

Item 1 Cover Page

Part 2A of Form ADV: Firm Brochure

F.L.PUTNAM
INVESTMENT MANAGEMENT COMPANY

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This brochure provides information about the qualifications and business practices of F.L.Putnam Investment Management Company. If you have questions about the contents of this brochure, please contact us at (800) 356-1781 and/or info@flputnam.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about F.L.Putnam Investment Management Company also is available on the SEC's website at www.adviserinfo.sec.gov.

Date of this brochure: March 15, 2017

Item 2 Material Changes

There are no material changes.

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Item 4 Advisory Business

A. Description of Advisory Firm

F.L.Putnam Investment Management Co. (F.L.Putnam) provides discretionary investment management and financial planning services. We have a diverse clientele that includes foundations, endowments, religious organizations, corporations and unions as well as individuals and their families. Many of our client relationships span decades and generations.

We have been in business since 1983 and are registered as an investment adviser with the Securities and Exchange Commission. [Registration as an investment adviser does not imply a certain level of skill or training.]

Our company is wholly-owned by F.L.Putnam Securities Company Incorporated, a domestic corporation incorporated under the laws of the State of Delaware.

Our offices are located in Wellesley, Massachusetts, Portland, Maine and Portsmouth, New Hampshire.

B. Types of Advisory Services

Our primary business activity is to provide investment management services to institutional and individual clients on a discretionary basis and financial planning services to individuals and their families. We do not sell financial products such as mutual funds, annuities or insurance. We do not provide brokerage services.

C. Tailoring Advisory Services

Investment Management

Each client is assigned a team consisting of a primary portfolio manager, a supporting portfolio manager and an account officer.

Each client portfolio is tailored to meet the requirements of each client based on information that a client has provided to us. Our first step in working with our clients is to gather information that will help clients define realistic investment goals, determine income needs and provide an understanding about the level of investment risk and loss a client is willing and/or able to assume. We then develop a written investment policy statement that is reviewed and approved by a client. The written investment policy statement serves as a guide for the management of a client's account by the assigned portfolio manager(s).

F.L.Putnam has a long-standing practice in socially responsible investing. Many clients are concerned with the religious, ethical, social justice, environmental and other non-financial aspects of their investments. These concerns differ from client to client. Clients may restrict the particular activities they wish to exclude from (or include in) their investment portfolios. We then select investments that we believe will provide the potential for a favorable return but will also be consistent with the beliefs and ethical preferences that clients have made known to us. F.L.Putnam provides clients with periodic reports describing the applicable non-financial aspects of each company in their portfolios. There is no additional fee for these services.

We encourage clients to inform their portfolio managers about any questions they may have about their accounts. Clients must notify us about any changes in their financial circumstances and needs so that we can take these changes into consideration when managing a client's portfolio.

Schwab Institutional Intelligent Portfolios

Our firm provides portfolio management services through Institutional Intelligent Portfolios™, an automated, online investment management platform for use by independent investment advisors and sponsored by Schwab Wealth Investment Advisory, Inc. (the "Program" and "SWIA," respectively). Through the Program, we offer clients a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange traded funds ("ETFs") and a cash allocation. The client's portfolio is held in a brokerage account opened by the client at SWIA's affiliate, Charles Schwab & Co., Inc. ("CS&Co"). F.L.Putnam is independent of and not owned by, affiliated with, or sponsored or supervised by SWIA, CS&Co or their affiliates (together, "Schwab"). The Program is described in the Schwab Wealth Investment Advisory, Inc. Institutional Intelligent Portfolios™ Disclosure Brochure (the "Program Disclosure Brochure"), which is delivered to clients by SWIA during the online enrollment process.

F.L.Putnam, and not Schwab, is the client's investment advisor and primary point of contact with respect to the Program. Our firm is solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. SWIA's role is limited to delivering the Program Disclosure Brochure to clients and administering the Program so that it operates as described in the Program Disclosure Brochure.

