differ from those estimates.

- 2 **Portfolio valuation:** Each Portfolio records its investment in its corresponding Master Series at value. Investment securities held by the corresponding Master Series are valued as indicated in the notes following the Master Series’ Schedules of Investments.
- 3 **Income tax information:** The Portfolios are treated as separate entities for U.S. federal income tax purposes. It is the policy of each Portfolio to continue to qualify as a regulated investment company by complying with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its earnings to its shareholders. Therefore, no federal income or excise tax provision is required.

Income distributions and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. These differences are primarily due to differing treatments of income and gains on various investment securities held by each Master Series, timing differences and differing characterization of distributions made by each Portfolio as a whole.

As determined on March 31, 2007, there were no permanent differences resulting from different book and tax accounting.

The tax character of distributions paid during the years ended March 31, 2007 and March 31, 2006 was as follows:

	Distributions Paid From:			
	Ordinary Income		Total	
	2007	2006	2007	2006
Money Market	\$9,383,610	\$7,359,541	\$9,383,610	\$7,359,541
Prime	89,467,328	33,576,427	89,467,328	33,576,427

As of March 31, 2007, the components of distributable earnings (accumulated losses) on a U.S. federal income tax basis were as follows:

	Undistributed	Loss	Total
	Ordinary Income	Carryforwards and Deferrals	
Money Market	\$161,634	\$(8,329)	\$153,305
Prime	743,714	(62,484)	681,230

The difference between book and tax basis distributable earnings is attributable primarily to timing differences of distribution payments, post October loss deferrals, and capital loss carryforwards.

To the extent each Portfolio's net realized capital gains, if any, can be offset by capital loss carryforwards, it is the policy of each Portfolio not to distribute such gains. As determined on March 31, 2007, each Portfolio had unused capital loss carryforwards available for federal income tax purposes to offset net realized capital gains, if any, as follows:

	Expiring in:		
	2013	2014	2015
Money Market	\$62	\$971	\$5,353
Prime	—	12,465	37,174

Under current tax law, certain net capital losses realized after October 31 within the taxable year may be deferred and treated as occurring on the first day of the following tax year. For the year ended March 31, 2007, the Portfolios elected to defer the following net capital losses arising between November 1, 2006 and March 31, 2007:

Money Market	\$1,943
Prime	12,845

- 4 **Distributions to shareholders:** Each Portfolio earns income, net of expenses, daily on its investment in its corresponding Master Series. It is the policy of each Portfolio to declare distributions from net investment income on each business day; such distributions are paid or reinvested monthly. Distributions from net realized capital gains, if any, will be made annually. Income distributions and capital gain distributions to shareholders are recorded on the ex-date.
- 5 **Expense allocation:** Certain expenses are applicable to multiple funds. Expenses directly attributable to a Portfolio are charged to that Portfolio. Expenses of the Trust that are not directly attributed to a Portfolio are allocated among the series of the Trust, on the basis of relative net assets, except where a more appropriate allocation of expenses to each of the series can otherwise be made fairly. Expenses borne by the complex of related investment

companies, which includes open-end and closed-end investment companies for which Management serves as investment manager, that are not directly attributed to a Portfolio or the Trust, are allocated among the Portfolios and the other investment companies in the complex or series thereof, on the basis of relative net assets, except where a more appropriate allocation of expenses to each investment company in the complex or series thereof can otherwise be made fairly.

- 6 **Other:** All net investment income and realized and unrealized capital gains and losses of a Master Series are allocated pro rata among its respective Portfolios and any other investors in the Master Series, if any.
- 7 **Indemnifications:** Like many other companies, the Trust's organizational documents provide that its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust. In addition, both in some of its principal service contracts and in the normal course of its business, the Trust enters into contracts that provide indemnifications to other parties for certain types of losses or liabilities. The Trust's maximum exposure under these arrangements is unknown as this could involve future claims against the Trust.

Note B—Management Fees, Administration Fees, Distribution Arrangements, and Other Transactions with Affiliates:

Each Portfolio retains Management as its administrator under an Administration Agreement. Each Portfolio pays Management an administration fee at the annual rate of 0.05% of its average daily net assets under this agreement. Effective April 3, 2006, Management has voluntarily agreed to waive its administration fee in an amount necessary to reach its contractual expense limitation as set forth below. For the year ended March 31, 2007, this resulted in a reduction of expenses of \$91,582 and \$362,638 for Money Market and Prime, respectively. Additionally, Management retains State Street Bank and Trust Company ("State Street") as its sub-administrator under a Sub-Administration Agreement. Management pays State Street a fee for all services received under the agreement. Each Portfolio indirectly pays for investment management services through its investment in its corresponding Master Series (see Note B of Notes to Financial Statements of the Master Series). As a result of a management fee waiver at the Master Series level, for the period April 1, 2006 to December 17, 2006, each Portfolio indirectly received a management fee waiver of 0.02% of its average daily net assets, resulting in a reduction of expenses from the corresponding Master Series of \$25,990 and \$240,473 for Money Market and Prime, respectively.

Management has contractually undertaken to reimburse each Portfolio for its operating expenses plus its pro rata portion of its corresponding Master Series' operating expenses (including the fees payable to Management but excluding interest, taxes, brokerage commissions and extraordinary expenses) ("Operating Expenses") which exceed the expense limitation as detailed in the following table:

	Contractual Expense Limitation⁽¹⁾	Expiration	Contractual Reimbursement from Management for the Year Ended March 31, 2007
Money Market	0.15%	3/31/10	\$64,582
Prime	0.15%	3/31/10	—

- (1) Expense limitation per annum of the Portfolios' average daily net assets.

Each Portfolio has agreed to repay Management for its excess Operating Expenses previously reimbursed by Management, pursuant to a contractual expense limitation, so long as its annual Operating Expenses during that period do not exceed its expense limitation and the repayments are made within three years after the year in which Management issued the reimbursement.

During the year ended March 31, 2007, there was no reimbursement to Management under this agreement. At March 31, 2007, contingent liabilities to Management under the agreement were as follows:

	Expiring in:			Total
	2008	2009	2010	
Money Market	\$60,865	\$193,993	\$64,582	\$319,440
Prime	68,720	462,072	—	530,792

Management and Lehman Brothers Asset Management LLC (“LBAM”), sub-adviser to each Master Series, are wholly-owned subsidiaries of Lehman Brothers Holdings Inc., a publicly-owned holding company. Several individuals who are officers and/or trustees of the Trust are also employees of LBAM and/or Management.

Each Portfolio also has a distribution agreement with Management. Management receives no compensation under it and no commissions for sales or redemptions of shares of beneficial interest of each Portfolio.

The Board has adopted a distribution plan (“Plan”) with respect to each Portfolio, pursuant to Rule 12b-1 under the 1940 Act. Under the Plan, Management may receive a maximum fee at the annual rate of 0.15% of the average daily net assets to support distribution and shareholder servicing. Neither Portfolio currently charges such a fee but may do so upon approval of the Board.

Each Master Series has an expense offset arrangement in connection with its custodian contract. For the year ended March 31, 2007, the impact of this arrangement was a reduction of expenses of \$4,862 and \$13,131 for Money Market and Prime, respectively.

Note C—Investment Transactions:

During the year ended March 31, 2007, contributions and withdrawals in each Portfolio’s investment in its corresponding Master Series were as follows:

(000’s omitted)	Contributions	Withdrawals
Money Market	\$1,588,340	\$1,598,653
Prime	11,524,295	11,498,490

Note D—Portfolio Share Transactions:

Share activity at \$1.00 per share for the years ended March 31, 2007 and March 31, 2006 was as follows:

(000’s omitted)	For the Year Ended March 31, 2007				For the Year Ended March 31, 2006			
	Shares Sold	Shares Issued on Reinvestment of Dividends and Distributions	Shares Redeemed	Total	Shares Sold	Shares Issued on Reinvestment of Dividends and Distributions	Shares Redeemed	Total
Money Market	1,672,595	6,484	(1,679,989)	(910)	1,501,232	6,716	(1,480,074)	27,874
Prime	22,368,889	76,609	(22,330,171)	115,327	13,980,057	31,234	(13,042,201)	969,090

Note E—Recent Accounting Pronouncements:

On July 13, 2006, the Financial Accounting Standards Board (“FASB”) released FASB Interpretation No. 48 “Accounting for Uncertainty in Income Taxes” (“FIN 48”). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 requires that a “more-likely-than-not” threshold be met before the benefit of a tax position may be recognized in the financial statements and prescribes how such benefit should be measured. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. The Securities and Exchange Commission will permit investment companies to delay implementation of FIN 48 until September 30, 2007. At this time, Management is evaluating the implications of FIN 48 and its impact in the financial statements has not yet been determined.

In September 2006, FASB issued FASB Statement No. 157, “Fair Value Measurement” (“SFAS 157”), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Management believes the adoption of SFAS 157 will not have a material impact on the Portfolios’ financial position or results of operations.

Financial Highlights

Cash Management Money Market Portfolio[†]

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the Financial Statements. It should be read in conjunction with its corresponding Master Series' Financial Statements and notes thereto.

