

**UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

_____x
: Civil Action No.
:
MAURICE BONIME, on Behalf of Himself and All: **CLASS ACTION COMPLAINT**
Others Similarly Situated, :
:
Plaintiff, : **JURY TRIAL DEMANDED**
v. :
:
PUTNAM AMERICAN GOVERNMENT INCOME FUND, :
PUTNAM ARIZONA TAX EXEMPT INCOME FUND, :
PUTNAM ASSET ALLOCATION: BALANCED :
PORTFOLIO, PUTNAM ASSET ALLOCATION: GROWTH :
PORTFOLIO, PUTNAM ASSET ALLOCATION: :
CONSERVATIVE PORTFOLIO, PUTNAM CALIFORNIA :
TAX EXEMPT INCOME FUND, PUTNAM CAPITAL :
APPRECIATION FUND, PUTNAM CAPITAL :
OPPORTUNITIES FUND, PUTNAM CLASSIC EQUITY :
FUND, PUTNAM CONVERTIBLE INCOME-GROWTH :
TRUST, PUTNAM DIVERSIFIED INCOME TRUST, :
PUTNAM DISCOVERY GROWTH FUND, PUTNAM :
EQUITY INCOME FUND, PUTNAM EUROPE EQUITY :
FUND, PUTNAM FLORIDA TAX EXEMPT INCOME :
FUND, PUTNAM FUND FOR GROWTH AND INCOME, :
GEORGE PUTNAM FUND OF BOSTON, PUTNAM :
GLOBAL EQUITY FUND, PUTNAM GLOBAL INCOME :
TRUST, PUTNAM GLOBAL NATURAL RESOURCES :
FUND, PUTNAM GROWTH OPPORTUNITIES FUND, :
PUTNAM HEALTH SCIENCES TRUST, PUTNAM HIGH :
YIELD ADVANTAGE FUND, PUTNAM HIGH YIELD :
TRUST, PUTNAM INCOME FUND, PUTNAM :
INTERMEDIATE U.S. GOVERNMENT INCOME FUND, :
PUTNAM INTERNATIONAL CAPITAL OPPORTUNITIES :
FUND, PUTNAM INTERNATIONAL EQUITY FUND, :
PUTNAM INTERNATIONAL GROWTH AND INCOME :
FUND, PUTNAM INTERNATIONAL NEW :
OPPORTUNITIES FUND, PUTNAM INVESTORS FUND, :
PUTNAM MASSACHUSETTS TAX EXEMPT INCOME :
FUND, PUTNAM MICHIGAN TAX EXEMPT INCOME :
FUND, PUTNAM MID CAP VALUE FUND, PUTNAM :
MINNESOTA TAX EXEMPT INCOME FUND, :
PUTNAM MONEY MARKET FUND, :
[CAPTION CONTINUES ON NEXT PAGE] :

PUTNAM MUNICIPAL INCOME FUND, :
 PUTNAM NEW JERSEY TAX EXEMPT INCOME FUND, :
 PUTNAM NEW OPPORTUNITIES FUND, PUTNAM NEW :
 VALUE FUND, PUTNAM NEW YORK TAX EXEMPT :
 INCOME FUND, PUTNAM NEW YORK TAX EXEMPT :
 OPPORTUNITIES FUND, PUTNAM OHIO TAX EXEMPT :
 INCOME FUND, PUTNAM OTC & EMERGING :
 GROWTH FUND, PUTNAM PENNSYLVANIA TAX :
 EXEMPT INCOME FUND, PUTNAM RESEARCH FUND, :
 PUTNAM SMALL CAP GROWTH FUND, PUTNAM :
 SMALL CAP VALUE FUND, PUTNAM TAX EXEMPT :
 INCOME FUND, PUTNAM TAX SMART EQUITY FUND, :
 PUTNAM TAX-FREE HIGH YIELD FUND, PUTNAM :
 TAX-FREE INSURED FUND, PUTNAM U.S. :
 GOVERNMENT INCOME TRUST, PUTNAM UTILITIES :
 GROWTH AND INCOME FUND, PUTNAM VISTA FUND, :
 PUTNAM VOYAGER FUND (collectively known as :
 “putnam funds”); MARSH & MCLENNAN :
 COMPANIES, INC.; PUTNAM INVESTMENTS :
 TRUST; PUTNAM INVESTMENT :
 MANAGEMENT LLC.; PUTNAM INVESTMENT :
 FUNDS; and JOHN DOES 1-100, :
 :
 :
 Defendants. :

x

Plaintiff alleges the following based upon the investigation of plaintiff’s counsel, which included a review of United States Securities and Exchange Commission (“SEC”) filings as well as other regulatory filings and reports and advisories about Putnam Funds (as defined in the caption of this case), press releases and other public statements issued by the Company, and media reports about Putnam Funds. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a class action on behalf of a class (the “Class”) of all purchasers, redeemers and holders of the Putnam family of Funds (as defined below), who purchased, held, or otherwise acquired shares between November 1, 1998 and September 3, 2003 (the “Class Period”), seeking to pursue remedies under the Securities Act of 1933 (the “Securities Act”), the Securities Exchange Act of 1934 (the “Exchange Act”), the Investment Company Act of 1940 (the “Investment Company Act”), and for common law breach of fiduciary duties.