F.L.Putnam has contracted with SWIA to provide it with the technology platform and related trading and account management services for the Program. This platform enables us to make the Program available to clients online and includes a system that automates certain key parts of the F.L.Putnam investment process (the "System"). The System includes an online questionnaire that helps us determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that F.L.Putnam will recommend a portfolio via the System in response to the client's

answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but our firm then makes the final decision and selects a portfolio based on all the information F.L.Putnam has about the client. The System also includes an automated investment engine through which our firm manages the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects). F.L.Putnam does not receive a portion of a wrap fee for our services to clients through the Program. Clients do not pay fees to SWIA in connection with the Program, but F.L.Putnam does charge clients a fee for its services as described below under *Item 5 Fees and Compensation*. Our fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to Schwab as part of the Program. Schwab does receive other revenues in connection with the Program, as described in the Program Disclosure Brochure. F.L.Putnam does not pay SWIA fees for its services in the Program so long as we maintain \$100 million in client assets in accounts at Schwab that are not enrolled in the Program. If F.L.Putnam does not meet this condition, then we must pay SWIA an annual fee of 0.10% (10 basis points) on the value of F.L.Putnam clients' assets in the Program. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in the Program be maintained with Schwab.

The Program Disclosure Brochure includes a discussion of various risks associated with the Program, including the risks of investing in ETFs, as well as risks related to the underlying securities in which ETFs invest. In addition, the Program Disclosure Brochure also discusses market/systemic risks, asset allocation/strategy/diversification risks, investment strategy risks, trading/liquidity risks, and large investment risks.

FOLIOfn Investment Management Platform

We also participate in a model manager program offered by Folio Investments, Inc. ("FOLIOfn"). This could be considered a "wrap" fee program by some investors, although it does not meet some definitions of a "wrap" program since our fees are charged and collected by FOLIOfn separately from their own fees. Under this program, investors can subscribe (with our permission) to one of the strategies that we manage on the FOLIOfn platform. Once subscribed, investors automatically buy, sell and own the same securities that are held in the model portfolio at the same percentage levels that are held in the model portfolio. Client portfolios using the model manager program at FOLIOfn have only limited customization for specific financial and nonfinancial constraints, and clients using the model manager program are not able to purchase foreign securities or individual bonds as we may purchase for our customized clients. Clients using the model manager program are not subject to the higher minimum fee levels or minimum asset levels specified for our personalized management portfolios.

F.L.Putnam, and not FOLIOfn, are the client's investment advisor and primary point of contact with respect to the Program. Our firm is solely responsible, and FOLIOfn is not responsible, for determining the appropriateness of the model for the client that model on an ongoing basis. F.L.Putnam is independent of and not owned by, affiliated with, or sponsored or supervised by FOLIOfn.

Financial Planning

We also provide financial planning services, which may cover investment analysis, income tax planning, insurance analysis, retirement planning, education funding, estate planning, cash flow analysis, assistance with budgeting, and preparation of personal balance sheets. Based upon a review of information and data provided by a financial planning client, a written plan will be prepared that will include our analysis of a client's current conditions, proposed changes or recommendations. After delivery of the written plan, each Client shall be responsible for the implementation (or dismissal) of recommendations in the plan, the monitoring of ongoing needs and circumstances, and the initiation of future assessments and analysis. We recommend that clients review their financial plan at least annually or following any significant change to their personal or financial circumstances. We do not provide financial planning clients with any accounting, tax or legal advice and we do not prepare any financial statements, tax returns or legal documents in connection with the implementation of any financial plan.

Financial planning services are rendered only after a written financial planning agreement has been signed. The written agreement specifies the parties to the agreement, the date of the agreement, its duration, how and on what terms the agreement may be terminated, and specifies the services to be provided. Clients are encouraged to carefully review the financial planning agreement and a copy of this Form ADV Part 2A and ask any questions a client may have, prior to signing the financial planning agreement.

D. Participation in Wrap Fee Programs

We do not participate in any wrap fee programs.

E. Amount of Client Assets Managed on a Discretionary Basis

The amount of assets under our discretionary management as of December 31, 2016 is \$1,460,502,733.

The amount of assets under our non-discretionary management as of December 31, 2016 is \$1,780,398.

