

**UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940
Release No. 2664 / September 28, 2007**

**INVESTMENT COMPANY ACT OF 1940
Release No. 28003 / September 28, 2007**

**ADMINISTRATIVE PROCEEDING
File No. 3-12853**

In the Matter of

**PUTNAM INVESTMENT
MANAGEMENT, LLC**

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTION 203(e) OF THE
INVESTMENT ADVISERS ACT OF 1940
AND SECTIONS 9(b) AND 9(f) OF THE
INVESTMENT COMPANY ACT OF 1940,
MAKING FINDINGS AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 203(e) of the Investment Advisers Act of 1940 (“Advisers Act”) and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Investment Company Act”) and against Putnam Investment Management, LLC (“Respondent” or “Putnam”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 203(e) of the Investment Advisers Act of 1940 and Sections 9(b) and 9(f) of the Investment Company Act of 1940, Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

This matter concerns violations of Section 19(a) of the Investment Company Act and Rule 19a-1 thereunder by four closed-end funds: Putnam Master Intermediate Income Trust, Putnam Premier Income Trust, Putnam Master Income Trust, and Putnam Managed High Yield Trust (collectively, the "Funds"). Section 19(a) of the Investment Company Act and Rule 19a-1 thereunder require funds to provide shareholders with contemporaneous written statements identifying the source of distributions to shareholders if any portion of the distributions is from a source other than the fund's net income. The purpose of Section 19(a) and Rule 19a-1 is to provide shareholders adequate disclosure of the sources from which distributions are made.

During the period from August 1, 2000 through May 31, 2002 (the "relevant period"), Putnam Master Intermediate Income Trust made eleven distributions to shareholders partly funded from shareholder capital, Putnam Premier Income Trust made nine distributions partly funded from shareholder capital, Putnam Master Income Trust made ten distributions partly funded from shareholder capital, and Putnam Managed High Yield Trust made twelve distributions partly funded from shareholder capital. Although Putnam sent written notices with these distributions, the notices did not contain the information required by Rule 19a-1. The Funds therefore violated Section 19(a) and Rule 19a-1 thereunder. Pursuant to advisory and administrative agreements with the Funds, Putnam was responsible for providing Section 19(a) notices to shareholders of the Funds. Although Putnam, which regularly tracked the sources of distributions for the Funds, knew or was reckless in not knowing that the Funds' distributions were partly funded from shareholder capital during the relevant period, it failed to provide the information required by Rule 19a-1 in its notices to the Funds' shareholders. Putnam thus caused and willfully² aided and abetted the Funds' violations of Section 19(a) and Rule 19a-1 thereunder.

Respondent

1. **Putnam**, an investment adviser registered with the Commission under Section 203(c) of the Advisers Act, provides investment management and administrative services to a number of closed-end investment companies registered under the Investment Company Act, including Putnam Master Intermediate Income Trust, Putnam Premier Income Trust, Putnam Master Income Trust, and Putnam Managed High Yield Trust. Putnam's principal place of business is Boston, Massachusetts. Putnam is a subsidiary of Marsh & McLennan Companies, Inc., a publicly traded company.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

² "Willfully," as used in paragraph 10 of this Order means intentionally committing the act that constitutes the violation. See Wonsover v. SEC, 205 F.3d 408, 414 (D.C. Cir. 2000); Tager v. SEC, 344 F.2d 5, 8 (2d Cir. 1965).

Other Relevant Entities

2. Putnam Master Intermediate Income Trust, a closed-end, diversified management investment company registered under the Investment Company Act, is a Massachusetts business trust whose Agreement and Declaration of Trust was filed with the Secretary of the Commonwealth of Massachusetts on March 10, 1988. Its shares trade on the New York Stock Exchange under the symbol PIM. Putnam Master Intermediate Income Trust, which seeks high current income and relative stability of net asset value, pays distributions monthly. Its fiscal year ends on September 30.

3. Putnam Premier Income Trust, a closed-end, non-diversified management investment company registered under the Investment Company Act, is a Massachusetts business trust whose Agreement and Declaration of Trust was filed with the Secretary of the Commonwealth of Massachusetts on January 14, 1988. Its shares trade on the New York Stock Exchange under the symbol PPT. Putnam Premier Income Trust, which seeks high current income, pays distributions monthly. Its fiscal year ends on July 31.

4. Putnam Master Income Trust, a closed-end, diversified management investment company formerly registered under the Investment Company Act, was a Massachusetts business trust whose Agreement and Declaration of Trust was filed with the Secretary of the Commonwealth of Massachusetts on September 30, 1987. Until February 25, 2005, Putnam Master Income Trust's shares traded on the New York Stock Exchange under the symbol PMT.³ Putnam Master Income Trust, which sought high current income consistent with the preservation of capital, paid distributions monthly. Its fiscal year end was on October 31.

5. Putnam Managed High Yield Trust, a closed-end, non-diversified management investment company formerly registered under the Investment Company Act, was a Massachusetts business trust whose Agreement and Declaration of Trust was filed with the Secretary of the Commonwealth of Massachusetts on April 16, 1993. Until October 16, 2006, its shares traded on the New York Stock Exchange under the symbol PTM.⁴ Putnam Managed High Yield Trust, which sought high current income and, as a secondary objective, capital growth, paid distributions monthly. Its fiscal year end was on May 31.

Section 19(a) Violations

6. Section 19(a) of the Investment Company Act prohibits investment companies such as closed-end funds from paying distributions from any source other than net income unless the payments are accompanied by contemporaneous written statements to shareholders disclosing the sources of the distributions. Rule 19a-1 specifies that the written statement must be on a separate paper and clearly indicate what portion of the payment is from: 1) net income (not including capital gains); 2) capital gains; and 3) paid-in surplus or other capital source. The purpose of Section

³ On that date, the Putnam Master Income Trust merged into Putnam Premier Income Trust.