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act, [15 U.S.C. §§ 78j(b) and 78t(a)], and Rule 10b-5 promulgated thereunder [17 C.F.R. §240.10b-5]. Additionally, this action arises under Sections 11 and 15 of the Securities Act. [15 U.S.C. §§77k, 771(a)(2), and 77o] and pursuant to §36 of the Investment Company Act [15 U.S.C. §80a-35].

3. This Court has jurisdiction over the subject matter of this action pursuant to §27 of the Exchange Act of 1934 [15 U.S.C. §78aa]; Section 22 of the Securities Act [15 U.S.C. §77v]; and §36 of the Investment Company Act [15 U.S.C. §80a-35].

4. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28 U.S.C. § 1391(b). Many of the acts charged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in this District. Defendants conducted other substantial business within this District and many Class members reside within this District. Defendant Marsh & McLennan Companies Inc. (“Marsh & McLennan”), the parent company of Putnam Investments Trust (“Putnam Investments”) was an active participant in

the wrongful conduct alleged herein and is headquartered within this District, at 1166 Avenue of the Americas, New York, New York 10036.

5. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

6. Plaintiff Maurice Bonime, as set forth in his certification, which is attached hereto as Exhibit A and incorporated by reference herein, purchased shares or units of the Putnam Global Equity A Fund during the Class Period and has been damaged thereby.

7. Defendant Marsh & McLennan is the parent of the Putnam Defendants named herein. Marsh & McLennan is a professional services firm that is headquartered at 1166 Avenue of the Americas, New York, New York 10036.

8. Defendant Putnam Investments is a subsidiary of Marsh & McLennan and operates as Marsh & McLennan's investment management arm and is headquartered at One Post Office Square, Boston, MA.

9. Defendant Putnam Investment Management LLC ("Putnam Investment Management") oversees the day-to-day management of the Putnam Funds (as defined below) and is headquartered at One Post Office Square, Boston, MA. Additionally, Putnam Investment Management is a subsidiary of Putnam Investments.

10. Defendant Putnam Investment Funds is the registrant and issuer of the Putnam Funds (as defined below) and is headquartered at One Post Office Square, Boston, MA.

11. Defendants Marsh & McLennan, Putnam Investments, Putnam Investment Management, and Putnam Investment Funds are collectively referred as “Putnam Defendants.”

12. Defendants Putnam American Government Income Fund, Putnam Arizona Tax Exempt Income Fund, Putnam Asset Allocation: Balanced Portfolio, Putnam Asset Allocation: Conservative Portfolio, Putnam Asset Allocation: Growth Portfolio, Putnam California Tax Exempt Income Fund, Putnam Capital Appreciation Fund, Putnam Capital Opportunities Fund, Putnam Classic Equity Fund, Putnam Convertible Income-Growth Trust, Putnam Discovery Growth Fund, Putnam Diversified Income Trust, Putnam Equity Income Fund, Putnam Europe Equity Fund, Putnam Florida Tax Exempt Income Fund, Putnam Fund for Growth and Income, George Putnam Fund of Boston, Putnam Global Equity Fund, Putnam Global Income Trust, Putnam Global Natural Resources Fund, Putnam Growth Opportunities Fund, Putnam Health Sciences Trust Putnam High Yield Advantage Fund, Putnam High Yield Trust, Putnam Income Fund, Putnam Intermediate U.S. Government Income Fund, Putnam international Capital Opportunities Fund, Putnam International Equity Fund, Putnam International Growth and Income Fund, Putnam International New Opportunities Fund, Putnam Investors Fund Putnam Massachusetts Tax Exempt income Fund, Putnam Michigan Tax Exempt Income Fund, Putnam Mid Cap Value Fund, Putnam Minnesota Tax Exempt Income Fund, Putnam Money Market Fund, Putnam Municipal Income Fund Putnam New Jersey Tax Exempt Income Fund, Putnam New Opportunities Fund, Putnam New Value Fund, Putnam New York Tax Exempt income Fund, Putnam New York Tax Exempt Opportunities Fund, Putnam OTC & Emerging Growth Fund, Putnam Ohio Tax Exempt Income Fund, Putnam Pennsylvania Tax Exempt Income Fund, Putnam Research Fund, Putnam Small Cap Growth Fund, Putnam Small Cap Value Fund,

Putnam Tax Exempt income Fund, Putnam Tax Exempt Money Market Fund, Putnam Tax Smart Equity Fund, Putnam Tax-Free High Yield Fund, Putnam Tax-Free Insured Fund, Putnam U.S. Government Income Trust, Putnam Utilities Growth and Income Fund, Putnam Vista Fund, and Putnam Voyager Fund (collectively referred to as “Putnam Funds”) are mutual funds that are registered under the Investment Company Act and managed by Putnam Investment Funds. The Putnam Funds are headquartered at one Post Office Square, Boston, MA.

13. The true names and capacities of defendants sued herein as John Does 1 through 100 are other active participants with the Putnam Defendants in the alleged common plan and scheme set forth herein whose identities have yet to be revealed. These “Doe Defendants” were secretly permitted to engage in improper timing at the expense of ordinary Putnam Funds investors, such as plaintiffs and the other members of the Class. Plaintiffs will seek to amend this complaint to state the true names and capacities of the Doe Defendants once they have been revealed.

