

UNITED STATES DISTRICT COURT  
DISTRICT OF MARYLAND  
BALTIMORE DIVISION

IN RE ALGER, COLUMBIA, JANUS, MFS,  
ONE GROUP, PIMCO AND PUTNAM

Civil Action No. 04-MD-15863

SAUNDERS ET AL. V. PUTNAM AMERICAN  
GOVERNMENT INCOME FUND, ET AL.  
("Lead Case")

Civil Action No. 04cv00560

Honorable J. Frederick Motz

**SECOND CONSOLIDATED AMENDED COMPLAINT**

Lead Plaintiff Ohio Tuition Trust Authority ("OTTA" or "Lead Plaintiff") and additional plaintiff Joseph Shanis (together with OTTA, "plaintiffs") allege the following based upon the investigation of counsel, which included a review of documents produced by Putnam, documents from proceedings initiated by the United States Securities and Exchange Commission ("SEC"), the Office of the Secretary of the Commonwealth of Massachusetts Securities Division ("Securities Division"), the Office of the New York State Attorney General, and regulatory filings and reports, press releases, and media reports. Plaintiffs' counsel have also interviewed and reviewed documents of certain former Putnam employees as well as current and former employees of brokerage firms and market timers that were offered and/or utilized the ability to time Putnam funds. Plaintiffs believe 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 federal class action, brought on behalf of persons who purchased and/or held shares in Putnam mutual funds who were harmed by market timing of Putnam mutual funds,

asserts claims for violations of the Securities Exchange Act of 1934 (the “Exchange Act”), and the Investment Company Act of 1940 (the “Investment Company Act”).<sup>1</sup>

2. As a result of investigations by the SEC and the Massachusetts Secretary of State, Putnam has admitted that, unbeknownst to purchasers and holders of Putnam funds, it allowed its own employees and certain 401(k) plan participants to engage in market timing, a practice that exploits short-term inefficiencies in the pricing of mutual funds and steals profits rightfully belonging to long-term buy and hold investors.

3. In April 2004, these investigations resulted in settlements by Putnam for claims of improper trading by Putnam employees for \$110 million with the SEC and the Massachusetts Secretary of State. The settlement with the Massachusetts Secretary of State also covered improper trading by 401(k) plan participants. The SEC settlement required Putnam to pay \$5 million in disgorgement and \$50 million in penalty, with a specific provision requiring Putnam to make additional payments to the SEC equal to any amounts of the penalty used to offset or reduce any investor’s claim in this or other actions. The settlement with the Massachusetts Secretary of State similarly required Putnam to pay \$5 million in disgorgement and \$50 million in penalty.

4. Pursuant to the settlements with the SEC and the Massachusetts Secretary of State, Putnam agreed to retain an Independent Assessment Consultant to determine whether the disgorgement amounts adequately addressed damages caused by Putnam employee and 401(k) plan participant timing. That consultant, Peter Tufano, a professor at Harvard Business School, concluded that damages caused solely by employee and 401(k) plan participant trading, far

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<sup>1</sup> This Second Amended Complaint conforms with rulings on various motions to dismiss made with respect to the Amended Complaint. By so conforming this Complaint, plaintiffs do not waive any rights to appeal the dismissal of claims and/or defendants from the Amended Complaint.

exceeded Putnam's previously agreed-to payments, and caused Putnam's settlement payments to increase from \$110 million to \$193.5 million. Professor Tufano's calculations included dilution and transaction costs, as well as damages of over \$45 million caused by excess redemptions in the period after the scandal came to light, from October 27, 2003 through January 31, 2004. In releasing Professor Tufano's report, the SEC noted that while the report served its specific purposes, "we do not endorse Prof. Tufano's methods for calculating losses attributable to market timing and excessive short-term trading as necessarily constituting the best method or the only method for calculating such losses."

5. However, the extent of market timing at Putnam extends well beyond Putnam employees and 401(k) plan participants that was the subject of the regulatory settlements and Professor Tufano's assessment. Trading data for Putnam funds reveals that a range of market timing activity caused dilution to the investments (i.e., diminished the returns) of long-term buy and hold shareholders in the hundreds of millions of dollars, dwarfing any penalties and/or restitution awards Putnam has made or has agreed to make. Dilution in the Putnam International Equity Fund, alone, exceeded \$100 million dollars.

6. Moreover, Putnam's trading data reveals that timing was conducted in a large number of accounts. In fact, sixty-two different customer accounts were responsible for dilution to long-term shareholders of at least \$1.5 million each, and nine of these accounts caused dilution of at least \$4 million each. A single account caused dilution of approximately \$14 million.

7. Putnam's prospectuses during the Class Period gave no indication that long-term buy-and-hold investors were being harmed by market timing. To the contrary, Putnam's prospectuses provided to investors at the time of their purchases (together with the applicable

Registration Statements, “Prospectuses”) stated that “the exchange privilege is not intended as a vehicle for short term trading,” while admitting that “excessive exchange activity may ... have an adverse effect on all shareholders.”

8. Despite this language, Putnam: (i) consistently failed to take action and strictly enforce its guidelines when favored brokers were found to be market timing Putnam funds, and (ii) entered into agreements with known market timing firms that provided exchange privileges not available to long-term buy-and-hold investors.