	Year Ended March 31,		Period from December 30, 2004 [^] to March 31,
	2007	2006	2005
Net Asset Value, Beginning of Period	\$1.0000	\$1.0000	\$1.0000
Income From Investment Operations:			
Net Investment Income (Loss)	.0510	.0366	.0059
Net Gains or Losses on Securities	(.0000)	(.0000)	—
Total From Investment Operations	.0510	.0366	.0059
Less Distributions From:			
Net Investment Income	(.0510)	(.0366)	(.0059)
Total Distributions	(.0510)	(.0366)	(.0059)
Net Asset Value, End of Period	\$1.0000	\$1.0000	\$1.0000
Total Return^{††}	+5.22%	+3.72%	+0.59% ^{**}
Ratios/Supplemental Data			
Net Assets, End of Period (in millions)	\$192.7	\$193.6	\$165.7
Ratio of Gross Expenses to Average Net Assets[#]	.15%	.15%	.15% [*]
Ratio of Net Expenses to Average Net Assets[‡]	.15%	.15%	.15% [*]
Ratio of Net Investment Income (Loss) to Average Net Assets	5.11%	3.73%	2.44% [*]

Financial Highlights

Cash Management Prime Portfolio[†]

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the Financial Statements. It should be read in conjunction with its corresponding Master Series' Financial Statements and notes thereto.

	Year Ended March 31,		Period from December 27, 2004 [^] to March 31,
	2007	2006	2005
Net Asset Value, Beginning of Period	\$1.0000	\$1.0000	\$1.0000
Income From Investment Operations:			
Net Investment Income (Loss)	.0512	.0366	.0062
Net Gains or Losses on Securities	(.0000)	(.0000)	.0000
Total From Investment Operations	.0512	.0366	.0062
Less Distributions From:			
Net Investment Income	(.0512)	(.0366)	(.0062)
Total Distributions	(.0512)	(.0366)	(.0062)
Net Asset Value, End of Period	\$1.0000	\$1.0000	\$1.0000
Total Return^{††}	+5.24%	+3.72%	+0.62% ^{**}
Ratios/Supplemental Data			
Net Assets, End of Period (in millions)	\$1,660.0	\$1,544.7	\$575.6
Ratio of Gross Expenses to Average Net Assets[#]	.15%	.15%	.15% [*]
Ratio of Net Expenses to Average Net Assets[‡]	.15%	.15%	.15% [*]
Ratio of Net Investment Income (Loss) to Average Net Assets	5.13%	3.76%	2.41% [*]

Notes to Financial Highlights Institutional Liquidity Cash Management Funds

- † The per share amounts and ratios which are shown reflect income and expenses, including the Portfolio's proportionate share of its corresponding Master Series' income and expenses.
- †† Total return based on per share net asset value reflects the effects of changes in net asset value on the performance of the Portfolio during each fiscal period and assumes dividends and other distributions, if any, were reinvested. Results represent past performance and do not guarantee future results. Current returns may be lower or higher than the performance data quoted. Investment returns and principal may fluctuate and shares when redeemed may be worth more or less than original cost. Total return would have been lower if Management had not reimbursed and/or waived certain expenses (see Note B of Notes to Financial Statements of Institutional Liquidity Cash Management Funds).
- ‡ After reimbursement of expenses and/or waiver of a portion of the investment management and administration fees by Management (see Note B of Notes to Financial Statements of Institutional Liquidity Cash Management Funds). Had Management not undertaken such actions, the annualized ratios of net expenses to average daily net assets would have been:

	Year Ended March 31, 2007	Year Ended March 31, 2006	Period Ended March 31, 2005
Money Market	.25%	.27%	.39% ⁽¹⁾
Prime	.18%	.22%	.23% ⁽²⁾

(1) Period from December 30, 2004 (Commencement of Operations) to March 31, 2005.

(2) Period from December 27, 2004 (Commencement of Operations) to March 31, 2005.

- # The Portfolio is required to calculate an expense ratio without taking into consideration any expense reductions related to expense offset arrangements.
- ^ The date investment operations commenced.
- * Annualized.
- ** Not annualized.

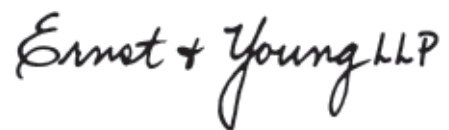
Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Lehman Brothers Institutional Liquidity Cash Management Funds and Shareholders of Cash Management Money Market Portfolio:

We have audited the accompanying statement of assets and liabilities of Cash Management Money Market Portfolio (formerly, Lehman Brothers Institutional Liquidity Fund) (one of the series constituting Lehman Brothers Institutional Liquidity Cash Management Funds (formerly, Lehman Brothers Institutional Liquidity Series)) (the "Portfolio"), as of March 31, 2007, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Portfolio's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Portfolio's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of March 31, 2007, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Cash Management Money Market Portfolio, a series of the Lehman Brothers Institutional Liquidity Cash Management Funds, at March 31, 2007, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods indicated therein, in conformity with U.S. generally accepted accounting principles.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Boston, Massachusetts
May 16, 2007

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of
Lehman Brothers Institutional Liquidity Cash Management Funds and
Shareholders of Cash Management Prime Portfolio

We have audited the accompanying statement of assets and liabilities of Cash Management Prime Portfolio (the “Portfolio”) (formerly known as Lehman Brothers Prime Money Fund), a series of Lehman Brothers Institutional Liquidity Cash Management Funds (formerly known as Lehman Brothers Institutional Liquidity Series), as of March 31, 2007, and the related statement of operations for the year then ended, the statements of changes in net assets and the financial highlights for each of the two years in the period then ended, and the financial highlights for the period from December 27, 2004 to March 31, 2005. These financial statements and financial highlights are the responsibility of the Portfolio’s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Portfolio is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Portfolio’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Cash Management Prime Portfolio as of March 31, 2007, the results of its operations for the year then ended, and the changes in its net assets and the financial highlights for each of the two years in the period then ended, and the financial highlights for the period from December 27, 2004 to March 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania
May 11, 2007

Schedule of Investments Money Market Master Series

PRINCIPAL AMOUNT		RATING [§]		VALUE ^{††}
		Moody's	S&P	(000's omitted)
U.S. Government Agency Securities (1.2%)				
\$30,000	Federal Home Loan Bank, Bonds, 5.38%, due 4/9/08	AGY	AGY	\$30,000
Certificates of Deposit (4.2%)				
50,000	Barclays Bank NY, Yankee CD, 5.35% & 5.39%, due 1/31/08 & 4/23/08	P-1	A-1+	50,000
10,000	Calyon NY, Euro CD, 5.35%, due 5/7/07	P-1	A-1+	10,000
15,000	Charter One Bank NA, CD, 5.32%, due 4/17/07	P-1	A-1+	15,000
30,000	Natexis Banques Populaires, Yankee CD, 5.38% & 5.40%, due 1/9/08 & 1/15/08	P-1	A-1+	30,000
Total Certificates of Deposit				105,000
Floating Rate Certificates of Deposit (3.0%)^µ				
40,000	Calyon NY, Floating Rate Yankee CD, 5.26% & 5.29%, due 4/2/07 & 6/13/07	P-1	A-1+	39,995
30,000	Credit Suisse First Boston, Floating Rate Yankee CD, 5.31% & 5.36%, due 4/2/07 & 4/24/07	P-1	A-1+	30,000
5,000	Unicredito Italiano NY, Floating Rate Yankee CD, 5.34%, due 6/13/07	P-1	A-1	5,000
Total Floating Rate Certificates of Deposit				74,995
Commercial Paper (49.0%)				
Asset Backed (33.0%)				
40,000	Ajax Bambino Funding, Inc., 5.27%, due 4/11/07	P-1	A-1+	39,947
75,000	Amstel Funding Corp., 5.18% - 5.24%, due 4/3/07 - 5/25/07	P-1	A-1+	74,727
36,347	Cancara Asset Securitization Ltd., 5.22%, due 6/6/07	P-1	A-1+	36,005
15,800	Chariot Funding LLC, 5.22%, due 6/5/07	P-1	A-1	15,653
20,000	CRC Funding LLC, 5.21%, due 6/11/07	P-1	A-1+	19,797 ⁿ
25,000	Crown Point Capital Co., 5.24%, due 6/20/07	P-1	A-1	24,712
20,266	Erasmus Capital Corp., 5.25%, due 5/15/07	P-1	A-1+	20,139
43,832	Fairway Finance, 5.26%, due 4/13/07	P-1	A-1	43,762 ⁿ
40,000	Grampian Funding LLC, 5.21%, due 7/24/07	P-1	A-1+	39,346
40,000	Lexington Parker Capital, 5.21%, due 7/17/07	P-1	A-1	39,387
55,000	North Sea Funding BV, 5.19% & 5.25%, due 4/30/07 & 5/3/07	P-1	A-1+	54,762
30,000	Park Avenue Receivables Co. LLC, 5.22%, due 6/5/07	P-1	A-1	29,722
65,000	Picaros Funding, 5.15% - 5.25%, due 5/23/07 - 7/10/07	P-1	A-1+	64,374
20,354	Scaldis Capital LLC, 5.19% & 5.22%, due 7/20/07 & 8/10/07	P-1	A-1+	20,003
15,000	Sigma Finance, Inc., 5.19%, due 8/16/07	P-1	A-1+	14,706
61,000	Solitaire Funding LLC, 5.24%, due 5/21/07 & 6/1/07	P-1	A-1+	60,532
36,636	Tempo Finance Ltd., 5.25%, due 4/23/07	P-1	A-1+	36,524