CLASS ACTION ALLEGATIONS

14. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all persons or entities who purchased or otherwise acquired shares or like interests in any of the Putnam Funds, between November 1, 1998 and September 3, 2003, inclusive, and who were damaged thereby. Plaintiff and each of the Class members purchased shares or other ownership units in Putnam Funds pursuant to a registration statement and prospectus. The registration statements and prospectuses pursuant to which plaintiffs and the other Class members purchased their shares or other ownership units in Putnam Funds are referred to collectively herein as the “Prospectuses.”

Excluded from the Class are defendants, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

15. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by the Putnam Funds and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

16. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

17. Plaintiff will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation.

18. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- (a) whether the federal securities laws were violated by defendants' acts as alleged herein;
- (b) whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business, operations

and financial statements of the Putnam Funds; and

- (c) to what extent the members of the Class have sustained damages and the proper measure of damages.

19. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it virtually impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

SUBSTANTIVE ALLEGATIONS

BACKGROUND

20. This action concerns a fraudulent scheme and course of action that was intended to and indeed did benefit the Putnam and Doe Defendants at the expense of unsuspecting mutual fund investors. In connection therewith, the Putnam Defendants violated their fiduciary duties to their customers in return for substantial fees and other income for themselves and their affiliates.

21. The Putnam and Doe Defendants wrongful conduct involved “timing” of mutual funds. “Timing” is an investment technique involving short-term “in and out” trading of mutual fund shares. The technique is designed to exploit the inefficiencies in the way mutual fund companies price their shares. It is widely acknowledged that timing inures to the detriment of long-term shareholders. Because of this detrimental effect, mutual fund prospectuses typically state that timing is monitored and the funds work to prevent it. Nonetheless, in return for

investments that will increase fund managers' fees, fund managers enter into undisclosed agreements to allow timing.

22. Certain mutual fund companies have employees (generally referred to as the "timing police") who are supposed to detect "timers" and put a stop to their short-term trading activity. Nonetheless, the Putnam Defendants arranged to give the Doe Defendants and offer market timers a "pass" with the timing police, who would look the other way rather than attempt to shut down their short-term trading.

23. The mutual fund prospectus for Putnam Funds created the misleading impression that the Putnam Funds are vigilantly protecting investors against the negative effects of timing. In fact, the opposite was true: the Putnam Defendants sold the right to time Putnam Funds to the Doe Defendants and allowed other fund investors to time Putnam Funds. The prospectus was silent about these arrangements.

24. As a result of "timing" of Putnam Funds the Doe Defendants, other timers and the Putnam Defendants and their intermediaries profited handsomely. The losers were unsuspecting long-term mutual fund investors.

TIMING

25. Mutual funds are designed for buy-and-hold investors, and are therefore the favored homes for Americans' retirement and college savings accounts. Nevertheless, quick-turnaround traders routinely try to trade in and out of certain mutual funds in order to exploit inefficiencies in the way they set their Net Asset Values ("NAV").

26. This strategy works only because some funds use “stale” prices to calculate the value of securities held in the fund’s portfolio. These prices are “stale” because they do not necessarily reflect the “fair value” of such securities as of the time the NAV is calculated.

27. Effective timing captures an arbitrage profit which comes dollar-for-dollar out of the pockets of the long-term investors: the timer steps in at the last moment and takes part of the buy-and-hold investors’ upside when the market goes up, so the next day’s NAV is reduced for those who are still in the fund. If the timer sells short on bad days, the arbitrage has the effect of making the next day’s NAV lower than it would otherwise have been, thus magnifying the losses that investors are experiencing in a declining market.

28. Besides the wealth transfer of arbitrage (called “dilution”), timers also harm their target funds by, for example, imposing their transaction costs on the long-term investors. Indeed trades necessitated by a timer’s redemptions can also lead to realization of taxable capital gains at an undesirable time or may result in managers having to sell stock into a falling market. Some fund managers even enter into special investments as an attempt to “hedge” against timing activity (instead of just refusing to allow it), thus deviating altogether from the ostensible investment strategy of their funds, and incurring further transaction costs.

29. Mutual fund managers are aware of the damaging effect that timers have on their funds. While it is virtually impossible for fund managers to identify every timing trade, large movements in and out of funds -- like those made by the Doe Defendants -- are easy for managers to spot.

30. Fund managers typically have the power simply to reject timers' purchases. As fiduciaries for their investors, mutual fund managers are obliged to do their best to protect their customers from the dilution that timing causes.

31. The incentive to the Putnam Defendants to engage in such wrongdoing is as follows: Typically a single management company sets up a number of mutual funds to form a family. While each mutual fund is in fact its own company, as a practical matter the management company runs it. The portfolio managers who make the investment decisions for the funds and the executives to whom they report are all typically employees of the management company, not the mutual funds themselves. Still, the management company owes fiduciary duties to each fund and each investor.

32. The management company makes its profit from fees it charges the funds for financial advice and other services. These fees are typically a percentage of the assets in the fund, so the more assets in the family of funds, the more money the manager makes. The timer understands this perfectly, and frequently offers the manager more assets in exchange for the right to time. Fund managers have succumbed to temptation and allowed investors in the target funds to be hurt in exchange for additional money in their own pockets in the form of higher management fees.