9. Because Putnam never disclosed in their Prospectuses or otherwise that favored investors were permitted to engage in short-term trading of Putnam funds to the detriment of long-term shareholders, these long-term shareholders purchased and/or held shares of Putnam mutual funds unaware that Putnam was knowingly allowing investors who either controlled substantial fund assets or could potentially be a source of new business to time their trades and effectively steal profits from long-term holders.

10. As Secretary of the Commonwealth of Massachusetts, William Galvin, stated in his testimony before the Senate Committee of Governmental Affairs, “Mutual Funds: Trading Practices and Abuses That Harm Investors,” dated November 3, 2003:

Our investigation found that, in effect, two classes of investors existed at Putnam. The first class were the connected investors – those privileged insiders who were able to skim the funds through a legal trading activity known as “market-timing.” The second class were the average investors who placed their trust in Putnam to follow its own policies, including the policy against market timing.... ***The mutual fund prospectus for the Voyager Fund and other Putnam mutual funds created the misleading impression that Putnam would not tolerate excessive exchange activity or market timing.... Unbeknownst to long-term shareholders, Putnam allowed certain mutual fund shareholders...to engage in market timing activity in direct contradiction to the prospectus disclosure.*** (Emphasis added.)

## **JURISDICTION AND VENUE**

11. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Exchange Act of 1934 (15 U.S.C. § 78aa); Section 80a-43 of the Investment Company Act of 1940 (15 U.S.C. § 80a-43); and 28 U.S.C. §§ 1331 and 1337.

12. Pursuant to 28 U.S. C. § 1407, the Judicial Panel on Multidistrict Litigation (the “Panel”) transferred the actions comprising this consolidated complaint to this District. Venue in this District is, therefore, proper.

13. Venue in the District of Massachusetts is also proper. Many of the acts charged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in the District of Massachusetts. Defendants conducted other substantial business within the District of Massachusetts and many Class members reside within that District. Defendants Putnam Investments Trust, Putnam LLC, Putnam Retail Management Limited Partnership, Putnam Investment Management Trust and Putnam Investment Management LLC, were active participants in the wrongful conduct alleged herein and, at all relevant times, were headquartered within the District of Massachusetts.

14. 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**

### **A. Plaintiffs**

15. The Ohio Tuition Trust Authority (“OTTA”) was appointed Lead Plaintiff in this Action by Order dated May 28, 2004. During the Class Period, OTTA was a purchaser and/or holder of the following Putnam Funds: George Putnam Fund of Boston, Putnam Capital

Opportunities Fund, Putnam High Yield Trust, Putnam High Yield Trust II, Putnam Income Fund, Putnam International Capital Opportunities Fund (f/k/a Putnam International Voyager Fund), Putnam International Equity (f/k/a Putnam International Growth Fund), Putnam Investors Fund, Putnam Money Market Fund, Putnam New Opportunities Fund, Putnam New Value Fund, Putnam Voyager Fund, The Putnam Fund for Growth and Income. Particulars of OTTA's purchases and holdings of Putnam mutual funds are set forth in the Declaration of Peter Seidman in Support of the Omnibus Motions Submitted Pursuant to the Court's Direction As Issued From the Bench on April 2, 2004, for Appointment of Lead Plaintiffs for Each Mutual Fund Family, and Approval of Lead Plaintiffs' Selection of Counsel filed in this District on April 19, 2004.

16. Plaintiff Joseph Shanis ("Shanis") purchased and/or held shares of the following Putnam Funds during the Class Period: George Putnam Fund of Boston, Putnam Convertible Income Growth Trust, Putnam Global Equity Fund (f/k/a Putnam Global Growth Fund), Putnam Growth and Income Fund, Putnam Health Sciences Trust SBI, Putnam Investors Fund, Putnam Tax Exempt Income Fund, Putnam Vista Fund and Putnam Voyager Fund.

**B. Defendants**

**1. The Putnam Defendants**

17. Defendant Putnam Investments Trust, a holding company, and its subsidiaries provide investment management and related services to the Putnam Funds. Except for a minority stake owned by employees, Putnam Investments Trust is owned by Marsh & McLennan Companies, Inc. ("Marsh & McLennan"). Defendant Putnam LLC, a wholly-owned subsidiary of Putnam Investments Trust, owns defendant Putnam Investment Management Trust, the parent of defendant Putnam Investment Management LLC. Putnam LLC and its various subsidiaries function together under the trade name Putnam Investments. Defendants Putnam Investments Trust, Putnam LLC, and Putnam Investment Management Trust are control persons of

defendants Putnam Investment Management LLC, Putnam Retail Management Limited Partnership and the Registrants identified in paragraphs 30 - 40 below within the meaning of the federal securities laws.

**(a) The Adviser Defendants**

18. Defendant Putnam Investment Management LLC, formerly Putnam Investment Management, Inc. (“Putnam Management”), is registered as an investment adviser under the Investment Advisers Act. Pursuant to contracts it has entered into with each of the Putnam Funds, Putnam Management oversees the day-to-day management of all of the Putnam Funds and is responsible for determining each fund’s investment goals and strategy. As the manager of these funds, Putnam Management participated in and enabled the wrongdoing described herein by, among other things, entering into contractual arrangements with known market timers that permitted Putnam Funds to be timed, and allowing beneficiaries of retirement plans administered by Putnam as well as Putnam portfolio managers and employees to engage in rapid, short-term trading of Putnam Funds.