PRINCIPAL AMOUNT	RATING[§]		VALUE^{††}
(000's omitted)	Moody's	S&P	(000's omitted)
\$51,442 Thames Asset Securitization LLC, 5.23%, due 6/12/07	P-1	A-1	\$50,911
67,953 Thunderbay Funding, Inc., 5.23% - 5.26%, due 4/5/07 - 6/22/07	P-1	A-1	67,563
70,000 Yorktown Capital, 5.25% & 5.26%, due 4/19/07 & 4/20/07	P-1	A-1+	69,823
			822,395
Banking/Foreign (13.6%)			
30,000 Bank of Ireland, 5.24%, due 5/14/07	P-1	A-1	29,816
65,000 Danske Corp., 5.09% - 5.23%, due 4/10/07 - 10/29/07	P-1	A-1+	63,361
35,000 Depfa Bank, 5.24%, due 5/21/07	P-1	A-1+	34,750
65,000 DZ Bank AG, 5.25% & 5.26%, due 4/25/07	P-1	A-1	64,782
70,000 Societe Generale NA, 5.15% - 5.27%, due 4/4/07 - 9/12/07	P-1	A-1+	69,029
25,000 UBS Finance, Inc., 5.19%, due 8/15/07	P-1	A-1+	24,514
25,000 Unicredito Italiano PLC, 5.24%, due 5/7/07	P-1	A-1	24,873
30,000 Westpac Banking Corp., 5.18%, due 8/8/07	P-1	A-1+	29,447
			340,572
Financial Services (0.4%)			
10,000 Morgan Stanley, 5.19%, due 7/23/07	P-1	A-1	9,839
Heavy Machinery/Equipment (2.0%)			
50,000 Caterpillar, Inc., 5.25%, due 5/17/07	P-1	A-1	49,672
			1,222,478
Total Commercial Paper			
Time Deposits (3.6%)			
50,000 KeyBank National, 5.25%, due 4/2/07	P-1	A-1	50,000
40,000 Suntrust Bank, Grand Cayman, Inc., 5.25%, due 4/2/07	P-1	A-1	40,000
			90,000
Total Time Deposits			
Corporate Debt Securities (4.3%)			
Asset Backed (3.2%)			
80,000 Cullinan Finance Corp., Medium-Term Notes, 5.34% - 5.41%, due 10/10/07 - 4/10/08	P-1	A-1+	79,999^ñ
Banking/Foreign (0.6%)			
15,000 UBS AG, Medium-Term Notes, 5.42%, due 1/11/08	P-1	A-1+	15,000
Financial Services (0.5%)			
11,020 CIT Group, Inc., Senior Notes, 5.75%, due 9/25/07	P-1	A-1	11,038
			106,037
Total Corporate Debt Securities			

PRINCIPAL AMOUNT

(000's omitted)

RATING[§]

Moody's S&P

VALUE^{††}

(000's omitted)

Floating Rate Corporate Debt Securities (34.1%)^μ**Asset Backed (9.3%)**

\$20,000	American Honda Finance, Floating Rate Medium-Term Notes, 5.36%, due 4/12/07	P-1	A-1	\$20,000 ^ñ
35,000	K2 (USA) LLC, Guaranteed Floating Rate Medium-Term Notes, 5.30% & 5.33%, due 5/15/07 & 6/11/07	P-1	A-1+	34,995 ^ñ
20,000	Links Finance LLC, Floating Rate Medium-Term Notes, 5.28%, due 4/4/07	P-1	A-1+	20,000 ^ñ
65,000	Parkland (USA) LLC, Floating Rate Medium-Term Notes, 5.32% - 5.34%, due 4/10/07 - 6/25/07	P-1	A-1+	64,995 ^ñ
10,880	Schreiber Capital Co., Floating Rate Bonds, 5.32%, due 4/5/07	P-1		10,880
40,000	Tango Finance Corp., Floating Rate Medium-Term Notes, 5.31% - 5.33%, due 5/7/07 - 6/21/07	P-1	A-1+	39,997 ^ñ
40,000	Whistlejacket Capital LLC, Floating Rate Medium-Term Notes, 5.28% & 5.32%, due 4/16/07 & 6/5/07	P-1	A-1+	39,998 ^ñ
				230,865

Banking/Domestic (6.4%)

30,000	Bank of America NA, Floating Rate Bank Notes, 5.32%, due 5/15/07	P-1	A-1+	30,000
55,000	JP Morgan Master Note, 5.52%, due 4/2/07	P-1	A-1+	55,000
30,000	Wachovia Corp., Senior Floating Rate Notes, 5.44%, due 4/23/07	P-1	A-1+	30,011
45,000	Wells Fargo & Co., Floating Rate Notes, 5.33%, due 4/16/07	P-1	A-1+	45,000 ^ñ
				160,011

Banking/Foreign (10.0%)

20,000	Banesto SA, Senior Unsubordinated Floating Rate Notes, 5.33%, due 7/18/07	P-1	A-1	20,000 ^ñ
25,000	Bank of Ireland, Unsecured Floating Rate Medium-Term Notes, 5.30%, due 4/19/07	P-1	A-1	25,000 ^ñ
20,000	Calyon NY, Floating Rate Notes, 5.33%, due 5/10/07	P-1	A-1+	19,999
33,300	Credit Suisse First Boston, Floating Rate Medium-Term Notes, 5.46%, due 4/5/07	P-1	A-1+	33,300
15,000	HBOS Treasury Services PLC, Guaranteed Floating Rate Medium-Term Notes, 5.29%, due 4/10/07	P-1	A-1+	15,000 ^ñ
10,000	HSBC Finance Corp., Floating Rate Medium-Term Notes, 5.40%, due 4/4/07	P-1	A-1+	10,004
15,000	HSBC Finance Corp., Floating Rate Notes, 5.37%, due 4/24/07	P-1	A-1+	15,000
20,425	Nationwide Building, Floating Rate Notes, 5.48%, due 4/20/07	P-1	A-1	20,433 ^ñ
50,000	Royal Bank of Canada, Floating Rate Medium-Term Notes, 5.31%, due 4/2/07	P-1	A-1+	50,000 ^ñ

PRINCIPAL AMOUNT	RATING [§]		VALUE ^{††}
	Moody's	S&P	(000's omitted)
(000's omitted)			
\$39,000 Unicredito Italiano PLC, Guaranteed Floating Rate Notes, 5.33% & 5.34%, due 4/10/07 & 4/16/07	P-1	A-1	\$39,000 ^ñ
			247,736
Financial Services (8.4%)			
45,000 Bear Stearns Master Note, 5.37%, due 4/2/07	P-1	A-1	45,000
22,973 CIT Group, Inc., Floating Rate Medium-Term Notes, 5.58%, due 5/18/07	P-1	A-1	22,979
20,000 CIT Group, Inc., Senior Unsecured Floating Rate Medium-Term Notes, 5.43%, due 5/21/07	P-1	A-1	20,016
7,000 CIT Group, Inc., Senior Floating Rate Medium-Term Notes, 5.58%, due 6/20/07	P-1	A-1	7,008
35,000 Merrill Lynch & Co., Senior Unsecured Floating Rate Notes, 5.30%, due 4/18/07	P-1	A-1+	35,000
25,000 Merrill Lynch & Co., Floating Rate Medium-Term Notes, Ser. C, 5.49%, due 4/27/07	P-1	A-1+	25,011
55,000 Morgan Stanley, Senior Floating Rate Notes, 5.36% & 5.44%, due 4/2/07 & 4/3/07	P-1	A-1	55,000
			210,014
Total Floating Rate Corporate Debt Securities			848,626
Promissory Notes (1.8%)^µ			
45,000 Goldman Sachs Group, 5.36% - 5.37%, due 4/2/07	P-1	A-1	45,000
Asset-Backed Securities (0.5%)			
5,565 CIT Equipment Collateral, Ser. 2006-VT2, Class A1, 5.34%, due 11/20/07	P-1	A-1+	5,565
7,547 USAA Auto Owner Trust, Ser. 2006-4, Class A1, 5.34%, due 12/13/07	P-1	A-1+	7,547
Total Asset-Backed Securities			13,112
Total Investments (101.7%)			2,535,248
Liabilities, less cash, receivables and other assets [(1.7%)]			(42,012)
Total Net Assets (100.0%)			\$2,493,236