33. Thus, by keeping money -- often many million dollars -- in the same family of mutual funds (while moving the money from fund to fund), the Doe Defendants assured the Putnam Defendants that they would collect management and other fees on the amount whether it was in the target fund, the resting fund, or moving in between. In addition, sometimes the manager would waive any applicable early redemption fees. By doing so, the manager would

directly deprive the fund of money that would have partially reimbursed the fund for the impact of timing.

34. As an additional inducement for allowing the timing, fund managers often received “sticky assets.” These were typically long-term investments made not in the mutual fund in which the timing activity was permitted, but in one of the fund manager’s financial vehicles that assured a steady flow of fees to the manager.

35. These arrangements were never disclosed to mutual fund investors. On the contrary, many of the relevant mutual fund prospectuses contained materially misleading statements assuring investors that the fund managers discouraged and worked to prevent mutual fund timing.

THE SCHEME CONCERNING PUTNAM FUNDS

36. During the Class Period, the Putnam Defendants permitted the Doe Defendants and others to time Putnam Funds.

37. On September 3, 2003, New York Attorney General Elliot Spitzer (the “Attorney General”) filed a complaint charging fraud, among other things, in connection with the unlawful practices alleged herein. More specifically, the Attorney General alleged the following about Canary Capital Partners, LLC, a multi-million dollar hedge fund: “Canary developed a complex strategy that allowed it to in effect sell mutual funds short and profit on declining NAVs.”

Additionally, the Attorney General alleged:

Bank of America. . . (i) set Canary up with a state of the art electronic late trading platform, allowing it to trade late in the hundreds of mutual funds that the bank offers to its customers, (ii) gave Canary permission to time the Nations Funds Family, (iii) provided Canary with approximately \$300 million of credit to finance this late trading and timing, and (iv) sold Canary the derivative short positions it needed to time the funds as the market dropped. None of these facts were

disclosed in the Nations Funds prospectuses. In the process, Canary became one of Bank of America's largest customers. The relationship was mutually beneficial in that Canary made tens of millions through late trading and timing, while the various parts of the Bank of America that serviced Canary made millions themselves.

38. On September 16, 2003, the Boston Herald reported that Massachusetts Secretary of State William Galvin ("Galvin") had confirmed that his staff had launched a probe into possible improper fund trading at Putnam Investments in Boston. More specifically, the Boston Herald reported that Galvin was investigating improper market timing schemes employed by Putnam mutual funds:

The Putnam inquiry is Galvin's latest investigation into mutual fund trades and comes as the industry faces probes from other state and federal regulators.

Galvin said his staff sent several subpoenas to Putnam last Thursday to learn about possible improper market timing -- that is, making short-term trades of fund shares, often at the expense of long-term shareholders.

"This is not a fishing expedition," Galvin said. "We obviously have probable cause of some kind to make these inquiries."

The probe is focused on trades in one of Putnam's international funds, according to a source in Galvin's office.

When asked about the probe, Putnam spokeswoman Nancy Fisher said: "We received an inquiry from the state of Massachusetts and are responding."

"This effort is about (making) sure that the average investor, especially in mutual funds, is treated fairly," Galvin said.

Though market timing isn't illegal, the practice is often publicly discouraged by fund firms because they say it can hurt fund performance for long-term investors. Regulators are, among other things, focusing on trades that take advantage of the lag between the once-a-day pricing of funds and the value of their underlying stocks.

Putnam, a unit of New York-based Marsh & McLennan Cos., issued a statement last week claiming that it has had a policy to protect its funds from excessive

trading and market timing since 1997. Putnam said its controls include short-term trading fees, a technique known as “fair value pricing,” daily monitoring of trading activity and revoking the trading privileges of people who violate its policy.

Galvin’s probe comes at a bad time for Putnam, as investors continue to pull money out of its funds despite the recent stock market surge. Putnam had the largest net outflows of fund assets of any of the 25 biggest fund firms through July 31, with nearly \$7.3 billion leaving Putnam’s funds in that time, according to Financial Research Corp. data.

But Fisher said Putnam’s net outflows improved from last year and the rate at which Putnam investors are taking money out of the funds for other uses as well below the industry average.

Putnam’s funds have suffered more than most companies’ funds because many managers at Putnam bet heavily on high-tech stocks that later crashed Morningstar analyst Matt Scholz said. “They’ve had a lot of problems in the last year or two,” he said, “If it turns out that there are certain improprieties going on there, they might be impacted worse than other fund families.”

39. On October 21, 2003, the Boston Globe reported that Galvin was to charge Putnam Investments with civil securities fraud, alleging that the firm had engaged in improper market timing. The Boston Globe reported:

Massachusetts Secretary of State William P. Galvin plans to charge Putnam Investments with civil securities fraud within the next few days, say two people involved in the investigation. The charges would ensnare one of Boston’s largest mutual fund firms in a burgeoning probe with abusive practices in the fund industry.

Galvin and New York Attorney General Eliot Spitzer have moved aggressively in the last two months against the mutual fund industry, which had largely avoided the lawsuits and scandals that have plagued corporate America and the securities industry since the Internet bubble burst in early 2000. Spitzer, in particular, has shown that certain big investors received preferential treatment at some fund houses, undermining investors’ faith that the rules apply equally to all shareholders. Formal complaints against Putnam, the nation’s fifth-largest fund family, would suggest that the scope of the inquiries is widening.