⁴ The shares ceased trading on the New York Stock Exchange on that date in anticipation of the closing of the merger of Putnam Managed High Yield Trust into Putnam High Yield Trust, which occurred on October 30, 2006.

19(a) and Rule 19a-1 is to afford shareholders adequate disclosure of the sources from which the payments are made so shareholders will not believe that a fund portfolio is generating investment income when, in fact, distributions are paid from other sources, such as shareholder capital or capital gains.⁵

7. During the relevant period, each of the Funds made distributions to shareholders from shareholder capital, as shown below on a per share basis.

Putnam Master Intermediate Income Trust	2001%	\$
Net Investment Income	97%	\$.58
Shareholder Capital ⁶	3%	\$.02

Putnam Premier Income Trust	2001%	\$
Net Investment Income	98%	\$.61
Shareholder Capital ⁷	2%	\$.01

Putnam Master Income Trust	2001	
	%	\$
Net Investment Income	97%	\$.61
Shareholder Capital ⁸	3%	\$.02

Putnam Managed High Yield Trust	2002%	\$
Net Investment Income	87%	\$.86
Shareholder Capital ⁹	13%	\$.13

⁵ Rule 19a-1(g) states: “[t]he purpose of this section, in the light of which it shall be construed, is to afford security holders adequate disclosure of the sources from which dividend payments are made.” See SEC Release No. 71, 1941 WL 37715 (Feb. 21, 1941) (“An important feature of the rule is the extent to which it requires explicit and affirmative disclosure whenever a dividend is being paid from a capital source.”).

⁶ During fiscal year 2001, a portion of eleven of Putnam Master Intermediate Income Trust’s twelve monthly distributions came from shareholder capital.

⁷ During fiscal year 2001, a portion of nine of Premier Income Trust’s twelve monthly distributions came from shareholder capital.

⁸ During fiscal year 2001, a portion of ten of Putnam Master Income Trust’s twelve monthly distributions came from shareholder capital.

⁹ During fiscal year 2002, a portion of all twelve of Putnam Managed High Yield Trust’s monthly distributions came from shareholder capital.

8. Putnam provides investment advisory and administrative services to the Funds. Pursuant to agreements with the Funds, Putnam is responsible for the Funds' administrative operations and is required to perform its duties consistent with the requirements of the Investment Company Act, including Section 19(a).

9. During the relevant period, Putnam failed to provide notices containing the information required by Rule 19a-1 to shareholders of Putnam Master Intermediate Income Trust, Putnam Premier Income Trust, Putnam Master Income Trust, and Putnam Managed High Yield Trust, even though the Funds repeatedly made distributions from shareholder capital. In 2001, Putnam sent written notices with distributions for Putnam Master Intermediate Income Trust, Putnam Premier Income Trust, and Putnam Master Income Trust, but the notices did not inform shareholders that such distributions were partly from shareholder capital. Likewise, in 2002, Putnam sent written notices with distributions for Putnam Managed High Yield Trust but those notices also failed to inform shareholders that such distributions were partly from shareholder capital.

10. By paying distributions to shareholders from sources other than net income without properly disclosing the source of those distributions in the notice that accompanied the distributions, Putnam Master Intermediate Income Trust, Putnam Premier Income Trust, Putnam Master Income Trust, and Putnam Managed High Yield Trust violated Section 19(a) of the Investment Company Act and Rule 19a-1 thereunder.

11. Because Putnam closely monitored the source of distributions for the Funds throughout the year, it knew or was reckless in not knowing at the time the Funds' distributions were paid that such distributions were partly from shareholder capital.¹⁰ Yet Putnam failed to provide contemporaneous notices that complied with Section 19(a) in 2001 and 2002.¹¹

12. As a result of the conduct described above, Putnam caused and willfully aided and abetted the Funds' violations of Section 19(a) and Rule 19a-1 thereunder.

Respondent's Cooperation and Remedial Efforts

13. In determining to accept the Offer, the Commission considered the remedial acts undertaken by the Respondent and cooperation afforded to the Commission staff.

¹⁰ Putnam's justification for not providing the required 19(a) notices was that the specific source of each distribution could not be definitely determined until the end of the fiscal year. Putnam's monthly monitoring process included projecting whether there would be a return of capital at the end of the fiscal year and adjusting the dividend rate based on those projections to prevent a return of capital. Rule 19a-1(e), however, mandates reasonable estimates of the source of each dividend at the time of payment. Therefore, notwithstanding Putnam's projections and adjustment of dividend rates, which might change the nature of the distribution by the end of the fiscal year, it was nevertheless obligated to inform shareholders of the Funds' best estimate regarding the source of that distribution at the time it was paid.

¹¹ During the relevant period, the Funds provided shareholders with Internal Revenue Service Forms 1099-DIV that identified the source of the shareholders' distributions for the prior calendar year. Such notices did not comply with Section 19(a) and Rule 19a-1 because they were not made contemporaneously with each distribution.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Putnam's Offer.

Accordingly, it is hereby ORDERED pursuant to Sections 9(b) and 9(f) of the Investment Company Act and Section 203(e) of the Advisers Act that:

A. Putnam shall cease and desist from causing any violations and any future violations of Section 19(a) of the Investment Company Act and Rule 19a-1 thereunder; and

B. Putnam shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$350,000 to the United States Treasury. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Putnam Investments as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Mark Kreitman, Esq., Division of Enforcement, Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549-4628.

By the Commission.

Nancy M. Morris
Secretary