Schedule of Investments Prime Master Series

PRINCIPAL AMOUNT		RATING[§]		VALUE^{††}
(000's omitted)		Moody's	S&P	(000's omitted)
U.S. Government Agency Securities (0.9%)				
\$60,000	Federal Home Loan Bank, Bonds, 5.38%, due 4/9/08	AGY	AGY	\$60,000
Certificates of Deposit (2.2%)				
60,000	Barclays Bank NY, Yankee CD, 5.35%, due 4/23/08	P-1	A-1+	60,000
35,000	Charter One Bank NA, CD, 5.32%, due 4/17/07	P-1	A-1+	35,000
50,000	Credit Suisse First Boston, Yankee CD, 5.31%, due 4/4/07	P-1	A-1+	50,000
Total Certificates of Deposit				145,000
Floating Rate Certificates of Deposit (2.4%)^μ				
25,000	Barclays Bank NY, Floating Rate Yankee CD, 5.30%, due 6/5/07	P-1	A-1+	24,997
90,000	Calyon NY, Floating Rate Yankee CD, 5.26% & 5.32%, due 4/2/07	P-1	A-1+	89,990
40,000	Credit Suisse First Boston, Floating Rate Yankee CD, 5.31% & 5.36%, due 4/2/07 & 4/24/07	P-1	A-1+	40,000
Total Floating Rate Certificates of Deposit				154,987
Commercial Paper (61.6%)				
Asset Backed (47.8%)				
184,416	Ajax Bambino Funding, Inc., 5.25% - 5.29%, due 4/10/07 - 6/11/07	P-1	A-1+	183,755
10,000	Amstel Funding Corp., 5.18%, due 4/3/07	P-1	A-1+	9,999
50,000	Amstel Funding Corp., 5.22%, due 4/16/07	P-1	A-1+	49,899 ⁿ
109,730	Barton Capital Corp., 5.25% & 5.26%, due 4/4/07 & 4/24/07	P-1	A-1+	109,579 ⁿ
43,240	Barton Capital Corp., 5.26%, due 4/10/07	P-1	A-1+	43,189
60,840	Cancara Asset Securitization Ltd., 5.22%, due 6/6/07 & 6/11/07	P-1	A-1+	60,259
53,823	Chariot Funding LLC, 5.25%, due 4/23/07	P-1	A-1	53,658
215,000	Charta LLC, 5.24% - 5.26%, due 4/9/07 - 6/25/07	P-1	A-1	213,683
203,586	Ciesco LLC, 5.23% & 5.25%, due 5/8/07 & 6/27/07	P-1	A-1+	201,296
50,000	CRC Funding LLC, 5.25%, due 4/9/07	P-1	A-1+	49,949
125,000	CRC Funding LLC, 5.21% & 5.24%, due 5/2/07 & 6/11/07	P-1	A-1+	124,022 ⁿ
184,192	Crown Point Capital Co., 5.16% - 5.26%, due 4/5/07 - 9/10/07	P-1	A-1	183,722
50,000	Cullinan Finance Ltd., 5.18%, due 4/4/07	P-1	A-1+	49,986
118,390	Edison Asset Securitization LLC, 5.18% - 5.24%, due 4/9/07 - 7/6/07	P-1	A-1+	117,385
41,891	Erasmus Capital Corp., 5.15% - 5.29%, due 4/25/07 - 10/11/07	P-1	A-1+	41,278
68,108	Fairway Finance, 5.26%, due 4/13/07	P-1	A-1	67,999 ⁿ
11,509	Fairway Finance, 5.20%, due 8/1/07	P-1	A-1	11,308
75,000	Grampian Funding LLC, 5.22%, due 4/13/07	P-1	A-1+	74,880
28,011	Ivory Funding Corp., 5.23% & 5.24%, due 5/29/07 & 6/1/07	P-1	A-1	27,771
230,083	Jupiter Securitization Corp., 5.15% - 5.25%, due 4/3/07 - 9/17/07	P-1	A-1	226,227

PRINCIPAL AMOUNT	RATING[§]		VALUE^{††}
(000's omitted)	Moody's	S&P	(000's omitted)
\$19,680 K2 (USA) LLC, 5.21%, due 4/25/07	P-1	A-1+	\$19,614
40,000 Lexington Parker Capital, 5.24%, due 5/8/07	P-1	A-1	39,790
60,516 Mane Funding Corp., 5.23%, due 6/19/07	P-1	A-1+	59,830
10,297 Mont Blanc Capital Corp., 5.24%, due 5/15/07	P-1	A-1+	10,233
84,957 Old Line Funding LLC, 5.25%, due 4/20/07 & 4/27/07	P-1	A-1+	84,691
50,000 Park Avenue Receivables Co. LLC, 5.25%, due 4/23/07	P-1	A-1	49,847
70,000 Park Granada LLC, 5.17% & 5.21%, due 7/30/07 & 9/25/07	P-1	A-1+	68,512
137,500 Picaros Funding, 5.15% - 5.25%, due 5/3/07 - 7/10/07	P-1	A-1+	136,486
16,736 Regency Markets No. 1 LLC, 5.28%, due 4/25/07	P-1	A-1	16,680
16,047 Sheffield Receivables Corp., 5.26%, due 4/2/07	P-1	A-1+	16,047
50,000 Sigma Finance, Inc., 5.21%, due 8/16/07	P-1	A-1+	49,016
20,000 Solitaire Funding LLC, 5.24%, due 5/21/07	P-1	A-1+	19,857
20,200 Tango Finance Corp., 5.24%, due 5/23/07	P-1	A-1+	20,050
111,655 Thames Asset Securitization LLC, 5.23% - 5.26%, due 4/5/07 - 6/12/07	P-1	A-1	111,442
187,210 Thunderbay Funding, Inc., 5.25% - 5.27%, due 4/18/07 - 5/7/07	P-1	A-1	186,472
45,000 Variable Funding Capital Corp., 5.26%, due 4/2/07	P-1	A-1+	45,000
124,483 Wal-Mart Funding Corp., 5.23%, due 5/24/07	P-1	A-1+	123,543
141,935 Yorktown Capital, 5.24% - 5.26%, due 4/11/07 - 5/21/07	P-1	A-1+	141,285
			3,098,239
Banking/Foreign (13.8%)			
28,005 Bank of America NA, 5.09%, due 10/12/07	P-1	A-1+	27,241
145,000 Barclays U.S. Funding Corp., 5.20% - 5.24%, due 4/16/07 - 8/13/07	P-1	A-1+	143,390
100,000 Calyon NA, Inc., 5.21%, due 7/9/07	P-1	A-1+	98,583
35,000 Credit Suisse First Boston, 5.24%, due 4/17/07	P-1	A-1+	34,923
50,000 Danske Corp., 5.09%, due 10/29/07	P-1	A-1+	48,515
137,000 HSBC Bank USA, 5.20% & 5.22%, due 6/27/07 & 8/6/07	P-1	A-1+	134,736
11,000 ING America Insurance Holdings, Inc., 5.23%, due 4/5/07	P-1	A-1+	10,995
50,000 Rabobank U.S. Financial Corp., 5.12%, due 9/28/07	P-1	A-1+	48,728
145,000 Societe Generale NA, 5.08% - 5.20%, due 8/8/07 - 10/29/07	P-1	A-1+	141,383
209,595 UBS Finance, Inc., 5.18% - 5.24%, due 5/2/07 - 7/11/07	P-1	A-1+	208,088
			896,582
Total Commercial Paper			
			3,994,821
Floating Rate Commercial Paper (3.0%)[¶]			
Financial Services (3.0%)			
75,000 Lexington Parker Capital, 5.31%, due 5/10/07	P-1	A-1	74,995
120,000 Morgan Stanley, 5.31% - 5.32%, due 4/2/07 - 4/8/07	P-1	A-1	120,000
			194,995

PRINCIPAL AMOUNT (000's omitted)	RATING [§]		VALUE ^{††} (000's omitted)
	Moody's	S&P	
Time Deposits (2.7%)			
\$177,000 Suntrust Bank, Grand Cayman, Inc., 5.25%, due 4/2/07	P-1	A-1	\$177,000
Corporate Debt Securities (1.8%)			
Asset Backed (1.6%)			
100,000 Cullinan Finance Corp., Medium-Term Notes, 5.34% - 5.41%, due 10/10/07 - 4/10/08	P-1	A-1+	99,998^ñ
Banking/Foreign (0.2%)			
15,000 UBS AG, Medium-Term Notes, 5.42%, due 1/11/08	P-1	A-1+	15,000
Total Corporate Debt Securities			114,998
Floating Rate Corporate Debt Securities (25.9%)^µ			
Asset Backed (16.8%)			
15,000 American Honda Finance, Floating Rate Medium-Term Notes, 5.36%, due 4/12/07	P-1	A-1	15,000 ^ñ
50,000 Beta Finance, Inc., Guaranteed Floating Rate Medium-Term Notes, 5.31% & 5.54%, due 4/2/07 & 5/18/07	P-1	A-1+	49,994 ^ñ
75,000 Cullinan Finance Corp., Floating Rate Medium-Term Notes, 5.32%, due 5/15/07	P-1	A-1+	74,995 ^ñ
25,000 Dorada Finance, Inc., Floating Rate Medium-Term Notes, 5.31%, due 5/16/07	P-1	A-1+	24,995 ^ñ
160,000 K2 (USA) LLC, Guaranteed Floating Rate Medium-Term Notes, 5.30% - 5.36%, due 4/25/07 - 6/22/07	P-1	A-1+	159,992 ^ñ
240,000 Links Finance LLC, Floating Rate Medium-Term Notes, 5.28% - 5.32%, due 4/10/07 - 6/1/07	P-1	A-1+	239,973 ^ñ
197,500 Parkland (USA) LLC, Floating Rate Medium-Term Notes, 5.30% - 5.34%, due 4/10/07 - 6/25/07	P-1	A-1+	197,492 ^ñ
85,000 Sigma Finance, Inc., Guaranteed Floating Rate Medium-Term Notes, 5.28% - 5.32%, due 4/20/07 - 6/20/07	P-1	A-1+	84,997 ^ñ
152,500 Tango Finance Corp., Floating Rate Medium-Term Notes, 5.31% - 5.33%, due 4/30/07 - 6/25/07	P-1	A-1+	152,495 ^ñ
90,000 Whistlejacket Capital LLC, Floating Rate Medium-Term Notes, 5.28% - 5.35%, due 4/16/07 - 6/13/07	P-1	A-1+	89,997 ^ñ
			1,089,930
Banking/Domestic (5.2%)			
75,000 American Express Bank FSB, Floating Rate Bank Notes, 5.29%, due 4/12/07	P-1	A-1	74,998