Investigators are probing whether the trading practice known as market timing -- trading quickly into and out of funds, to take advantage of short-term price fluctuations -- was being employed by small time individual investors as well as by sophisticated brokerage houses. The two people involved in the investigation

said the state Securities Division, which Galvin oversees, intends to charge Putnam with at least two counts of securities fraud. One count would allege the company let individuals trade rapidly in and out of their mutual fund accounts despite company policies that prohibit excessive trading. A second would allege that Putnam failed to treat shareholders equally, by allowing some to market-time their accounts, and not others.

The state is expected to allege that by not upholding its policies, Putnam in effect said one thing and did another as well as treated its customers unequally. The state is expected to argue that both would constitute civil fraud in Massachusetts. Under Massachusetts' law, each violation carries a penalty of up to \$25,000. It's not known how many violations the state hopes to document. In a statement, Putnam said that "any accusation of improper behavior related to market timing across our client base is simply not true. We recently completed a thorough review of market timing in our mutual funds as far back from 1998 to present and have determined that nothing illegal occurred during that period."

Putnam said it learned of the pending complaint against the firm late yesterday.

The Massachusetts investigation of Putnam funds concerns mutual fund accounts of members of several New York trade unions and workers involved in the cleanup of the U.S. government's Hanford nuclear waste site in Washington state, according to a subpoena Galvin's office issued to Putnam last month, a copy of which was obtained by the Globe.

The subpoena demanded documents covering the period from Jan. 1, 2000 to the present related to its administration of investment funds for the Boilermakers Union, Local No. 5, in New York; the Joint Industry Board of Electrical Industry, which manages some benefits for union electricians in New York; and Fluor Hanford Inc. a unit of the California engineering and construction firm Fluor Corp. that runs the retirement plan for more than 11,000 employees from about 10 companies working on the cleanup of the polluted US nuclear reservation in Washington state.

The state has also asked that Putnam produce account records of 11 individual investors, though it does not identify where the 11 worked.

40. As such, the Putnam Defendants have breached their fiduciary duties to plaintiff and the Class by lying to investors about their effort to curb market timers by entering into undisclosed agreements intended to boost their fees and permitting the Doe Defendants to time

the mutual funds. As a result, the Putnam Defendants have violated the Securities Act, the Exchange Act, the Investment Company Act, and common law fiduciary duties.

41. Prior to investing in Putnam Funds, plaintiff and other members of the class were given a prospectus.

42. The prospectuses falsely stated:

The exchange privilege is not intended as a vehicle for short-term trading. Excessive exchange activity may interfere with portfolio management and have an adverse effect on all shareholders. In order to limit excessive exchange activity and otherwise to promote the best interests of the fund, the fund reserves the right to revise or terminate the exchange privilege, limit the amount or number of exchanges or reject any exchange. The fund into which you would like to exchange may also reject your exchange. These actions may apply to all shareholders or only to those shareholders whose exchanges Putnam Management determines are likely to have a negative effect on the fund or other Putnam funds. Consult Putnam Investor Services before requesting an exchange.

43. Additionally, the prospectuses stated that a redemption fee of 1.00% may apply to any shares that are redeemed (either by selling or exchanging into another fund) within 90 days of purchase.

44. The prospectuses, however, failed to disclose the following: (a) that the Putnam Defendants had entered into unlawful agreements allowing the Doe Defendants to time their trading of the Putnam Funds shares; (b) that, pursuant to those agreements, the Doe Defendants regularly timed Putnam Funds; (c) that, contrary to the representations in the Prospectuses, Putnam Funds only enforced their policy against frequent traders selectively; (d) that the Putnam Defendants regularly allowed the Doe Defendants to engage in trades that were disruptive to the efficient management of Putnam Funds and/or increased Putnam Funds' costs, thereby reduced Putnam Funds actual performance; and (e) the Prospectuses failed to disclose that, pursuant to

the unlawful agreements, the Putnam and Doe Defendants benefited financially at the expense of Putnam Funds' investors including plaintiff and other members of the Class.

UNDISCLOSED ADVERSE INFORMATION

45. The markets for Putnam Funds were open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, Putnam Funds traded at distorted prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Putnam Funds relying upon the integrity of the NAV for Putnam Funds and market information relating to Putnam Funds, and have been damaged thereby.

46. During the Class Period, the Putnam Defendants materially misled the investing public, thereby distorting the NAV of Putnam Funds, by allowing the Doe Defendants to time Putnam Funds.

47. At all relevant times, the material misrepresentations and omissions particularized in this complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by plaintiff and other members of the Class.

ADDITIONAL SCIENTER ALLEGATIONS

48. As alleged herein, the Putnam Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of Putnam Funds were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, the Putnam

Defendants, by virtue of their receipt of information reflecting the true facts regarding Putnam Funds, their control over, and/or receipt and/or modification of Putnam Funds allegedly materially misleading misstatements and/or their associations with Putnam Funds which made them privy to confidential proprietary information concerning Putnam Funds, participated in the fraudulent scheme alleged herein.

49. Additionally, the Putnam Defendants were highly motivated to allow and facilitate the wrongful conduct alleged herein and participated in and/or had actual knowledge of the fraudulent conduct alleged herein. In exchange for allowing the unlawful practices alleged herein, the Putnam Defendants, among other things, received increased management fees from sticky assets as well as an increased number of transactions in and out of the funds, and were able to profit from increased returns. In short, the Putnam Defendants siphoned money out of the mutual funds and into and their own pockets.