Item 5 Fees and Compensation

A. Compensation for Advisory Services

We are compensated based upon the market value of a client's portfolio(s) at the end of each quarterly period. Management Fees may be negotiable under certain circumstances. We also may combine two or more portfolios with similar objectives for a single client for the purpose of computing fees. We use the following fee schedules in most cases.

Fee Schedule (For New Clients - as of April 1, 2016)

Annually (fees paid quarterly in advance):

(0.0100) of the first \$2,000,000 of principal market value, plus
(0.0085) of the next \$3,000,000 of principal market value, plus
(0.00725) of the next \$5,000,000 of principal market value, plus
(0.0060) of the balance

Portfolios established prior to April 1, 2016 will remain at their contracted rates.

At F.L.Putnam's sole discretion, non-profit organization clients may be eligible to a 20% fee discount.

Schwab Institutional Intelligent Portfolios

Our annual fee for these portfolios will be charged at a flat 0.60% of assets under management. Currently, neither clients nor the firm pay SWIA any additional fees for participation in the Program. However, SWIA may receive remuneration from some or all ETFs eligible for participation in the program. Clients invested in these portfolios will be billed quarterly in advance based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter.

FOLIO*fn* Investment Management Platform

Our annual fee for these portfolios will be charged at a flat 0.60% of assets under management. Additionally, FOLIO*fn* will charge an additional brokerage fee of 0.25% of assets under management for accounts up to \$500,000. FOLIO*fn*'s brokerage fee is then reduced as account assets are increased. FOLIO*fn* may apply a minimum brokerage of \$100 per year in cases where account asset size is below a specific level.

FOLIO*fn* will debit a client's account monthly, in advance, based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous month, to collect all management, brokerage or advisory fees owed by a client to F.L.Putnam and to FOLIO*fn*. F.L.Putnam is solely responsible for reviewing and verifying the accuracy of the fees due to us.

Additional brokerage fees apply for orders executed outside of FOLIO*fn*'s window trades (known as "Direct Trades").

B. Deduction of Advisory Fees from Client Accounts

Client portfolio assets are held by an independent bank or broker custodian. In the majority of client accounts, advisory fees are deducted quarterly by the custodian and paid to F.L.Putnam. Clients may arrange to pay management fees from another source, in which case F.L.Putnam would bill the client directly on a quarterly basis.

C. Financial Planning Fees

Financial planning services are provided based upon hourly fees (currently \$200.00/hour), a fixed fee, typically ranging from \$1,500 to \$5,000 or a monthly fee (ranging \$20-\$100) depending on size of household, complexity, net worth, coaching needs, and income) as set forth in the financial planning agreement. Time expended, including the collection and analysis of data, the development of a financial plan and recommendations, and the presentation of outcomes, will be billed at the end of each month. If the parties have agreed to a fixed fee, we shall bill one-half of the fixed fee in advance and one-half after completion and delivery of the financial plan to a client. All financial planning fees are to be paid within thirty days of the date of our statement.

After completion and delivery of a client's financial plan, any subsequent financial planning sessions requested by a client (and agreed to by Adviser in writing) will be billed at the hourly fee set forth in the financial planning agreement.

If we are retained by a client for discretionary investment management services (by the client's execution of a separate investment management agreement) within six months of the date of the financial planning agreement, we will credit the client for the amount of the financial planning fees paid against investment management fees.

D. Other Types of Fees or Expenses

Occasionally we may purchase no-load mutual funds and exchange traded funds for a client's account in order to provide exposure to certain market segments. In such cases, the client will incur fees associated with the mutual funds and exchange traded funds which are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. These fees and expenses are separate from F.L.Putnam's investment management fees.

Clients generally will incur other fees and expenses for custody and brokerage costs. For more information on our brokerage practices, please see Item 12.

E. Pre-Payment of Fees & Refund

Clients pay fees quarterly in advance. If the advisory contract is terminated before the end of a billing period, any collected but unearned fees will be refunded.

F. Compensation for Sale of Securities

Neither F.L.Putnam nor any of its supervised persons receives compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

Item 6 Performance-Based Fees and Side-By-Side Management

Not applicable. We do not charge performance-based fees or engage in side-by-side management.