PRINCIPAL AMOUNT	RATING[§]		VALUE^{††}
(000's omitted)	Moody's	S&P	(000's omitted)
\$50,000 Bank of America NA, Floating Rate Bank Notes, 5.32%, due 5/15/07	P-1	A-1+	\$50,000
17,000 Citigroup, Inc., Floating Rate Notes, 5.41%, due 6/4/07	P-1	A-1+	17,002
100,000 National City Bank, Floating Rate Bank Notes, 5.34%, due 4/25/07	P-1	A-1	100,012
66,100 Wachovia Corp., Senior Floating Rate Notes, 5.44%, due 4/23/07	P-1	A-1+	66,124
28,000 Wells Fargo & Co., Floating Rate Notes, 5.33%, due 4/16/07	P-1	A-1+	28,000 ^ñ
			336,136
Banking/Foreign (2.0%)			
40,000 Calyon NY, Floating Rate Notes, 5.33%, due 5/10/07	P-1	A-1+	39,998
50,000 HSBC Finance Corp., Floating Rate Medium-Term Notes, 5.40%, due 4/4/07	P-1	A-1+	50,017
40,000 Royal Bank of Canada, Floating Rate Medium-Term Notes, 5.31%, due 4/2/07	P-1	A-1+	40,000 ^ñ
			130,015
Financial Services (1.9%)			
45,000 Bear Stearns Master Note, 5.56%, due 11/6/07	P-1	A-1	45,000
75,000 Merrill Lynch & Co., Senior Unsecured Floating Rate Notes, 5.30%, due 4/18/07	P-1	A-1+	75,000
			120,000
Total Floating Rate Corporate Debt Securities			1,676,081
Promissory Notes (1.6%)^µ			
100,000 Goldman Sachs Group, 5.35% - 5.43%, due 4/2/07	P-1	A-1+	100,000
Asset-Backed Securities (0.3%)			
8,904 CIT Equipment Collateral, Ser. 2006-VT2, Class A1, 5.34%, due 11/20/07	P-1	A-1+	8,904
12,579 USAA Auto Owner Trust, Ser. 2006-4, Class A1, 5.34%, due 12/13/07	P-1	A-1+	12,579
Total Asset-Backed Securities			21,483
Total Investments (102.4%)			6,639,365
Liabilities, less cash, receivables and other assets [(2.4%)]			(156,561)
Total Net Assets (100.0%)			\$6,482,804

Notes to Schedule of Investments Institutional Liquidity Trust

- †† Investment securities are valued at amortized cost, which approximates U.S. federal income tax cost.
- ñ Restricted security subject to restrictions on resale under federal securities laws. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers under Rule 144A and have been deemed by the investment manager to be liquid. At March 31, 2007, these securities amounted to \$577,976,000 or 23.2% of net assets for Money Market Master Series and \$1,609,427,000 or 24.8% of net assets for Prime Master Series.
- μ Floating rate securities are securities whose yields vary with a designated market index or market rate. These securities are shown at their current rates as of March 31, 2007.
- § Credit Ratings are unaudited.

Statements of Assets and Liabilities

Institutional Liquidity Trust (000's omitted)

	<u>Money Market Master Series</u>	<u>Prime Master Series</u>
	March 31, 2007	March 31, 2007
Assets		
Investments in securities, at value* (Note A)-see Schedule of Investments:		
Unaffiliated issuers	\$2,535,248	\$6,639,365
Cash	221	—
Interest receivable	8,005	14,767
Receivable for securities sold	—	24,949
Prepaid expenses	55	156
Total Assets	<u>2,543,529</u>	<u>6,679,237</u>
Liabilities		
Due to custodian	—	65,673
Payable for securities purchased	49,998	129,986
Payable to investment manager-net (Note B)	184	547
Accrued expenses and other payables	111	227
Total Liabilities	<u>50,293</u>	<u>196,433</u>
Net Assets Applicable to Investors' Beneficial Interests	<u>\$2,493,236</u>	<u>\$6,482,804</u>
Net Assets consist of:		
Paid-in capital	<u>\$2,493,236</u>	<u>\$6,482,804</u>
*Cost of investments:		
Unaffiliated issuers	<u>\$2,535,248</u>	<u>\$6,639,365</u>

Statements of Operations

Institutional Liquidity Trust
(000's omitted)

	MONEY MARKET MASTER SERIES	PRIME MASTER SERIES
	For the Year Ended March 31, 2007	For the Year Ended March 31, 2007
Investment Income		
Income:		
Interest income-unaffiliated issuers (Note A)	\$132,112	\$296,858
Expenses:		
Investment management fees (Note B)	2,368	5,199
Audit fees	32	29
Custodian fees (Note B)	413	846
Insurance expense	110	112
Legal fees	3	3
Rating agency fees	—	25
Shareholder reports	8	6
Trustees' fees and expenses	26	26
Miscellaneous	22	40
Total expenses	2,982	6,286
Investment management fees waived (Note B)	(360)	(719)
Expenses reduced by custodian fee expense offset arrangement (Note B)	(36)	(39)
Total net expenses	2,586	5,528
Net investment income	\$129,526	\$291,330
Realized and Unrealized Gain (Loss) on Investments (Note A)		
Net realized gain (loss) on:		
Sales of investment securities of unaffiliated issuers	(78)	(95)
Net increase (decrease) in net assets resulting from operations	\$129,448	\$291,235

Statements of Changes in Net Assets

Institutional Liquidity Trust
(000's omitted)

	MONEY MARKET MASTER SERIES		PRIME MASTER SERIES	
	Year Ended March 31, 2007	Year Ended March 31, 2006	Year Ended March 31, 2007	Year Ended March 31, 2006
Increase (Decrease) in Net Assets:				
From Operations:				
Net investment income (loss)	\$129,526	\$82,975	\$291,330	\$76,803
Net realized gain (loss) on investments	(78)	(56)	(95)	(78)
Net increase (decrease) in net assets resulting from operations	129,448	82,919	291,235	76,725
Transactions in Investors' Beneficial Interest:				
Contributions	5,640,176	4,162,855	35,971,111	14,573,443
Withdrawals	(5,506,910)	(4,433,678)	(32,985,741)	(12,721,501)
Net increase (decrease) from transactions in investors' beneficial interest	133,266	(270,823)	2,985,370	1,851,942
Net Increase (Decrease) in Net Assets	262,714	(187,904)	3,276,605	1,928,667
Net Assets:				
Beginning of year	2,230,522	2,418,426	3,206,199	1,277,532
End of year	\$2,493,236	\$2,230,522	\$6,482,804	\$3,206,199

Notes to Financial Statements Institutional Liquidity Trust

Note A—Summary of Significant Accounting Policies:

- 1 **General:** The Money Market Master Series (formerly, Institutional Liquidity Portfolio) and the Prime Master Series (formerly, Prime Portfolio) (individually a “Master Series,” collectively, the “Master Series”) are separate operating series of Institutional Liquidity Trust (the “Trust”), a Delaware statutory trust organized pursuant to a Trust Instrument dated October 1, 2004. The Trust is registered as a diversified, open-end management investment company under the Investment Company Act of 1940, as amended.

Other investment companies sponsored by Neuberger Berman Management Inc. (“Management”), the Master Series’ investment manager and Lehman Brothers Asset Management LLC (“LBAM”), the sub-adviser to the Master Series, whose financial statements are not presented herein, also invest in the Master Series.

The assets of each Master Series belong only to that Master Series, and the liabilities of each Master Series are borne solely by that Master Series and no other series of the Trust.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires Management to make estimates and assumptions at the date of the financial statements. Actual results could differ from those estimates.

