

**United States of America  
Before the  
Securities and Exchange Commission**

**Admin. Pro. File No. 3-11317**

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In the Matter of

PUTNAM INVESTMENT  
MANAGEMENT, LLC

Respondent.

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**Proposed Plan of Distribution**

**February 22, 2007**









- a. Table 6 in the report of the Independent Assessment Consultant to the Commonwealth details, by fund-quarter, \$108.5 million in losses to shareholders.<sup>4</sup> This amount represents the present value of losses as of February 28, 2005, for both the April 8, 2004 Order and the Commonwealth Order combined. This amount (plus accumulated interest) will be distributed proportional to the size of the shareholder of record's average holdings in the quarter in which the loss was incurred, as calculated in the Commission and Commonwealth Assessment Reports respectively.
  - b. In addition, the IDC has been asked to distribute the penalty amount in the April 8, 2004 Order. In consultation with the staff of the Commission, these additional funds will be distributed proportional to the as-incurred losses calculated in the Commission Assessment Report in Table 6, excluding the October 27, 2003 to January 31, 2004 time period.
  - c. Accumulated interest is calculated as the actual interest earned through the date of approval of the Plan of Distribution, for monies that were delivered to the Commission in April 2004 and in March 2005.
  - d. Monies subject to distribution solely under the Commonwealth Order will be paid within seven (7) calendar days of the final approval of this Plan of Distribution. For these monies, accumulated interest is calculated as the interest that would have been earned had the monies been invested in short-term U.S. government instruments, in particular, 90-day Treasury Bills.
17. The Appendix to this Plan of Distribution summarizes the present value of all losses by fund-quarter through February 28, 2005, the date used in the Assessment Reports in this matter. Interest will be calculated through the date of the approval of this Plan of Distribution by the Commission. The Fund Administrator will use these amounts by fund-quarter and the average number of fund shares outstanding for each quarter to produce a compensation schedule. This schedule will show the dollar rate which would be multiplied by the shareholder of record's average number of shares in the fund in that quarter to determine the size of the payment.
18. The amounts due to each shareholder of record will be aggregated into one payment. This single payment will represent the sum of amounts calculated for each account within each fund, which are then aggregated across funds. As a

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<sup>4</sup> All loss calculations are computed on a fund-quarter basis, except for the period October 27, 2003 to January 31, 2004.





- a. Shareholders will be identified per Rule 17Ad-17 under the Securities Exchange Act of 1934.
  - b. Current shareholder addresses will be systematically compared against the U.S. Postal Service's forwarding address database and updated on a weekly basis. Current shareholders that are deemed "Lost" in accordance with Rule 17Ad-17 will not receive payments; instead, their payments will be added to the Undistributed Pools, described in Section V below.
  - c. Former shareholder records will be regenerated and reviewed by a third party vendor for validation/update of current address. All former shareholders for whom a complete address cannot be verified using the processes noted above will be treated as "Lost" shareholders.
  - d. Individuals who believe that they might be Lost shareholders may contact Putnam, who will assist such individuals in evaluating their claims and reviewing applicable documentation in accordance with Putnam's customary business practices.
  - e. Payments that are not claimed by Lost shareholders within 90 days after the completion of distribution with respect to Direct Accounts will be added to the Undistributed Pools.
  - f. Putnam will report on the resolution of Lost shareholder claims in its periodic accounting to the Commission, as described in Sections VI.A and VIII.C.
28. Putnam will issue and mail checks to all identified and located Direct Account shareholders whose aggregate distribution meets the *de minimis* level of \$10.
- a. For returned checks, Putnam will conduct historical research on the account in an effort to obtain a correct address and re-mail the check.
  - b. If the check is returned a second time, Putnam will attempt to call the shareholder to obtain a correct address. If a correct address cannot be obtained, the payment will be added to the Undistributed Pools.
  - c. All checks shall bear a stale date of 90 days from the date of issuance. Checks that are not negotiated within the stale date shall be voided and Northern Trust Company shall be instructed to stop payment on those checks. These amounts will be added to the Undistributed Pools.
  - d. Electronic credits will be made only to cash equivalent accounts (e.g., money market accounts).
29. Existing Direct Account shareholders will be given the opportunity to reinvest their distribution in Putnam funds without incurring sales loads of any sort.





makes such additional offer, then Putnam will add amounts otherwise payable to such shareholder of record to the Undistributed Pools.

37. Whether the funds are distributed by Putnam (under Option 1), jointly (under Option 2), or wholly by the omnibus shareholder of record (Option 3), the procedures to be employed should be substantially the same as those described in Section IV.A above, except as described below:

- The shareholder of record will be required to develop and execute a program similar to that described for Direct Accounts, including a *de minimis* amount no larger than \$10 for the ultimate investor.
- For current accounts, the shareholder of record has the option to write a check or to credit the account of the beneficial owner.
- If a shareholder of record is unable to identify a beneficial shareholder after receipt of the payment from Putnam, that shareholder's payment will be added to the Undistributed Pools for distribution as detailed below.
- In calculating damages in the Assessment Reports, information on holdings by ultimate investors was not available. Intermediated accounts were treated as a single shareholder of record. In the course of calculating payments to ultimate investors in the distribution phase of this Plan, omnibus administrators and Putnam will compile the more disaggregated information. As a result of this new information, one may discover that payments due to a plan's ultimate shareholders may differ from the amounts calculated in the Assessment Report. If Putnam's payment to an Omnibus Account shareholder of record exceeds the payments due to ultimate shareholders (e.g., there are substantial ultimate shareholders who fail to meet the Direct Account *de minimis* threshold), the excess will be added to the Undistributed Pools for distribution as detailed below. If Putnam's payment to a shareholder of record is less than the payments to an account's ultimate shareholders that exceed the direct *de minimis* levels (e.g., due to substantial netting at the Omnibus Account level that obscured damages due to ultimate shareholders), the amount distributed to those ultimate shareholders will be proportional to the funds actually received by the shareholder of record.




















Submitted on: February 22, 2007

By: 

Peter Tufano,  
IDC for Putnam Investments LLC