19. Defendant Lawrence J. Lasser (“Lasser”) was, at all relevant times, President and Chief Executive Officer of Putnam Management and Putnam LLC. In addition, at all relevant times, defendant Lasser was a trustee of every Putnam Mutual Fund, Putnam Investment Funds, and Putnam Funds Trust, a trustee of defendants Putnam Investments Trust and Putnam Investment Management Trust, and President of defendant Putnam Retail Management Limited Partnership. Lasser also served as a Director of Marsh & McLennan during the Class Period. Defendant Lasser was a control person of defendants Putnam Management, Putnam Investments Trust, Putnam Investment Management Trust, and Putnam Retail Management Limited Partnership and the Registrants identified in paragraphs 30 - 40 below within the meaning of the

federal securities laws, and knowingly permitted Putnam Funds to be timed during the Class Period as alleged more fully herein. Shortly after certain facts relating to the market timing of Putnam Funds by Putnam employees and participants in certain 401(k) plans were publicly disclosed, Lasser agreed to resign effective the end of 2003.

20. Defendant Gordon H. Silver (“Silver”) was, at all relevant times, Senior Managing Director of Putnam Management. In addition, at all relevant times, Silver was a trustee of defendant Putnam Investments Trust. Defendant Silver was a control person of defendants Putnam Management and Putnam Investments Trust within the meaning of the federal securities laws. Putnam announced Silver’s retirement on April 8, 2004, the day it also announced its agreement to pay \$110 million to settle claims involving market timing brought by federal and state regulators.

21. Irene M. Esteves (“Esteves”) was, at all relevant times, Senior Managing Director and Chief Financial Officer of Putnam Management. In addition, at all relevant times, Esteves was a trustee of defendant Putnam Investments Trust. Defendant Esteves was a control person of defendants Putnam Management and Putnam Investments Trust within the meaning of the federal securities laws. Esteves resigned from Putnam Management and Putnam Investments Trust at the end of March 2004, just prior to the conclusion of the state and federal market timing inquiries.

22. Robert F. Lucey (“Lucey”) was, at relevant times until the end of 2000, Senior Managing Director and Chief Operations Officer of Putnam Management. Defendant Lucey was a control person of defendant Putnam Management within the meaning of the federal securities laws.

23. Stephen M. Oristaglio (“Oristaglio”) was, at all relevant times, Senior Managing Director of Putnam Management and, prior to November 2002, Deputy Head of Investments. Oristaglio became Head of Investments in November 2002. In addition, at all relevant times, Oristaglio was a trustee of defendant Putnam Investments Trust. Defendant Oristaglio was a control person of defendants Putnam Management and Putnam Investments Trust within the meaning of the federal securities laws.

24. Defendants Putnam Management, Lasser, Silver, Esteves, Lucey and Oristaglio are referred to collectively as the “Adviser Defendants.”

**(b) The Underwriter**

25. Defendant Putnam Retail Management Limited Partnership (formerly known as Putnam Retail Management, Inc. and Putnam Mutual Funds Corp.) (the “Underwriter” or “Putnam Retail Management”), a subsidiary of defendant Putnam LLC, is the principal underwriter for all of the Putnam Funds. As the underwriter, Putnam Retail Management is liable for the false and misleading statements concerning market timing activities contained in the Prospectuses for the Putnam Funds issued during the Class Period.

26. The Adviser Defendants, Putnam Investments Trust, Putnam LLC, Putnam Investment Management Trust and Putnam Retail Management are referred to collectively herein as the “Putnam Defendants.”

**2. The Market Timing Defendants**

27. Defendant Banc of America Securities LLC (“Bank of America”) is a registered broker-dealer and investment advisor. Defendant Bank of America participated in and enabled the wrongdoing alleged herein by knowingly or recklessly allowing market timers, including Canary Capital Partners LLC, Canary Capital Partners, Ltd., Canary Investment Management

LLC, Canary Investment Management LLC, Pritchard Capital Partners, LLC, and Trautman Wasserman & Company, Inc., to use its electronic platform to engage in timing and late trading of Putnam Funds.

28. Defendant Prudential Securities, Inc. (“Prudential”) was, prior to July 1, 2003, a wholly-owned broker-dealer subsidiary of Prudential Financial, Inc. On July 1, 2003, its ownership was transferred to Wachovia Securities, LLC, a joint venture subsidiary of Wachovia Corporation and Prudential Financial, Inc. During the Class Period, Prudential not only had a contractual arrangement with Putnam that allowed it to time Putnam Funds, but also through numerous Prudential brokers successfully engaged in market timing of Putnam funds using a variety of deceptive devices including multiple customer accounts and representative IDs. Prudential earned fees and other compensation from its clients on account of these market timing activities.

29. Defendants Bank of America and Prudential are hereinafter referred to as “Market Timing Defendants.”

### **3. Relevant Non-Parties: The Registrants And The Funds**

30. Putnam Investment Funds is the registrant and issuer of the following funds: Putnam Balanced Fund, Putnam Capital Opportunities Fund, Putnam Emerging Markets Fund, Putnam Global Growth and Income Fund, Putnam Growth Opportunities Fund, Putnam International New Opportunities Fund, Putnam International Capital Opportunities Fund (f/k/a Putnam International Voyager Fund), Putnam Mid Cap Value Fund, Putnam New Value Fund, Putnam Research Fund, and Putnam Small Cap Value Fund.