Item 7 Types of Clients

We provide portfolio management for foundations, endowments, religious organizations, corporations and unions as well as individuals and their families.

SWIA requires a minimum investment of \$5,000 to open a Schwab Institutional Intelligent Portfolio and makes these portfolios available only to select account types.

Although FOLIO^{fn} does not require a minimum account size, it may apply a minimum brokerage of \$100 per year in cases where account asset size is below a specific level.

We provide financial planning services to individuals and their families, including professionals, business owners and other persons seeking financial planning assistance.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

A. Methods of Analysis, Investment Strategies and Risk of Loss

We obtain information on securities, as well as economic and market trends, from a variety of sources. These sources include independent research firms, reports from securities firms, trade journals, annual and interim reports from corporations, rating services, electronic news and quotation services, and financial newspapers and magazines.

Investment Philosophy

We believe the key to a successful long-term investment strategy is a combination of detailed security specific research coupled with a broad understanding of global economic, financial and market trends.

We look to purchase securities of high-quality issuers when they are trading at attractive prices, with the expectation that they will be long-term investments.

Equities

Although our equity investment style incorporates elements from several disciplines, it is best labeled "growth at a reasonable price." When selecting equity securities we concentrate on companies that:

- Have growth prospects that exceed industry and/or market averages, or the historical growth profile of the company
- Appear to be undervalued relative to their growth prospects, the overall market and/or their respective industries
- Demonstrate financial strength based on numerous financial ratios

Through careful research we evaluate a company's financial strength, growth potential and "value" characteristics. We think of "value" as the relative value of a company's stock when compared to 1) the historical valuation of the company; 2) the historical and/or current valuation of a peer group of companies, or; 3) common stocks in general.

We are a global all-cap/core equity manager. This means that our clients' equity portfolios contain large-cap, mid-cap and small-cap stocks. "Large cap" or "large market capitalization" is used to refer to companies with a market capitalization value of more than \$10 billion; "mid-cap" or "middle market capitalization" is used to refer to companies with a market capitalization between \$2 billion and \$10 billion; and "small-cap" or "small market capitalization" is used to refer to companies with a market capitalization of between \$200 million and \$2 billion. In addition, a typical equity portfolio will contain both domestic and international stocks.

Fixed Income (Bonds)

When selecting fixed-income securities, we generally concentrate on issuers whose obligations are rated "investment grade" (AAA, AA, A or BBB) by one of the independent rating agencies.

We select debt securities with final maturities (or call dates) that are no longer than ten years from the date of purchase. Our experience indicates that an average maturity of approximately seven years has offered an optimal combination of low risk and reasonable return in recent decades.

Diversification

Our clients' portfolios are diversified among securities and industries. Exposure to any single industry is generally limited to 20% and exposure to any single corporate issuer is limited to 5% of a client's portfolio.

Sale of Securities

We purchase securities with the expectation that they will be long-term investments, but will sell any security when such a sale appears appropriate. Factors that may prompt us to sell a security include:

- Achievement of a price objective
- Deterioration in the trend of earnings estimates
- Deteriorating company or industry fundamentals
- Negative "surprises"
- Insider selling
- Violation of a 200-day moving average

We rarely engage in short-term trading, short sales, margin transactions, or the purchase or sale of derivatives (with the exception of covered call options) but may do so in response to the request of a client.

Risk of Loss

While we rely on methods of analysis and investment strategies that are based on research and a team approach to continually improve our views of the market and client holdings, investing in securities involves risk of loss that clients should be prepared to bear.

B. Material Risks of Investment Strategy or Method of Analysis

Our investment strategy is based on a combination of individual security research and the evaluation of global financial and economic conditions as well as other trends. We believe our research process helps us to identify and evaluate individual security risks such as: valuation risk, business/earnings risk, and balance sheet/financial risk; as well as portfolio risks such as interest rate risk and geopolitical risk. We make every attempt to identify and manage risk through careful research, group discussion and appropriate diversification. However, we cannot reasonably anticipate all possible risks to individual securities and therefore the risk of loss associated with investing in individual securities.