50. The Putnam Defendants were motivated to participate in the wrongful scheme by the enormous profits they derived thereby. They systematically pursued the scheme with full knowledge of its consequences to other investors.

Applicability of Presumption of Reliance:
Fraud-On-The-Market Doctrine

51. At all relevant times, the market for Putnam Funds were an efficient market for the following reasons, among others:

a. Putnam Funds met the requirements for listing, and was listed and actively traded on a highly efficient and automated market;

b. As a regulated issuer, Putnam Funds filed periodic public reports with the SEC;

c. Putnam Funds regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

d. Putnam Funds were followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

52. As a result of the foregoing, the market for Putnam Funds promptly digested current information regarding Putnam Funds from all publicly available sources and reflected such information in Putnam Funds' NAV. Under these circumstances, all purchasers of Putnam Funds during the Class Period suffered similar injury through their purchase of Putnam Funds NAV at distorted prices and a presumption of reliance applies.

NO SAFE HARBOR

53. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as forward-looking statements when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ

materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, Putnam Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of the Putnam Defendants who knew that those statements were false when made.

COUNT ONE
AGAINST PUTNAM INVESTMENT FUNDS FOR VIOLATIONS
OF SECTION 11 OF THE SECURITIES ACT

54. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein, except that, for purposes of this claim, plaintiff expressly excludes and disclaims any allegation that could be construed as alleging fraud or intentional or reckless misconduct and otherwise incorporates the allegations contained above.

55. This claim is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. §77k, on behalf of the plaintiff and other members of the Class against Putnam Investment Funds.

56. Putnam Investment Funds are the registrants for Putnam Funds sold to plaintiff and the other members of the Class and are statutorily liable under Section 11. Putnam Investment Funds issued, caused to be issued and participated in the issuance of the materially false and misleading written statements and/or omissions of material facts that were contained in the Prospectuses.

57. Plaintiff was provided with the Putnam Global Equity A Fund Prospectus and, similarly, prior to purchasing units of each of the other Putnam Funds, all Class members likewise received the appropriate prospectus. Plaintiff and other Class members purchased shares of Putnam Funds traceable to the relevant false and misleading Prospectuses and were damaged thereby.

58. As set forth herein, the statements contained in the Prospectuses, when they became effective, were materially false and misleading for a number of reasons, including that they stated that it was the practice of Putnam Funds to monitor and take steps to prevent timed trading because of its adverse effect on fund investors, and that the trading price was determined as of 4 p.m. each trading day with respect to all investors when, in fact select investors (the Does named as defendants herein) were allowed to engage in timed trading. The Prospectuses failed to disclose and misrepresented, inter alia, the following material and adverse facts: (a) that the Putnam Defendants had entered into unlawful agreements allowing the Doe Defendants to time its trading of Putnam Funds shares; (b) that, pursuant to those agreements, the Doe Defendants regularly timed Putnam Funds; (c) that, contrary to the representations in the Prospectuses, Putnam Funds only enforced their policy against frequent traders selectively; (d) that the Putnam Defendants regularly allowed the Doe Defendants to engage in trades that were disruptive to the efficient management of Putnam Funds and/or increased Putnam Funds' costs, and thereby reduced Putnam Funds actual performance; and (e) the Prospectuses failed to disclose that, pursuant to the unlawful agreements, the Putnam Defendants and Doe Defendants benefited financially at the expense of Putnam Funds' investors including plaintiff and other members of the Class.

59. At the time they purchased Putnam Funds' shares traceable to the defective Prospectuses, plaintiff and the other Class members were without knowledge of the facts concerning the false and misleading statements or omission alleged herein and could not reasonably have possessed such knowledge. This claim was brought within the applicable statute of limitations.

COUNT TWO
AGAINST MARSH & MCLENNAN, PUTNAM INVESTMENTS AND PUTNAM
INVESTMENT MANAGEMENT AS CONTROL PERSONS FOR VIOLATIONS
OF SECTION 15 OF THE SECURITIES ACT

60. Plaintiff repeats and realleges each and every allegation contained above, except that for purposes of this claim, plaintiff expressly excludes and disclaims any allegation that could be construed as alleging fraud or intentional reckless misconduct and otherwise incorporates the allegations contained above.

61. This Claim is brought pursuant to Section 15 of the Securities Act against Marsh & McLennan, Putnam Investments, and Putnam Investment Management as a control persons of Putnam Investment Funds. It is appropriate to treat the Putnam Defendants as a group of pleading purposes and to presume that the false, misleading, and incomplete information conveyed in Putnam Funds' public filings, press releases and other publications are the actions of Marsh & McLennan, Putnam Investments, and Putnam Investment Management.

62. Putnam Investment Funds are liable under Section 11 of the Securities Act as set forth herein.

63. Marsh & McLennan, Putnam Investments, and Putnam Investment Management are the control persons of the Putnam Investment Funds within the meaning of Section 15 of the

Securities Act, by virtue of their positions of operational control and/or ownership. At the time plaintiff and other members of the Class purchased shares of Putnam Funds -- by virtue of their positions of control and authority over Putnam Investment Funds directly and indirectly -- had the power and authority, and exercised the same, to cause Putnam Investment Funds to engage in the wrongful conduct complained of herein. Putnam Investment Funds issued, caused to be issued, and participated in the issuance of materially false and misleading statements in the Prospectuses.