31. Putnam Funds Trust is the registrant and issuer of the following funds: Putnam High Yield Trust II, Putnam International Growth and Income Fund, Putnam New Century Growth Fund, Putnam Small Cap Growth Fund, and Putnam Technology Fund.

32. Putnam Tax-Free Income Trust is the registrant and issuer of the following funds: Putnam Tax-Free High Yield Fund and Putnam Tax-Free Insured Fund.

33. Putnam Asset Allocation Fund is the registrant and issuer of the following funds: Putnam Asset Allocation: Balanced Portfolio, Putnam Asset Allocation: Conservative Portfolio, and Putnam Asset Allocation: Growth Portfolio.

34. Putnam Tax Smart Funds Trust is the registrant and issuer of Putnam Tax Smart Equity Fund.

35. The following funds are their own registrant and issuer: Putnam International Equity Fund (f/k/a Putnam International Growth Fund), Putnam Investors Fund, Putnam Money Market Fund, Putnam Municipal Income Fund, Putnam New Opportunities Fund, Putnam OTC & Emerging Growth Fund, Putnam Preferred Income Fund, Putnam Strategic Income Fund, Putnam Tax Exempt Income Fund, Putnam Tax Exempt Money Market Fund, Putnam U.S. Government Income Trust, Putnam Utilities Growth and Income Fund, Putnam Vista Fund, Putnam Voyager Fund, Putnam American Government Income Fund, Putnam Asia Pacific Growth Fund, Putnam Balanced Retirement Fund, Putnam Capital Appreciation Fund, Putnam Classic Equity Fund (f/k/a Putnam Growth and Income Fund II), Putnam Convertible Income-Growth Trust, Putnam Discovery Growth Fund (f/k/a Putnam Voyager Fund II), Putnam Diversified Income Trust, Putnam Equity Income Fund, Putnam Europe Equity Fund (f/k/a Putnam Europe Growth Fund), Putnam Global Equity Fund (including former Putnam Global Growth Fund), Putnam Global Income Trust (f/k/a Putnam Global Governmental Income Fund),

Putnam Global Natural Resources Fund, Putnam Health Sciences Trust, Putnam High Yield Advantage Fund, Putnam High Yield Trust, Putnam Income Fund, Putnam Intermediate U.S. Government Income Fund, The George Putnam Fund of Boston, The Putnam Fund for Growth and Income, Putnam Arizona Tax Exempt Income Fund, Putnam California Tax Exempt Income Fund, Putnam Florida Tax Exempt Income Fund, Putnam Michigan Tax Exempt Income Fund, Putnam New Jersey Tax Exempt Income Fund, Putnam Ohio Tax Exempt Income Fund, Putnam Pennsylvania Tax Exempt Income Fund, Putnam California Tax Exempt Money Market Fund and Putnam New York Tax Exempt Money Market Fund (the “Fund Registrants”).

36. Putnam Massachusetts Tax Exempt Income Fund is the registrant and issuer of the Putnam Massachusetts Tax Exempt Income Fund II (f/k/a Putnam Massachusetts Tax Exempt Income Fund).

37. Defendant Putnam Minnesota Tax Exempt Income Fund is the registrant and issuer of the Putnam Minnesota Tax Exempt Income Fund II.

38. Defendant Putnam New York Tax Exempt Income Fund is the registrant and issuer of the Putnam New York Tax Exempt Income Trust (f/k/a Putnam New York Tax Exempt Income Fund).

39. Marsh & McLennan Companies, Inc.’s Form 10-K for 2003 states that any damages award against any Putnam fund will be indemnified by Putnam LLC.

40. Hereinafter, Putnam Investment Funds, Putnam Funds Trust, Putnam Tax-Free Income Trust, Putnam Asset Allocation Fund, Putnam Tax Smart Funds and the Fund Registrants are referred to collectively as the “Registrants.” The Registrants issued shares of Putnam Funds purchased by OTTA and other members of the Class during the Class Period pursuant to materially false and misleading registration statements as described herein.

## CLASS ACTION ALLEGATIONS

41. The claims alleged herein are asserted on behalf of a Class consisting of all persons who purchased and/or held shares in any mutual fund in the Putnam fund family adversely affected by market timing which funds and/or their registrants/issuers were advised by Putnam Investment Management LLC (the “Funds”) during the period October 30, 1998 to October 21, 2003, inclusive (the “Class Period”) (the “Class”). Excluded from the Class are defendants, members of their immediate families and their legal representatives, parents, affiliates, heirs, successors or assigns, and any entity in which any defendant has or had a controlling interest, and any other person who engaged in the unlawful conduct described herein (the “Excluded Persons”). Also excluded are the Registrants, any officers, directors, or trustees of the Excluded Persons, and all trustees and portfolio managers of the Funds or the Registrants.

42. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of members of the Class is unknown to plaintiffs at this time and can only be ascertained through appropriate discovery, plaintiffs believe that there are hundreds or thousands of members in the 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.