C. Material Risk of Recommendation Primarily of a Particular Type of Security.

Not applicable. We do not recommend that client portfolios primarily hold a particular type of security.

D. Financial Planning Process and Risk.

The financial planning process will focus on the identification and assessment of goals as they relate to a client's assets and liabilities. A variety of illustrations will be made using average return and monte carlo simulations to determine the feasibility of certain goals and outcomes. A holistic analysis can also take place, focusing on risk tolerance, insurance needs, investment sentiment, estate planning, and prioritization of goals, and after discussion with the client, incorporated into the financial plan.

Any investment recommendations should be considered carefully by the client as we do not warrant or guarantee any financial plan or the performance or results of any investment as may be recommended in the financial plan and the risk of loss is solely the risk of the client.

Item 9 Disciplinary Information

A. Criminal or civil action in a domestic, foreign or military court of competent jurisdiction.

Not applicable. No disciplinary information to report.

B. Administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

Not applicable. No disciplinary information to report.

C. Self-regulatory organization proceeding.

Not applicable. No disciplinary information to report.

Item 10 Other Financial Industry Activities and Affiliations

A. Registration as Broker-Dealer or Registered Representative of Broker Dealer

Not applicable.

B. Registration as Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor, or Associated Person

Not applicable.

C. Description of Relationship or Arrangement Material to Advisory Business or Clients with Certain Related Persons

Not applicable.

D. Recommendation or Selection of other Investment Advisors and Receipt of Compensation

Not applicable.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The standards of conduct in our Code of Ethics are intended to ensure that all personnel (i.e. officers, directors and employees) conduct themselves with integrity and honesty while carrying out their fiduciary obligations to clients. As fiduciaries, we always act in the best interests of clients. Therefore, our personnel must place the interests of clients before their own interests, maintain the confidentiality of client information and use independent professional judgment in making investment decisions.

All personnel are required to comply with all applicable securities laws and are prohibited from insider trading or communicating material nonpublic information in violation of law. All personnel are required to follow restrictions on personal trading such as a "blackout period" for restricted securities, must get approval before any IPO or limited offering securities transactions and must hold certain personal securities for a minimum period of time. Securities are posted to a restricted list when a portfolio manager has made a decision to trade the security in a client account and the trade meets specified criteria. Company personnel may not trade in a security posted to a restricted list during a "blackout period" for that security. All personnel must file personal securities transactions and holdings reports for review by our Chief Compliance Officer.

The Code of Ethics also sets standards for professionalism and competence.

All personnel must acknowledge in writing that they have received a copy of the Code of Ethics and any amendments. Personnel must also promptly report violations of the Code of Ethics to the Chief Compliance Officer or President of the company.

The above is a brief description of the Code of Ethics. A copy of the Code of Ethics will be provided to any client or prospective client upon request.

Item 12 Brokerage Practices

A. Factors in Selection of Broker-Dealers for Client Transactions and Determining Reasonableness of Compensation

Typically, with respect to equity transactions, due to trade-away costs, we will place trades with the broker custodial client assets. Therefore, we will not survey or shop the brokerage market place for best execution on a transaction-by-transaction basis. As such, it should be understood that we will not

have authority to negotiate commissions among various brokers and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients.

For clients in need of brokerage or custodial services, and depending on client circumstances and needs, we will recommend the use of one of several broker dealers, provided that such recommendation is consistent with our fiduciary duty to the client. Generally, for equity transactions, we will recommend the brokerage services offered by the client's custodian. The factors considered by our firm when making this recommendation are the broker's ability to provide professional services, our experience with the broker, the broker's reputation, and the broker's quality of execution services and costs of such services, and the custodial platform provided to clients, among other factors.

If a client, when undertaking an advisory relationship with our firm, already has a pre-established relationship with a broker and instructs us to execute all transactions through that broker, it should be understood that under those circumstances, we will not have the authority to negotiate commissions, obtain volume discounts and best execution may not be achieved. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to other clients since our firm may not be able to aggregate orders to reduce transaction costs or the client may receive less favorable prices.