64. Pursuant to Section 15 of the Securities Act, by reason of the foregoing, Marsh & McLennan, Putnam Investments, and Putnam Investment Management are liable to plaintiff and the other members of the Class for Putnam Investment Funds primary violations of Section 11 of the Securities Act.

65. By virtue of the foregoing, plaintiff and the other members of the Class are entitled to damages against Marsh & McLennan, Putnam Investments, and Putnam Investment Management.

COUNT THREE
VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT
AGAINST AND RULE 10b-5 PROMULGATED THEREUNDER
AGAINST ALL DEFENDANTS

66. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein except for Claims brought pursuant to the Securities Act.

67. During the Class Period, each of the defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period did deceive the investing public, including plaintiff and the other Class members, as alleged herein and cause plaintiff and other members of the Class to purchase Putnam Funds shares or interests at distorted prices and otherwise

suffered damages. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

69. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of Putnam Funds, including plaintiff and other members of the Class, in an effort to enrich themselves through undisclosed manipulative trading tactics by which they wrongfully appropriated Putnam Funds' assets and otherwise distorted the pricing of their securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All defendants are sued as primary participants in the wrongful and illegal conduct and scheme charged herein.

69. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about Putnam Funds operations, as specified herein.

70. These defendants employed devices, schemes and artifices to defraud and a course of conduct and scheme as alleged herein to unlawfully manipulate and profit from secretly timed trading and thereby engaged in transactions, practices and a course of business which operated as a fraud and deceit upon plaintiff and members of the Class.

71. The defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants'

material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing the truth.

72. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market prices of Putnam Funds were distorted during the Class Period such that they did not reflect the risks and costs of the continuing course of conduct alleged herein. In ignorance of these facts that market prices of the shares were distorted, and relying directly or indirectly on the false and misleading statements made by the defendants, or upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, plaintiff and the other members of the Class acquired the shares or interests in Putnam Funds during the Class Period at distorted prices and were damaged thereby.

73. At the time of said misrepresentations and omissions, plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiff and the other members of the Class and the marketplace known the truth concerning Putnam Funds' operations thatch were not disclosed by defendants, plaintiff and other members of the Class would not have purchased or otherwise acquired their shares or, if they had acquired such shares or other interests during the Class Period, they would not have done so at the distorted prices which they paid.

74. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

75. As a direct and proximate result of defendants wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of Putnam Funds shares during the Class Period.

COUNT FOUR
AGAINST MARSH & MCLENNAN, PUTNAM INVESTMENT MANAGEMENT,
PUTNAM INVESTMENTS AND PUTNAM INVESTMENT FUNDS AS A
CONTROL PERSON FOR VIOLATIONS OF SECTION 20(a)
OF THE EXCHANGE ACT

76. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth except for Claims brought pursuant to the Securities Act.

77. This Claim is brought pursuant to Section 20(a) of the Exchange Act against Marsh & McLennan as control persons of Putnam Investments, Putnam Investment Management, Putnam Investment Funds and Putnam Funds; against Putnam Investments as control persons of Putnam Investment Management, Putnam Investment Funds, and Putnam Funds; against Putnam Investment Management as control person of Putnam Investment Funds and Putnam Funds; and against the Putnam Investment Funds as control person of Putnam Funds.

78. It is appropriate to treat the Putnam Defendants as a group for pleading purposes and to presume that the materially false, misleading, and incomplete information conveyed in the Putnam Funds public filings, press releases and other publications are the collective actions of Marsh & McLennan, Putnam Investment Management, Putnam Investments and Putnam Investment Funds.

79. Marsh & McLennan, Putnam Investment Management, Putnam Investments, and Putnam Investment Funds are controlling persons of Putnam Funds within the meaning of Section 20(a) of the Exchange Act for the reasons alleged herein. By virtue of their operational and management control of Putnam Funds' respective businesses and systematic involvement in the

fraudulent scheme alleged herein, Marsh & McLennan, Putnam Investment Management, Putnam Investments, and Putnam Investment Funds each had the power to influence and control and did influence and control, directly or indirectly, the decision-making and actions of Putnam Funds, including the content and dissemination of the various statements which plaintiff contends are false and misleading. Marsh & McLennan, Putnam Investment Management, Putnam Investments, and Putnam Investment Funds had the ability to prevent the issuance of the statements alleged to be false and misleading or cause such statements to be corrected.

80. In particular, each of Marsh & McLennan, Putnam Investment Management, Putnam Investments, and Putnam Investment Funds had direct and supervisory involvement in the operations of Putnam Funds and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

81. As set forth above, Marsh & McLennan, Putnam Investment Management, Putnam Investments, and Putnam Investment Funds each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this complaint. By virtue of their positions as controlling persons, Marsh & McLennan, Putnam Investment Management Putnam Investments, and Putnam Investment Funds are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of the Putnam Defendants' wrongful conduct, plaintiff and other members of the Class suffered damages in connection with their purchases of Putnam Funds securities during the Class Period.