43. OTTA’s and Shanis’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 law that is complained of herein.

44. OTTA and Shanis 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.

45. 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 defendants' acts as alleged herein violated the law and/or their fiduciary duties;

(b) Whether statements made by the Putnam Defendants and the Registrants to the investing public during the Class Period omitted material facts about market timing of the Putnam Funds; and

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

46. 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 members of the Class 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**

47. Mutual funds, including the Putnam funds, are marketed to investors as prudent long-term investments. They are the favored savings vehicle for more than 95,000,000 Americans and half of all the nation's households, and are widely held in pension plans and 529 college savings plans such as those offered by Lead Plaintiff OTTA. The enormous growth and success of the mutual fund industry in the last twenty years has been driven in part by the industry's heretofore impeccable reputation for honesty and fair dealing. Based on this

reputation, Putnam, the nation's fifth largest mutual fund company prior to the events described herein, saw phenomenal growth in the 1990's.

**A. Market Timing And The Forward-Pricing Rule**

48. An open-end mutual fund is an entity in which investors contribute cash for the purpose of creating a pool of assets with which to invest and purchase securities. In return for their deposits, investors receive shares in the mutual fund in an amount directly proportionate to the amount of their investment (*i.e.*, the larger the amount invested, the more shares the investor receives in the fund). This cash is then used to purchase stocks or other securities, consistent with the investment goals and objectives of the fund. Mutual fund shares are issued to fund investors pursuant to registration statements and prospectuses that must comply with the Securities Act and the Investment Company Act.

49. Unlike equity or debt securities that are valued and traded on stock exchanges, open-end mutual funds continuously issue new shares as new investments are received, and redeem shares as investors withdraw assets. The value of these shares is calculated at 4:00 p.m. each day (the close of trading on the New York Stock Exchange), by determining the Net Asset Value ("NAV") of the fund (the value of assets less liabilities), and then dividing that amount by the number of shares outstanding. For example, if a mutual fund with 100,000 shares outstanding holds total assets with an NAV of \$1 million at the time of valuation, then it will be priced at \$10 per share. Thus, an investor seeking to invest \$1,000 in this fund would receive 100 newly issued shares, valued at \$10 per share.

50. Since mutual fund shares are priced only once per day (at 4:00 pm), the potential exists for an investor to purchase shares at a "stale" price that does not incorporate the latest information, and thereby make a quick profit. For example, if an investor were able to purchase shares of a mutual fund at a price based on the NAV calculated before his purchase, with

knowledge that the investments held within the fund had risen in value before the next NAV calculation, he could make a risk-free profit by simply buying the shares and then selling them the next day at the new, higher NAV.

51. To prevent this arbitrage opportunity, the SEC in 1979 enacted Rule 22c-1 under the Investment Company Act, which requires fund sales or redemptions to be based on prices calculated after the fund share is sold or redeemed. This “forward-pricing rule” means that mutual fund investors who place orders during trading hours do not know the exact price at which their orders will be executed; instead, these orders are executed at the price using the NAV calculation performed after the order is received, at the 4:00 p.m. close of trading on the New York Stock Exchange. Thus, all investors should have the same opportunity to digest “pre-4:00 p.m. information” before they buy or sell, and no investor should have the benefit of “post-4:00 information” prior to making an investment decision.

52. The forward-pricing rule alone, however, does not eliminate the arbitrage opportunity for frequent traders in mutual funds. This is due to the fact that the NAV of the fund, as calculated after the investor purchases his shares, still might not incorporate all public information.

53. The following example illustrates how this can work. Assume that on a Monday the New York stock exchange has a strong day, with various indices showing increased prices. A market timer could conclude that based on the strong day in the American markets, the Asian markets (which, because of time zone differences, open after the New York market closes and close in the middle of the night New York time) will similarly have a strong day. Based on that conclusion, on that Monday the market timer buys U.S. mutual funds that invest heavily in companies that trade on Asian exchanges. Because of forward pricing, the timer’s purchase

price is based on the NAV for the fund calculated at 4:00 pm on Monday, which (because the Asian markets have not yet opened) does not incorporate any assumed increase in Asian markets. Overnight, the Asian markets open and close with strong price increases. By the time the fund's NAV is recalculated at 4:00 p.m. on Tuesday, the market timer will have achieved a significant return on its investment, which the timer can cash out. If the timer chooses to hold its investment, then by timing its redemption of these shares to take advantage of foreknowledge of likely drops in Asian stock prices, the market timer minimizes any loss suffered on this investment.

54. This kind of frequent trading to take advantage of information delay in the pricing of mutual funds to achieve short-term gains is called "market timing." Market timing opportunities are not limited to mutual funds holding foreign investments, but also arise in mutual funds containing illiquid securities such as high-yield bonds or small capitalization stocks. In such cases, that some of the fund's securities may not have traded for hours before the New York closing time can render the fund's NAV stale, and thus open to being timed.

55. Indeed, according to one significant market timer who ran a market timing hedge fund, market timers believed that there was timing potential even in large cap funds where prices of individual stocks held by the fund slightly lagged behind general market movements. Thus, with few exceptions virtually all mutual funds are timeable. This is illustrated by the large number of Putnam Funds whose holders were harmed by the timing alleged herein.

56. Market timing causes significant harm to long-term buy and hold investors in mutual funds. First, by allocating market gains to themselves that should have been allocated among all fundholders (and by avoiding losses that should have been borne by all fundholders), market timers cause dilution of the value of long-term holders' investments, which increases

over time. Because of market timing activity, the NAV of the funds (and thus the price at which the funds are sold and purchased) becomes lower than what it would be absent market timing. Effectively, market timers steal profits that rightfully belong to long-term fund holders.