We reserve the right to decline acceptance of any client account for which the client directs the use of a broker if we believe that this choice would hinder the firm's fiduciary duty to the client and/or its ability to service the account.

For clients with bank custodians and for fixed income transactions, we select broker-dealers for client with the intent to obtain reasonable brokerage commissions along with superior execution and service.

Unless a client designates a securities broker(s) to be used for a client's account, we place trade orders through such brokers, dealers or banks based on the following factors:

- net economic result to clients' accounts;
- combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- reasonable commission rates, which may not always be the lowest available at any given time;
- financial strength, stability and competence of the brokerage firms under consideration
- efficiency;
- ability to carry out the transaction in cases involving a large amount of the security to be traded;
- availability and willingness to stand ready to execute difficult transactions;
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available;
- availability of investment research and tools that assist us in making investment decisions
- prior service to us and our clients; and
- availability of other products and services that benefit us

After considering the above factors, we may also take into account our receipt of brokerage and research services, which may include sophisticated computer generated reports and analyses covering a broad range of information which we may use in developing our investment strategies. Products or services provided to us have included research reports on particular industries or companies, economic surveys and analysis, recommendations as to specific securities and other services and products (data, news, analytics, quotation equipment, models, forecasts of global markets, valuation and market analysis) providing lawful and appropriate assistance to us in our investment decision making. Clients may be charged commissions higher than those charged by other broker-dealers in return for receipt of these benefits.

If and when we use client brokerage commissions to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services. We may thus have an incentive to select a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution.

In situations where we have brokerage discretion and consistent with obtaining best execution for clients, we may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to our firm. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment our own internal research and investment strategy capabilities. Such services include:

- Analyses or reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts;
- Reports concerning interrelated political and economic factors;
- Access to research analysts; and
- Research-related seminars or conferences

This may be done without prior agreement or understanding by the client (and done at our discretion). Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third-parties which are compensated by the broker. Our firm does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research we receive will help us to fulfill our overall duty to its clients. We may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Broker-dealers selected by our firm may be paid commissions for effecting transactions for our clients that exceed the amounts other broker-dealers would have charged for effecting these transactions if we determine in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to our clients.

Certain items obtainable with soft dollars may not be used exclusively for either execution or research services. The cost of such "mixed-use" products or services will be fairly allocated and our firm will make a good faith effort to determine the percentage of such products or services which may be considered as investment research. The portion of the costs attributable to non-research usage of such products or services is paid by our firm to the broker-dealer in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934.

When we use client brokerage commissions to obtain research or brokerage services, we receive a benefit to the extent that our firm does not have to produce such products internally or compensate third-parties with our own money for the delivery of such services. Therefore, such use of client brokerage commissions results in a conflict of interest, whereby we have an incentive to direct client brokerage to those brokers who provide research and services utilized by us, even if these brokers do not offer the best price or commission rates for our clients. In addition, our firm theoretically could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products or services.

Consequently, we have adopted the following policies and procedures to monitor and mitigate the conflict:

1. We use client commissions to pay for eligible services only, as defined in Section 28(e) and subsequent regulatory and industry guidance;
2. We conduct periodic analysis of volume of transactions sent to each approved broker along with the competitiveness of the commission schedules of each such broker;

3. We periodically evaluate the usefulness of services received from brokers in relation to the amount of commissions directed to each broker; and
4. We monitor any “mixed-use” services received and have developed a procedure for equitable allocation between soft and hard dollars paid for such services.

Certain services offered by brokerage firms may generally benefit only us. These are typically services intended to help us manage and further develop our business enterprise. These services may include, but are not limited to:

- educational conferences and events;
- technology, compliance, legal and business consulting;
- publications and conferences on practice management and business succession;
- access to employee benefits providers, human capital consultants and insurance providers; and
- occasional business entertainment of our personnel

We may suggest the use of securities brokerage firms as custodian in cases where we believe that the overall terms (including the overall investment-related costs) of the arrangement are favorable to a client. The use of a securities brokerage firm as custodian for a client tends to result in the client's transactions being executed primarily through that firm. Charles Schwab and Fidelity are the securities brokerage firms most frequently used as custodians and consequently as executing brokers for those accounts for whom they act as custodian.