- 2 **Portfolio valuation:** Investment securities are valued as indicated in the notes following the Master Series’ Schedule of Investments.
- 3 **Securities transactions and investment income:** Securities transactions are recorded on trade date for financial reporting purposes. Interest income, including accretion of discount (adjusted for original issue discount, where applicable), and amortization of premium, where applicable, is recorded on the accrual basis. Realized gains and losses from securities transactions are recorded on the basis of identified cost and stated separately in the Statements of Operations.
- 4 **Income tax information:** It is the policy of the Master Series to comply with the requirements of the Internal Revenue Code. It is also the policy of the Master Series to conduct their operations so that each of its investors that are regulated investment companies and invest substantially all of their net investable assets therein will continue to qualify as such. Each Master Series will be treated as a partnership for U.S. federal income tax purposes and is therefore not subject to U.S. federal income tax.
- 5 **Concentration of risk:** Each Master Series normally concentrates in the financial services industries; therefore, factors influencing the health of those industries could have a significant negative effect on the Master Series’ performance. These may include economic trends, governmental action, changes in interest rates, as well as the availability and cost of capital funds.
- 6 **Expense allocation:** Certain expenses are applicable to multiple funds. Expenses directly attributable to a Master Series are charged to that Master Series. Expenses of the Trust that are not directly attributed to a Master Series are allocated among the series of the Trust, on the basis of relative net assets, except where a more appropriate allocation of expenses to each of the series can otherwise be made fairly. Expenses borne by the complex of related investment companies, which includes open-end and closed-end investment companies for which Management serves as investment manager, that are not directly attributed to a Master Series or the Trust, are allocated among the Master Series and the other investment companies in the complex or series thereof, on the basis of relative net assets, except where a more appropriate allocation of expenses to each investment company in the complex or series thereof can otherwise be made fairly.

-
- 7 Repurchase agreements:** Each Master Series may enter into repurchase agreements with institutions that Management has determined are creditworthy. Each repurchase agreement is recorded at cost. Each Master Series requires that the securities purchased in a repurchase agreement be transferred to the custodian in a manner sufficient to enable the Master Series to assert a perfected security interest in those securities in the event of a default under the repurchase agreement. Each Master Series monitors, on a daily basis, the value of the securities transferred to ensure that their value, including accrued interest, is greater than amounts owed to the Master Series under each such repurchase agreement.
- 8 Indemnifications:** Like many other companies, the Trust's organizational documents provide that its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust. In addition, both in some of its principal service contracts and in the normal course of its business, the Trust enters into contracts that provide indemnifications to other parties for certain types of losses or liabilities. The Trust's maximum exposure under these arrangements is unknown as this could involve future claims against the Trust.

Note B—Management Fees and Other Transactions with Affiliates:

Each Master Series retains Management as its investment manager under a Management Agreement. For such investment management services, prior to December 18, 2006, each Master Series paid Management a fee at the annual rate of 0.10% of its average daily net assets. Management voluntarily agreed to waive its management fee in the amount of 0.02% of the average daily net assets of each Master Series. For the year ended March 31, 2007, such waived fees amounted to \$359,405 for Money Market Master Series and \$719,512 for Prime Master Series, respectively. Effective December 18, 2006, each Master Series pays Management a fee at the annual rate of 0.08% of its average daily net assets.

Management and LBAM, the sub-adviser to the Master Series, are wholly-owned subsidiaries of Lehman Brothers Holdings Inc., a publicly-owned holding company. LBAM is retained by Management to provide day-to-day investment management services. LBAM, as sub-adviser to each Master Series, receives a monthly fee paid by Management, based on an annual rate of each Master Series' average daily net assets. The Master Series do not pay a fee directly to LBAM for such services. As investment adviser, Management is responsible for overseeing the investment activities of LBAM. Several individuals who are officers and/or Trustees of the Trust are also employees of LBAM and/or Management.

Each Master Series has an expense offset arrangement in connection with its custodian contract. For the year ended March 31, 2007, the impact of this arrangement was a reduction of expenses of \$36,060 for Money Market Master Series and \$38,957 for Prime Master Series.

Note C—Securities Transactions:

All securities transactions for Money Market Master Series and Prime Master Series were short-term.

Note D—Recent Accounting Pronouncement:

In September 2006, FASB issued FASB Statement No. 157, "Fair Value Measurement" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Management believes the adoption of SFAS 157 will not have a material impact on the Master Series' financial position or results of operations.

Financial Highlights

Money Market Master Series

	Year Ended March 31,		Period from December 30, 2004 [^] to March 31,
	2007	2006	2005
Ratios to Average Net Assets:			
Gross Expenses[#]	.10%	.11%	.11%*
Net Expenses[‡]	.10%	.11%	.11%*
Net Investment Income (Loss)	5.14%	3.72%	2.38%*
Total Return[†]	+5.27%	+3.87%	+0.63%**
Net Assets, End of Period (in millions)	\$2,493.2	\$2,230.5	\$2,418.4

Financial Highlights

Prime Master Series

	Year Ended March 31,		Period from December 27, 2004 [^] to March 31, 2005
	2007	2006	
Ratios to Average Net Assets:			
Gross Expenses[#]	.10%	.11%	.12%*
Net Expenses[‡]	.10%	.10%	.11%*
Net Investment Income (Loss)	5.19%	3.78%	2.43%*
Total Return[†]	+5.29%	+3.87%	+0.66%**
Net Assets, End of Period (in millions)	\$6,482.8	\$3,206.2	\$1,277.5

Notes to Financial Highlights Institutional Liquidity Trust

The Master Series is required to calculate an expense ratio without taking into consideration any expense reductions related to expense offset arrangements.

‡ After waiver of a portion of the investment management fee by Management. Had Management not undertaken such action, the annualized ratios of net expenses to average daily net assets would have been:

	Year Ended March 31, 2007	Year Ended March 31, 2006	Period Ended March 31, 2005
Money Market Master Series	.12%	.13%	.13% ⁽¹⁾
Prime Master Series	.11%	.12%	.13% ⁽²⁾

(1) Period from December 30, 2004 (commencement of operations) to March 31, 2005.

(2) Period from December 27, 2004 (commencement of operations) to March 31, 2005.

† Total return for the Master Series has been calculated based on the total return for the feeder funds that invest all of their net investable assets in the Master Series. Total return assumes all distributions were reinvested and adjusted for the difference in expenses as set forth in the Notes to the Financial Statements of the feeder funds. Results represent past performance and do not guarantee future results. Current returns may be lower or higher than the performance data quoted. Total return would have been lower had Management not waived a portion of the investment management fee.

^ The date investment operations commenced.

* Annualized.

** Not annualized.

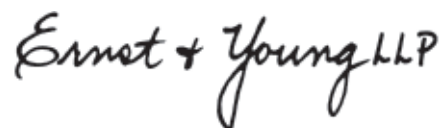
Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Institutional Liquidity Trust
and Owners of Beneficial Interest of Money Market Master Series:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Money Market Master Series (formerly, Institutional Liquidity Portfolio) (one of the series constituting Institutional Liquidity Trust) (the “Master Series”), as of March 31, 2007, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Master Series’ management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Master Series’ internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Master Series’ internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of March 31, 2007, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Money Market Master Series, a portfolio of Institutional Liquidity Trust, at March 31, 2007, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods indicated therein, in conformity with U.S. generally accepted accounting principles.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Boston, Massachusetts
May 16, 2007

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of
Institutional Liquidity Trust and
Owners of Beneficial Interest of Prime Master Series

We have audited the accompanying statement of assets and liabilities of Prime Master Series (the “Master Series”) (formerly known as Prime Portfolio), a series of Institutional Liquidity Trust, including the schedule of investments, as of March 31, 2007, and the related statement of operations for the year then ended, the statements of changes in net assets and the financial highlights for each of the two years in the period then ended, and the financial highlights for the period from December 27, 2004 to March 31, 2005. These financial statements and financial highlights are the responsibility of the Master Series’ management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Master Series is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Master Series’ internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of March 31, 2007, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Prime Master Series as of March 31, 2007, the results of its operations for the year then ended, and the changes in its net assets and the financial highlights for each of the two years in the period then ended, and the financial highlights for the period from December 27, 2004 to March 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania
May 11, 2007

Directory

Investment Manager, Administrator and Distributor

Neuberger Berman Management Inc.
605 Third Avenue, 2nd Floor
New York, NY 10158-0180
888.556.9030

Sub-Adviser

Lehman Brothers Asset Management LLC
399 Park Avenue
New York, NY 10022

Custodian and Shareholder Servicing Agent

State Street Bank and Trust Company
225 Franklin Street
Boston, MA 02110

Legal Counsel

Kirkpatrick & Lockhart Preston Gates Ellis LLP
1601 K Street, NW
Washington, DC 20006

Independent Registered Public Accounting Firms

Ernst & Young LLP
200 Clarendon Street
Boston, MA 02116

Tait Weller & Baker LLP
1818 Market Street
Suite 2400
Philadelphia, PA 19103

Trustee and Officer Information

The following tables set forth information concerning the trustees and officers of the Trust. All persons named as trustees and officers also serve in similar capacities for other funds administered or managed by Management. The Statement of Additional Information includes additional information about fund trustees and is available upon request, without charge, by calling (888) 556-9030.