57. The harm to mutual fund investors from market timing extends beyond dilution. Successful market timing requires repeated, rapid trading of mutual fund shares with significant amounts of cash, which in turn dramatically increases transaction costs, such as commissions, on funds that eat away at returns of the long-term investors. Indeed, in a document titled “Q&A On Market Timing Issues At Putnam Investments,” Putnam admitted that “Market timing may increase a mutual fund’s trading costs, which could lessen the overall returns of long-term investors.” In addition, trades necessitated by timer 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 which impose costs on the fund’s long-term investors.

58. Market timing also harms mutual fund investors by forcing mutual fund managers to invest heavily in highly liquid, short-term investments that carry a lower rate of return than other securities, to ensure their ability to redeem shares sold by market timers. Fund managers are sometimes forced to enter into special investments as an attempt to “hedge” against timing activity, thus deviating altogether from the ostensible, publicly stated investment strategy of their funds, and incurring further transaction costs.

59. Experts estimate that mutual fund investors have lost billions of dollars annually as a result of market timing. Indeed, one recent study estimated that U.S. mutual funds lose \$4-\$5 billion *per year* to timers. Eric Zitzewitz, *Who Cares About Shareholders? Arbitrage-Proofing Mutual Funds* (2002) (submitted to the Stanford Graduate School of Business); Money, October 2003, *The Great Fund Rip-Off*, MONEY, October 2003, at 51. University of South

Carolina law professor John Freeman has similarly estimated that market timing trades may have drained more than \$5 billion *per year* from long-term fund shareholders. [http://www.srimedia.com/artman/publish/article\\_786.shtml](http://www.srimedia.com/artman/publish/article_786.shtml). To compensate funds for the dilution and other harms caused by market timing, numerous funds, including Putnam, impose redemption fees on short-term trades. The Prospectuses for certain Putnam international funds stated that redemption fees of 1% would be imposed on short-term trades.

60. The serious harm to long-term investors from market timing was well known to the Putnam Defendants. In an internal document generated in March 2003 titled “Market Timing Department Functional Narrative,” Putnam expressly acknowledged that market timing harmed long-term investors by:

- (b) Increasing transaction costs associated with high levels of trading;
- (c) Generating unwanted taxable capital gains distributions if fund managers are forced to liquidate holdings to meet redemption needs;
- (d) Forcing fund managers to maintain higher cash options;
- (e) Disrupting stated portfolio management strategies; and
- (f) Taking profits at the expense of long-term investors.

**B. Putnam Allows Market Timers To Time Putnam Funds**

61. Although Putnam has suggested in public statements that timing activities were limited to a handful of Putnam employees and participants in two pension funds (described below), evidence developed by plaintiffs’ counsel indicates that timing of Putnam Funds was far more extensive and that known market timers timed Putnam Funds with Putnam’s knowledge and consent.

62. Indeed, according to a former Putnam Regional Sales Associate, Putnam had a five-tier commission system for brokers placing trades through Putnam. Tier I, the highest

commission level, was for the brokers that placed high-value customers. Tier 5 or no commission was for market timers – which the Associate recalls were commonly brokers at Merrill Lynch and Prudential who placed “large, large trades” into Putnam’s Asia Pacific Growth Fund. According to this employee, Tier 5 included “people whipping in and out of the international fund on a daily basis.” Putnam’s internal documents confirm that Putnam placed brokers known for market timing into Tier 5.

**1. Putnam Knew When Market Timing Occurred**

63. Putnam recognized that no fund could survive in the face of unlimited market timing because such activity comes at the expense of, and decimates the returns for, long-term shareholders, who would flee the fund. Without the stability of long-term shareholders, a fund cannot earn profits that market timers can divert to themselves. Putnam and other mutual funds recognized that, as a result, timing capacity was a scarce and hence valuable resource. To protect that resource for favored investors, and prevent unfavored investors from taking timing opportunities away, Putnam established a Market Timing Department (“MTD”) that was purportedly charged with ferreting out and eliminating market timing activity.

64. According to a March 2003 Market Timing Department Functional Narrative, Putnam had the following market timing thresholds. Four or more round trip transactions of \$75,000 or more within a one-year rolling period would result in a warning call. If two or more additional round trip transactions exceeding \$75,000 were observed within three months of the warning call, account trading privileges were subject to termination. However, even a single transaction of \$75,000 or more within three months of a warning call could result in a suspension of trading privileges if a fund “triggered,” *i.e.*, experienced an asset swing of 1% or more into or out of the fund within a rolling 10 business day period. The \$75,000 threshold was merely a

function of the resources Putnam chose to commit to combating market timing activity, not a determination that frequent trading of a lesser magnitude was not indicative of timing activity.

65. Putnam's MTD had a variety of reports that could be used to identify suspected market timing activity including, reports that reflected (i) any single exchange over \$100,000, (ii) purchases or redemptions over \$250,000, or (iii) four exchanges of \$75,000 or more within a single account within a six month period.