COUNT FIVE
VIOLATION OF SECTION 36(a) OF THE INVESTMENT
COMPANY ACT OF 1940 AGAINST ALL DEFENDANTS

82. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

83. This claim for relief is brought pursuant to Section 36(a) of the Investment Company Act of 1940 against defendants. Under Section 36(a), an implied private right of action exists. See McLachlan v. Simon, 31 F. Supp. 2d 731 (N.D. Cal. 1998).

84. Under Section 36(a) of the Investment Company Act, defendants shall be deemed to owe a fiduciary duty to plaintiff and other class members with respect to the receipt of fees and compensation that defendants receive for services of a material nature.

85. Here, defendants have devised and implemented a scheme to obtain substantial fees and other income for themselves and their affiliates by allowing the Doe Defendants to engage in timing of Putnam Funds throughout the Class Period and in violation of their fiduciary duties to their customers, i.e., plaintiff and Class members.

86. Defendants engaged in such scheme to benefit itself and their affiliates only by allowing the Doe Defendants to engage in timing of Putnam Funds named herein in return for substantial fees and other income.

87. Defendants have breached the fiduciary duties they owe to plaintiff and other Class members by among other things, devising this plan and scheme solely for their own benefit and by failing to reveal to plaintiff and the Class material facts which would allow plaintiff and the Class to make informed decisions about the true value and performance of the Putnam Funds.

88. Plaintiff and other Class members have been injured as a result of defendants' breach of fiduciary duty and violation of Section 36(a) of the Investment Act of 1940.

COUNT SIX
VIOLATION OF SECTION 36(b) OF THE INVESTMENT
COMPANY ACT OF 1940 AGAINST ALL DEFENDANTS

89. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

90. This claim for relief is brought pursuant to Section 36(b) of the Investment Company Act of 1940 against defendants.

91. Under Section 36(b) of the Investment Company Act, defendants shall be deemed to owe a fiduciary duty to plaintiff and other Class members with respect to the receipt of fees and compensation that defendants receive for services of a material nature.

92. Here, the Putnam Defendants have devised and implemented a scheme to obtain substantial fees and other income for themselves and their affiliates by allowing the Doe Defendants to engage in timing of Putnam Funds throughout the Class Period and in violation of their fiduciary duty, to their customers, *i.e.*, plaintiff and Class members.

93. The Putnam Defendants engaged in such scheme to benefit itself and their affiliates only by allowing the Doe Defendants to engage in timing of Putnam Funds in return for substantial fees and other income.

94. The Putnam Defendants have breached the fiduciary duties they owe to plaintiff and other Class members by, among other things, devising this plan and scheme solely for their own benefit and by failing to reveal to plaintiff and Class members material facts which would allow

plaintiff and Class members to make informed decisions about the true value and performance of the Putnam Funds.

95. Plaintiff and other class members have been injured as a result of the Putnam Defendants' breach of fiduciary duty and violation of Section 36(b) of the Investment Act of 1940.

COUNT SEVEN
AGAINST ALL DEFENDANTS
FOR BREACH OF FIDUCIARY DUTIES

96. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

97. Plaintiff and the Class placed their trust and confidence in the Putnam Defendants to manage the assets they invested in Putnam Funds.

98. Plaintiff and the Class reasonably expected that the Putnam Defendants would honor their obligations to them by, among other things, observing the securities laws and honoring the representations made in Putnam Funds' prospectuses.

99. The Putnam Defendants aided and abetted by the other defendants, who are co-conspirators, breached their fiduciary duties to plaintiff and the Class by violating the securities laws and breaching express and implied representations contained in Putnam Funds Prospectuses for their benefit and that of each of the other defendants.

100. Each of the defendants was an active participant in the breach of fiduciary duty who participated in the breach for the purpose of advancing their own interests.

101. Plaintiff and the Class have been specially injured by defendants' wrongdoing. For example, those Class members who redeemed their shares during the Class Period received less than what they would have been entitled to had certain individuals not engaged in illegal market

timing. Additionally, certain members of the Class (i.e., those who purchased their mutual fund shares legally), were treated differently than those purchasers that were market timers.

102. The Putnam Defendants, aided and abetted by the other defendants, who are also co-conspirators, acted in bad-faith, for personal gain and furtherance of his, her or its own financial advantage in connection with the wrongful conduct complained of in this complaint.

103. As a direct and proximate result of the Putnam Defendants' foregoing breaches of fiduciary duties, plaintiff and the members of the Class have suffered damages.

104. The Putnam Defendants and the other defendants, as aiders abettors, and co-conspirators, are each jointly and severally liable for an amount to be determined at trial.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff on behalf of himself and of the Class prays for relief and judgment, as follows:

- (a) Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class defined herein;
- (b) Awarding plaintiff and the members of the Class damages in an amount which may be proven at trial, together with interest thereon;
- (c) Awarding plaintiff and the members of the Class pre-judgment and post-judgment interest, as well as their reasonable attorneys' and experts' witness fees and other costs;
- (d) Awarding such other and further relief as this Court may deem just and proper, including any extraordinary equitable and/or injunctive relief as

permitted by law or equity to attach, impound or otherwise restrict the defendants' assets to assure plaintiffs have an effective remedy.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: November 13, 2003

Respectfully submitted,

SCHOENGOLD & SPORN, P.C.

By: _____

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