Schwab Institutional Intelligent Portfolios

All transactions in accounts invested in these portfolios must be made through Schwab and consequently, in electing to participate in this Program, a client directs F.L.Putnam to select Schwab as the exclusive executing broker dealer.

FOLIO*fn* Investment Management Platform

All transactions in accounts invested in these portfolios must be made through FOLIO*fn* and consequently, in electing to participate in this program, a client directs F.L.Putnam to select FOLIO*fn* as the exclusive executing broker dealer. FOLIO*fn* trades are subject to specific trading windows which may affect the terms of executed trades and possibly result in less than best execution.

While a client may direct brokerage, in such cases, we may be unable to achieve the most favorable execution of client transactions. Directing brokerage may result in a client paying higher brokerage commissions and/or receiving less favorable executions.

B. Conditions for Aggregating Purchase or Sale of Securities for Client Accounts

When purchasing or selling the same security for more than one client, we may consolidate transactions in order to obtain better terms which may result from a larger transaction. However, portfolio managers may not always coordinate securities transactions amongst themselves and aggregation may be limited to a group of clients assigned to a particular portfolio manager.

Item 13 Review of Accounts

A. Review of Client Accounts

Each client account is reviewed regularly by the portfolio manager assigned to that account. Accounts are reviewed in the context of the objectives and goals contained in each client's investment policy statement.

B. Factors Triggering a Review

While client accounts are reviewed regularly, major changes in economic, financial or market conditions would trigger more intensive reviews. Clients must notify us if there are significant changes to their financial situation which would also trigger a review. In addition, we meet regularly with clients to review their goals and objectives as well as to review portfolio strategy, structure and performance. Such meetings with clients prompt an in-depth review, with many customized analyses of the account.

C. Reports

Clients can elect to receive written reports on a quarterly or monthly (if preferred) basis. Regular reports will generally include appraisals of the account assets as of the final day of the month or quarter. Special reports may be created to accommodate a client's requirements.

We will also meet with clients to discuss any questions they may have regarding their accounts or reports related to their accounts.

D. Financial Planning Services

Financial planning services are fully performed and completed upon delivery of a written plan unless a client requests additional financial planning services and we have agreed in writing to the additional services. We recommend that financial planning clients review their plan on at least an annual basis or upon a significant change in their personal and financial circumstances.

Item 14 Client Referrals and Other Compensation

We may compensate unrelated persons or organizations for client referrals. The referral and receipt of compensation by the person or organization making the referral, is disclosed in writing to the referred client. The referred client must also consent to the referral arrangement. Clients who are introduced to us through these referral arrangements are charged the same fees and costs as other advisory clients for similar services.

F.L.Putnam receives client referrals from Charles Schwab & Co., Inc. (Schwab) through our participation in Schwab Advisor Network (the Service). The Service is designed to help investors find an independent investment adviser. Schwab is a broker-dealer independent of and unaffiliated with F.L.Putnam and its employees. F.L.Putnam and its employees are not employees or agents of Schwab. Schwab has prescreened F.L.Putnam and checked its experience and credentials against criteria that Schwab sets. Schwab does not supervise F.L.Putnam and has no responsibility for F.L.Putnam's management of clients' portfolios or F.L.Putnam's other advice or services. Schwab does not prepare, verify or endorse information distributed by F.L.Putnam. Investors must decide whether to hire F.L.Putnam and what authority to give it. Investors, not Schwab, are responsible for monitoring and evaluating F.L.Putnam's service, performance and account transactions.

F.L.Putnam pays Schwab fees to receive client referrals through the Service. F.L.Putnam's participation in the Service may raise potential conflicts of interest described below.

F.L.Putnam pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by F.L.Putnam is a percentage of the fees the client owes to F.L.Putnam or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee.

For clients referred to F.L.Putnam through the Service on or before December 31, 2006, the Participation Fee is 15% of the advisory fee payable by clients referred through the Service. F.L.Putnam pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab.