66. In addition, although some larger brokerage houses such as Prudential traded in an omnibus account environment, which groups trades among customers so that individual customer timing activity would not be apparent at first glance, Putnam's MTD was aware that omnibus accounts could be used to hide market timing activity, and as stated in the above-referenced "Market Timing Department Functional Narrative," was able to detect this timing otherwise hidden in omnibus accounts:

This activity, bulked or not, is for the most part transparent to this department in that there is an additional processing step taken that breaks this activity into account level detail prior to being input into our market timing related reports. This extra processing step essentially eliminates the omnibus environment as a factor affecting our ability to detect active trading patterns.

## **2. Putnam Knows About, But Fails To Stop, Timing**

67. Using the criteria of Putnam's MTD (paragraph 63, above) to determine the universe of timing trades, trading data for Putnam funds reveals that long-term buy-and-hold investors in Putnam funds suffered over \$300 million in dilution from market timing, far exceeding the dilution from the trading of Putnam employees and 401(k) plan participants that was the sole focus of Professor Tufano, Putnam's Independent Assessment Consultant. Market timing of this magnitude could not have occurred absent Putnam's agreements with the Market

Timing Defendants and its consistent failure to enforce its guidelines when favored brokers and customers were identified as market timers.

68. Market timing was a common topic of discussion and complaint among Putnam employees. For example, on April 18, 2001, client services administrator Darren Chisnell complained in an e-mail to Mitchell Fishman, Chief Administrative Officer of Putnam Retail Management, about timing trades in Putnam's International New Opportunities Fund by ABN AMRO, only to be told that "Although [Putnam is] extremely sensitive to market timing and the effects it can have on the performance of the funds, we can't look at every trade and randomly review historical activity." Stephen Dexter, the fund manager, objected, stating, "I as lead manager of [the International New Opportunities Fund] feel very whipsawed by market timers. It is very clear that certain individuals have figured out how to 'game' the system and are very actively taking advantage of our mainstream shareholders. I find this totally unacceptable. We see them active nearly every day and sometimes the cash in/out appears to be far more than 1%. On a rolling 10 day period, maybe the fund doesn't show up as incurring a greater than 1% swing, but somehow on a day-to-day basis, the swings seem much larger than this. Whatever needs to be done to inhibit this trading needs to be looked into."

69. Even where fund managers or others attempted to take action against market timers, Putnam management reversed these actions. For example, a June 2, 2000 e-mail to Mitchell Fishman of Putnam Retail Management recommended sending a warning letter to a broker, Steven Fraidstern of Investacorp, suspected of market timing. The response from Mr. Fishman was that the broker's "exchange privilege and/or ability to trade will not be impaired. . . . [The broker] has approximately \$18 million in assets under management with Putnam . . . . He is a valuable client as indicated by his tier 1 [Putnam's highest tier for most valuable clients]

status.” Mr. Fishman further told Putnam Money Market Fund manager, Joanne Driscoll, who had rejected this broker’s timing trades, “We can not randomly revoke the exchange privilege of anyone, specifically a tier 1 rep.”

70. Similarly, in November 2002, John Cashman of Putnam’s MTD identified a broker, Jeffrey Hamburger of Royal Alliance, as being the source of market timing trades in the Putnam Voyager fund. Rather than taking immediate action in accordance with Putnam’s guidelines, Mr. Cashman contacted Giulio Favuzza of Putnam Retail Management. After pointing out that Hamburger had “been moving in and out of the Voyager Fund excessively,” Cashman stated, “I wanted to run it by you since he is tier 1 rep. Usually we would put stops on the accounts at this point since the activity has not been reduced after the warnings.” In his response, Mr. Favuzza acknowledged that “Since Jeff is a tier one [broker], it does make the situation touchier.” A later Putnam e-mail reflects that Putnam decided not to terminate Hamburger’s privileges, as Mr. Cashman and Mr. Favuzza decided to “make one more warning call to [Hamburger] because of his tier level and his position at Royal Alliance.”

71. Putnam funds were subject to timing by accounts associated not only with outside brokers, but with Putnam brokers as well. For example, a former Putnam Assistant Vice President stated that at least until 2000, he had five or six market timers as clients who dealt with Putnam directly instead of through a broker. These timers would telephone him or others in his group with their timing orders.

### **3. Firms With Market Timing Contracts**

72. Putnam not only failed to stop market timing, it also entered into contractual arrangements with known market timing firms that permitted it. According to a former Putnam Investments employee who worked as a Senior Processor in the Franklin, Massachusetts office

from 2000 through early 2003, Putnam had contractual agreements with approximately 25 large investment firms, including defendant Prudential, that *expressly permitted* market timing in Putnam mutual funds. This employee, who was responsible for placing trades for these firms on a daily basis, received daily calls from these firms, who the employee referred to as “market timing firms.” Typically, the individual representing the market timing firm would call the former employee, whose job it was to execute these trades, to alert the former employee that he or she wished to execute trades at the end of the day. The purchase of mutual fund shares would be effectuated with funds from a money market account. A day or two later the mutual fund shares would be redeemed and the proceeds would be placed back in the money market account.

73. At the time it entered into these agreements, Putnam knew that these entities were engaged in market timing. A 1997 “Putnam Investor Services Market Timing Reports Internal Specification” report describes market timers as “individuals or firms that exercise frequent exchanges in and out of funds to generate gains from short term fluctuations in share prices,” and contains a table of “all known market timing firms.”