Information about the Board of Trustees

Name, Age, and Address ⁽¹⁾	Position and Length of Time Served ⁽²⁾	Principal Occupation(s) ⁽³⁾	Number of Funds in Fund Complex Overseen by Fund Trustee ⁽⁴⁾	Other Directorships Held Outside Fund Complex by Fund Trustee
Independent Fund Trustees				
John Cannon (77)	Trustee since 2004	Consultant; formerly, Chairman, CDC Investment Advisers (registered investment adviser), 1993 to January 1999; formerly, President and Chief Executive Officer, AMA Investment Advisors, an affiliate of the American Medical Association.	61	Independent Trustee or Director of three series of Oppenheimer Funds: Limited Term New York Municipal Fund, Rochester Fund Municipals, and Oppenheimer Convertible Securities Fund since 1992.
Faith Colish (71)	Trustee since 2004	Counsel, Carter Ledyard & Milburn LLP (law firm) since October 2002; formerly, Attorney-at-Law and President, Faith Colish, A Professional Corporation, 1980 to 2002.	61	Formerly, Director (1997 to 2003) and Advisory Director (2003 to 2006), ABA Retirement Funds (formerly, American Bar Retirement Association) (not-for-profit membership corporation).
C. Anne Harvey (69)	Trustee since 2004	President, C.A. Harvey Associates since October 2001; formerly, Director, AARP, 1978 to December 2001.	61	Formerly, President, Board of Associates to The National Rehabilitation Hospital's Board of Directors, 2001 to 2002; formerly, Member, Individual Investors Advisory Committee to the New York Stock Exchange Board of Directors, 1998 to June 2002.

Name, Age, and Address ⁽¹⁾	Position and Length of Time Served ⁽²⁾	Principal Occupation(s) ⁽³⁾	Number of Funds in Fund Complex Overseen by Fund Trustee ⁽⁴⁾	Other Directorships Held Outside Fund Complex by Fund Trustee
Robert A. Kavesh (79)	Trustee since 2004	Marcus Nadler Professor Emeritus of Finance and Economics, New York University Stern School of Business; formerly, Executive Secretary-Treasurer, American Finance Association, 1961 to 1979.	61	Formerly, Director, The Caring Community (not-for-profit), 1997 to 2006; formerly, Director, DEL Laboratories, Inc. (cosmetics and pharmaceuticals), 1978 to 2004; formerly, Director, Apple Bank for Savings, 1979 to 1990; formerly, Director, Western Pacific Industries, Inc., 1972 to 1986 (public company).
Michael M. Knetter (47)	Trustee since 2007	Dean, School of Business, University of Wisconsin - Madison; formerly, Professor of International Economics and Associate Dean, Amos Tuck School of Business - Dartmouth College, 1998 to 2002.	61	Trustee, Northwestern Mutual Series Fund, Inc. since February 2007; Director, Wausau Paper since 2005; Director, Great Wolf Resorts since 2004.
Howard A. Mileaf (70)	Trustee since 2004	Retired; formerly, Vice President and General Counsel, WHX Corporation (holding company), 1993 to 2001.	61	Director, Webfinancial Corporation (holding company) since December 2002; formerly, Director WHX Corporation (holding company), January 2002 to June 2005; formerly, Director, State Theatre of New Jersey (not-for-profit theater), 2000 to 2005.
George W. Morriss (59)	Trustee since 2007	Formerly, Executive Vice President and Chief Financial Officer, People's Bank (a financial services company), 1991 to 2001.	61	Member, Board of Managers, Old Mutual Funds of Hedge Funds (registered hedge fund) since October 2006.

Name, Age, and Address ⁽¹⁾	Position and Length of Time Served ⁽²⁾	Principal Occupation(s) ⁽³⁾	Number of Funds in Fund Complex Overseen by Fund Trustee ⁽⁴⁾	Other Directorships Held Outside Fund Complex by Fund Trustee
Edward I. O'Brien (78)	Trustee since 2004	Formerly, Member, Investment Policy Committee, Edward Jones, 1993 to 2001; President, Securities Industry Association ("SIA") (securities industry's representative in government relations and regulatory matters at the federal and state levels), 1974 to 1992; Adviser to SIA, November 1992 to November 1993.	61	Director, Legg Mason, Inc. (financial services holding company) since 1993; formerly, Director, Boston Financial Group (real estate and tax shelters), 1993 to 1999.
William E. Rulon (74)	Trustee since 2004	Retired; formerly, Senior Vice President, Foodmaker, Inc. (operator and franchiser of restaurants) until January 1997.	61	Formerly, Director, Pro-Kids Golf and Learning Academy (teach golf and computer usage to "at risk" children), 1998 to 2006; formerly, Director, Prandium, Inc. (restaurants), March 2001 to July 2002.
Cornelius T. Ryan (75)	Trustee since 2004	Founding General Partner, Oxford Partners and Oxford Bioscience Partners (venture capital investing) and President, Oxford Venture Corporation since 1981.	61	None.

Name, Age, and Address ⁽¹⁾	Position and Length of Time Served ⁽²⁾	Principal Occupation(s) ⁽³⁾	Number of Funds in Fund Complex Overseen by Fund Trustee ⁽⁴⁾	Other Directorships Held Outside Fund Complex by Fund Trustee
Tom D. Seip (57)	Trustee since 2004; Lead Independent Trustee beginning 2006	General Partner, Seip Investments LP (a private investment partnership); formerly, President and CEO, Westaff, Inc. (temporary staffing), May 2001 to January 2002; formerly, Senior Executive at the Charles Schwab Corporation, 1983 to 1998, including Chief Executive Officer, Charles Schwab Investment Management, Inc. and Trustee, Schwab Family of Funds and Schwab Investments, 1997 to 1998, and Executive Vice President-Retail Brokerage, Charles Schwab & Co., Inc., 1994 to 1997.	61	Director, H&R Block, Inc. (financial services company) since May 2001; Chairman, Compensation Committee, H&R Block, Inc. since 2006; Director, America One Foundation since 1998; formerly, Chairman, Governance and Nominating Committee, H&R Block, Inc., 2004 to 2006; Director, Forward Management, Inc. (asset management company), 1999 to 2006; formerly Director, E-Bay Zoological Society, 1999 to 2003; formerly, Director, General Magic (voice recognition software), 2001 to 2002; formerly, Director, E-Finance Corporation (credit decisioning services), 1999 to 2003; formerly, Director, Save-Daily.com (micro investing services), 1999 to 2003.
Candace L. Straight (59)	Trustee since 2004	Private investor and consultant specializing in the insurance industry; formerly, Advisory Director, Securitas Capital LLC (a global private equity investment firm dedicated to making investments in the insurance sector), 1998 to December 2003.	61	Director, Montpelier Re (reinsurance company) since 2006; Director, National Atlantic Holdings Corporation (property and casualty insurance company) since 2004; Director, The Proformance Insurance Company (property and casualty insurance company) since March 2004; formerly, Director, Providence Washington Insurance Company (property and casualty insurance company), December 1998 to March 2006; formerly, Director, Summit Global Partners (insurance brokerage firm), 2000 to 2005.

Name, Age, and Address ⁽¹⁾	Position and Length of Time Served ⁽²⁾	Principal Occupation(s) ⁽³⁾	Number of Funds in Fund Complex Overseen by Fund Trustee ⁽⁴⁾	Other Directorships Held Outside Fund Complex by Fund Trustee
Peter P. Trapp (62)	Trustee since 2004	Regional Manager for Mid-Southern Region, Ford Motor Credit Company since September 1997; formerly, President, Ford Life Insurance Company, April 1995 to August 1997.	61	None.

Fund Trustees who are “Interested Persons”

Jack L. Rivkin (66)*	President and Trustee since 2004	Executive Vice President and Chief Investment Officer, Neuberger Berman Inc. (holding company) since 2002 and 2003, respectively; Managing Director and Chief Investment Officer, Neuberger Berman, LLC since December 2005 and 2003, respectively; formerly, Executive Vice President, Neuberger Berman, LLC, December 2002 to 2005; Director and Chairman, Management since December 2002; formerly, Executive Vice President, Citigroup Investments, Inc., September 1995 to February 2002; formerly, Executive Vice President, Citigroup Inc., September 1995 to February 2002.	61	Director, Dale Carnegie and Associates, Inc. (private company) since 1998; Director, Solbright, Inc. (private company) since 1998.
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Name, Age, and Address ⁽¹⁾	Position and Length of Time Served ⁽²⁾	Principal Occupation(s) ⁽³⁾	Number of Funds in Fund Complex Overseen by Fund Trustee ⁽⁴⁾	Other Directorships Held Outside Fund Complex by Fund Trustee
Peter E. Sundman (48)*	Chairman of the Board, Chief Executive Officer and Trustee since 2004	Executive Vice President, Neuberger Berman Inc. (holding company) since 1999; Head of Neuberger Berman Inc.'s Mutual Funds Business (since 1999) and Institutional Business (1999 to October 2005); responsible for Managed Accounts Business and intermediary distribution since October 1999; President and Director, Management since 1999; Managing Director, Neuberger Berman, LLC since 2005; formerly, Executive Vice President, Neuberger Berman, LLC, 1999 to December 2005; formerly, Principal, Neuberger Berman, LLC, 1997 to 1999; formerly, Senior Vice President, Management, 1996 to 1999.	61	Director and Vice President, Neuberger & Berman Agency, Inc. since 2000; formerly, Director, Neuberger Berman Inc. (holding company), October 1999 to March 2003; Trustee, Frost Valley YMCA; Trustee, College of Wooster.

(1) The business address of each listed person is 605 Third Avenue, New York, New York 10158.