For clients referred to F.L.Putnam through the Service on or after January 1, 2007, the Participation Fee is the quarterly equivalent of the following annual percentages of the following amounts of the average daily total assets in the client's household account during the quarter.

First \$2 million	0.25% (25 basis points)
Next \$3 million	0.20% (20 basis points)
Next \$5 million	0.15% (15 basis points)
Amount over \$10 million	0.10% (10 basis points)

The Participation Fee is taken or billed by Schwab quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by F.L.Putnam and not by the client. F.L.Putnam has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs F.L.Putnam charges clients with similar portfolios who were not referred through the Service.

F.L.Putnam generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from, Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody fee is a one-time payment equal to 0.75% (75 basis points) of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees F.L.Putnam generally would pay in a single year. Thus, F.L.Putnam will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of F.L.Putnam's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, F.L.Putnam will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab.

For accounts of F.L.Putnam's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from F.L.Putnam's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab will also receive a fee for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealers' fees. Thus, F.L.Putnam may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. F.L.Putnam, nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for F.L.Putnam's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Item 15 Custody

F.L.Putnam does not have possession of client portfolio assets. All client assets are held by an independent custodian except where clients elect to retain custody of certain assets. In those few

instances where F.L.Putnam serves as trustee of a client account, F.L.Putnam may be deemed to have custody of client funds and securities under certain rules promulgated by the SEC.

In addition to quarterly (or monthly) reports from F.L.Putnam, clients also receive valuation and transaction statements directly from their custodian, on either a quarterly (or monthly) basis. Clients should carefully review statements from their custodian and compare them with the reports received from F.L.Putnam.

Item 16 Investment Discretion

We manage client accounts on a discretionary basis. However, clients may place limitations on our authority such as holding a particular security or limiting certain security sales due to tax constraints.

The procedures we follow before we assume discretionary authority are as follows:

- Determine whether an investment advisory relationship on a discretionary basis is appropriate, and complete the account opening process
- Discuss and review a written investment advisory agreement and discuss the services to be provided, the fees to be charged, the discretionary authority that is being granted to manage and make decisions about the client's account without prior discussion with or consent from the client, and other terms and conditions of the agreement
- Discuss the limited power of attorney or trading authorization prior to review and signature by the client
- Discuss any restrictions that a client may wish to place on the management of the account and determine whether we will be able to provide our services under such restrictions
- Client reviews and signs the investment advisory agreement engaging F.L.Putnam as investment adviser and authorizing F.L.Putnam to exercise discretionary authority over the client's account.

Item 17 Voting Client Securities

In most cases, clients accept the responsibility to vote securities. For those clients on whose behalf we have accepted responsibility to vote securities, we will vote proxies in accordance with our policies and procedures for proxy voting. Our proxy voting policies and procedures were adopted with the purpose of ensuring that we vote proxies in the best interests of clients and deal with conflicts of interest which might arise from proxy proposals being voted upon.

We consider clients' written instructions, if any, and factors that relate to a client's investment, including how a vote will economically impact and affect the value of a client's investment. In general, proxy votes will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders.

F.L.Putnam will avoid any direct or indirect conflict of interest arising out of any proxy voting decision. Our personnel involved in proxy voting shall promptly respond to requests for information regarding potential areas of conflict, e.g., relationships with public company officers, directors, personal holdings of securities or other vested interests in corporations in which stock is held by clients. Measures to address conflicts of interest may include:

- disclosure of the conflict and securing client consent prior to voting
- giving the proxy to client for client to vote
- excluding personnel with a conflict of interest from participating in voting proxies
- delegating voting to an independent third party qualified for voting
- voting in accordance with the recommendation of an independent third party, with client consent

SWIA and/or a third party service selected by them will vote proxies for all ETF securities held in client accounts.

Upon written request a copy of our proxy voting policies and procedures shall be provided. We will also promptly respond to all requests for information regarding how we voted with respect to a client's securities.

Item 18 Financial Information

We do not have knowledge of any financial condition that is likely to impair our ability to meet our contractual commitments to our clients.