(2) Pursuant to the Trust's Trust Instrument, each Fund Trustee shall hold office for life or until his or her successor is elected or the Trust terminates; except that (a) any Fund Trustee may resign by delivering a written resignation; (b) any Fund Trustee may be removed with or without cause at any time by a written instrument signed by at least two-thirds of the other Fund Trustees; (c) any Fund Trustee who requests to be retired, or who has become unable to serve, may be retired by a written instrument signed by a majority of the other Fund Trustees; and (d) any Fund Trustee may be removed at any shareholder meeting by a vote of at least two-thirds of the outstanding shares.

(3) Except as otherwise indicated, each individual has held the positions shown for at least the last five years.

(4) For funds organized in a master-feeder structure, we count the master fund and its associated feeder funds as a single portfolio.

* Indicates a Fund Trustee who is an "interested person" within the meaning of the 1940 Act. Mr. Sundman and Mr. Rivkin are interested persons of the Trust by virtue of the fact that they are officers and/or directors of Management and/or LBAM.

Information about the Officers of the Trust

Name, Age, and Address ⁽¹⁾	Position and Length of Time Served ⁽²⁾	Principal Occupation(s) ⁽³⁾
Andrew B. Allard (45)	Anti-Money Laundering Compliance Officer since 2004	Senior Vice President, Neuberger Berman, LLC since 2006; Deputy General Counsel, Neuberger Berman, LLC since 2004; formerly, Vice President, Neuberger Berman, LLC, 2000 to 2006; formerly, Associate General Counsel, Neuberger Berman, LLC, 1999 to 2004; Anti-Money Laundering Compliance Officer, sixteen registered investment companies for which Management acts as investment manager and administrator (seven since 2002, three since 2003, four since 2004, one since 2005 and one since 2006) and one registered investment company for which Management acts as investment adviser (since 2006).
Michael J. Bradler (37)	Assistant Treasurer since 2005	Vice President, Neuberger Berman, LLC since 2006; Employee, Management since 1997; Assistant Treasurer, sixteen registered investment companies for which Management acts as investment manager and administrator (fifteen since 2005 and one since 2006) and one registered investment company for which Management acts as investment adviser (since 2006).
Claudia A. Brandon (50)	Secretary since 2004	Senior Vice President, Neuberger Berman, LLC since 2007; Vice President-Mutual Fund Board Relations, Management since 2000 and Assistant Secretary since 2004; formerly, Vice President, Neuberger Berman, LLC, 2002 to 2006 and Employee since 1999; Secretary, sixteen registered investment companies for which Management acts as investment manager and administrator (three since 1985, four since 2002, three since 2003, four since 2004, one since 2005 and one since 2006) and one registered investment company for which Management acts as investment adviser (since 2006).
Robert Conti (50)	Vice President since 2004	Managing Director, Neuberger Berman, LLC since 2007; formerly, Senior Vice President, Neuberger Berman, LLC, 2003 to 2006; formerly, Vice President, Neuberger Berman, LLC, 1999 to 2003; Senior Vice President, Management since 2000; Vice President, sixteen registered investment companies for which Management acts as investment manager and administrator (three since 2000, four since 2002, three since 2003, four since 2004, one since 2005 and one since 2006) and one registered investment company for which Management acts as investment adviser (since 2006).
Brian J. Gaffney (53)	Vice President since 2004	Managing Director, Neuberger Berman, LLC since 1999; Senior Vice President, Management since 2000; Vice President, sixteen registered investment companies for which Management acts as investment manager and administrator (three since 2000, four since 2002, three since 2003, four since 2004, one since 2005 and one since 2006) and one registered investment company for which Management acts as investment adviser (since 2006).

Name, Age, and Address ⁽¹⁾	Position and Length of Time Served ⁽²⁾	Principal Occupation(s) ⁽³⁾
Maxine L. Gerson (56)	Chief Legal Officer since 2005 (only for purposes of sections 307 and 406 of the Sarbanes-Oxley Act of 2002)	Senior Vice President, Neuberger Berman, LLC since 2002; Deputy General Counsel and Assistant Secretary, Neuberger Berman, LLC since 2001; Secretary and General Counsel, Management since 2004; Chief Legal Officer (only for purposes of sections 307 and 406 of the Sarbanes-Oxley Act of 2002), sixteen registered investment companies for which Management acts as investment manager and administrator (fifteen since 2005 and one since 2006) and one registered investment company for which Management acts as investment adviser (since 2006).
Sheila R. James (41)	Assistant Secretary since 2004	Assistant Vice President, Neuberger Berman, LLC since 2007 and Employee since 1999; Assistant Secretary, sixteen registered investment companies for which Management acts as investment manager and administrator (seven since 2002, three since 2003, four since 2004, one since 2005 and one since 2006) and one registered investment company for which Management acts as investment adviser (since 2006).
Kevin Lyons (51)	Assistant Secretary since 2004	Employee, Neuberger Berman, LLC since 1999; Assistant Secretary, sixteen registered investment companies for which Management acts as investment manager and administrator (ten since 2003, four since 2004, one since 2005 and one since 2006) and one registered investment company for which Management acts as investment adviser (since 2006).
John M. McGovern (37)	Treasurer and Principal Financial and Accounting Officer since 2005; prior thereto, Assistant Treasurer since 2004	Senior Vice President, Neuberger Berman, LLC since 2007; formerly, Vice President, Neuberger Berman, LLC, 2004 to 2006; Employee, Management since 1993; Treasurer and Principal Financial and Accounting Officer, sixteen registered investment companies for which Management acts as investment manager and administrator (fifteen since 2005 and one since 2006) and one registered investment company for which Management acts as investment adviser (since 2006); formerly, Assistant Treasurer, fifteen registered investment companies for which Management acts as investment manager and administrator, 2002 to 2005.
Frank Rosato (36)	Assistant Treasurer since 2005	Vice President, Neuberger Berman, LLC since 2006; Employee, Management since 1995; Assistant Treasurer, sixteen registered investment companies for which Management acts as investment manager and administrator (fifteen since 2005 and one since 2006) and one registered investment company for which Management acts as investment adviser (since 2006).
Frederic B. Soule (61)	Vice President since 2004	Senior Vice President, Neuberger Berman, LLC since 2003; formerly, Vice President, Neuberger Berman, LLC, 1999 to 2003; Vice President, sixteen registered investment companies for which Management acts as investment manager and administrator (three since 2000, four since 2002, three since 2003, four since 2004, one since 2005 and one since 2006) and one registered investment company for which Management acts as investment adviser (since 2006).

Name, Age, and Address ⁽¹⁾	Position and Length of Time Served ⁽²⁾	Principal Occupation(s) ⁽³⁾
Chamaine Williams (35)	Chief Compliance Officer since 2005	Senior Vice President, Lehman Brothers Inc. since 2007; formerly, Vice President, Lehman Brothers Inc., 2003 to 2006; Chief Compliance Officer, sixteen registered investment companies for which Management acts as investment manager and administrator (fifteen since 2005 and one since 2006) and one registered investment company for which Management acts as investment adviser (since 2005); Chief Compliance Officer, Lehman Brothers Asset Management Inc. since 2003; Chief Compliance Officer, Lehman Brothers Alternative Investment Management LLC since 2003; formerly, Vice President, UBS Global Asset Management (US) Inc. (formerly, Mitchell Hutchins Asset Management, a wholly-owned subsidiary of PaineWebber Inc.), 1997 to 2003.

- (1) The business address of each listed person is 605 Third Avenue, New York, New York 10158.
- (2) Pursuant to the By-Laws of the Trust, each officer elected by the Fund Trustees shall hold office until his or her successor shall have been elected and qualified or until his or her earlier death, inability to serve, or resignation. Officers serve at the pleasure of the Fund Trustees and may be removed at any time with or without cause.
- (3) Except as otherwise indicated, each individual has held the positions shown for at least the last five years.

Proxy Voting Policies and Procedures

A description of the policies and procedures that the Trust uses to determine how to vote proxies relating to portfolio securities is available, without charge, by calling 1-888-556-9030 (toll-free) and on the website of the Securities and Exchange Commission, at www.sec.gov. Information regarding how the Trust voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is also available, without charge, by calling 1-888-556-9030 (toll-free) and on the website of the Securities and Exchange Commission, at www.sec.gov.

Quarterly Portfolio Schedule

Each Trust files a complete schedule of portfolio holdings for each Portfolio and Master Series with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. Each Trust's Forms N-Q are available on the Securities and Exchange Commission's website at www.sec.gov and may be reviewed and copied at the Securities and Exchange Commission's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The information on Form N-Q is available upon request, without charge, by calling 1-888-556-9030 (toll-free).

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Investment manager: **Neuberger Berman Management Inc.**
Sub-adviser: **Lehman Brothers Asset Management LLC**

Neuberger Berman Management Inc.
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888.556.9030
Web site: www.lehmanam.com

Statistics and projections in this report are derived from sources deemed to be reliable but cannot be regarded as a representation of future results of the Portfolios. This report is prepared for the general information of shareholders and is not an offer of shares of the Portfolios. Shares are sold only through the currently effective prospectus, which must precede or accompany this report.

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