74. These market timing firms did not function as ordinary brokers, merely placing trades as directed by customers. Instead, these market timing firms controlled their clients’ investments, created the market timing strategies with respect to these investments, and functioned as direct traders with respect to the market timing trades. Indeed, these market timing firms, in their public statements, made clear that they controlled their clients’ investments.

75. Putnam’s accommodation of these market timers included maintenance of a dedicated fax number for “timing trades,” and employment of a “market timing coordinator” to field the calls from the market timing firms that were required to precede the fax containing trades to be executed.

76. These contracts with market timers had been in place since the beginning of the Class Period if not earlier. Prudential entered into such an agreement in July 1997.

77. These contracts, known as Expedited Exchange Processing Program Indemnity Agreements, permitted the investment firms to engage in daily exchanges in and out of Putnam funds based upon the funds' asset levels far in excess of exchanges allowed to ordinary investors. For example, for funds with assets of \$100 million to \$500 million, the daily exchange limit pursuant to the program was \$500,000. Funds with assets of \$500 million to \$1 billion, and funds with assets of \$1 billion or more, had daily exchange limits of \$2 million and \$5 million respectively.

78. These amounts were far in excess of the thresholds purportedly used by Putnam's market timing department to ferret out and eliminate market timing activity. According to the March 2003 market timing department functional narrative described above, four or more round-trip transactions of \$75,000 or more in a one-year period purportedly would result in a warning call, and if two or more additional round-trip transactions exceeding \$75,000 were observed within three months of the warning call, account trading privileges were purportedly subject to termination. Indeed, even a single transaction of \$75,000 or more within three months of a warning call purportedly could result in suspension of trading privileges if a fund "triggered," *i.e.*, experienced an asset swing of 1% or more into or out of a fund within a rolling ten business day period.

79. Market timing firm employees confirm the Putnam former employee's account. Two former fund coordinators at Schield Management, and a current account administrator who has been at Schield since 2000, confirmed that Schield was, at least until the market timing scandal erupted, a "market timing company" that placed trades at Putnam on behalf of private

clients. Indeed a former Schield fund coordinator confirmed that Putnam placed far fewer, if any, restrictions on market timing than other fund families, and further stated that she could not recall any instance in which Putnam complained about Schield's market timing activity. In addition, three BTS Asset Management employees, a former wholesaler who left BTS in 2000, a former Account Administrator (employed by BTS during 2001) and a current account administrator (employed by BTS since December 2001), confirmed that Putnam was a significant outlet for market timing for BTS clients, and that BTS had an agreement with Putnam regarding market timing. The former BTS Account Administrator recalls trading in Putnam, and dealing with the former Putnam employee described in paragraph 71.

80. As further confirmation that these entities were market timers, in June of 2003, Michelle Prentiss, a "Senior Operations Specialist" in the Special Functions Department prepared an e-mail containing a "list of timer firms" that included BTS Asset Management, Lincoln Investment Planning, RTE Asset Management, Schield Management, and Spectrum Financial.

81. At the end of the Class Period, as Putnam revealed market timing by employees and 401(k) plan participants, an internal Putnam e-mail dated September 5, 2003, contains accounts associated with market timers. That list contains approximately seventy accounts held by Schield, fifty accounts held by BTS, four accounts held by RTE, and three accounts held by Spectrum.

#### **4. Timing By Prudential**

82. According to the former Putnam Investments' Senior Processor, Prudential also had an Expedited Exchange Processing Agreement with Putnam that allowed its brokers to engage in short-term trading of Putnam funds. According to the Senior Processor, the main

Prudential contact was Robert Kargenian, a Prudential broker based in Orange County, California, and the Agreement was with Prudential's Orange County office.

83. In addition, according to a former Putnam Investments Regional Sales Associate who worked at Putnam from February 2001 to February 2003, he observed \$1 million trades in and out of Putnam's Asia Pacific Growth Fund by Prudential brokers.

84. Prudential's timing activity at Putnam was not limited to timing allowed by its contractual agreement with Putnam, but also included deceptive and manipulative acts designed to hide additional timing activity from Putnam. These acts emanated not only from Prudential's Orange County office, but from other offices as well.

85. For example, Prudential's Boston office, according to a complaint filed by the SEC, between January 1, 2001, and September 15, 2003, "defrauded dozens of mutual funds and their shareholders by misrepresenting their own identities or the identities of their brokerage customers in order to engage in thousands of market timing trades after the mutual funds in question had blocked them or their customers from trading." Prudential committed these manipulative and deceptive devices with respect to the purchase and exchange of mutual fund shares worth more than \$42 million from Putnam, including more than \$23 million for its client Global Analytical Capital and more than \$14 million for its client Headstart Advisers, Ltd.

86. According to the SEC's complaint, the market timing by customers of Prudential's Boston Office affected the following Putnam Funds: Putnam American Government Income Fund, Putnam Asia Pacific Growth Fund, Putnam Asset Allocation Conservative Portfolio, Putnam Convertible Income Growth, Putnam Diversified Income Trust Fund, Putnam Europe Equity Fund, Putnam Global Government Income Trust, Putnam High Yield Trust, Putnam High Yield Trust II, Putnam Income Fund, Putnam Intermediate US Government Fund, Putnam

International Equity Fund, Putnam International New Opportunities Fund, Putnam International Strategic Income Fund, Putnam International Voyager Fund, and Putnam US Government Income Trust.

87. While substantial, the timing activity at Prudential's Boston office pales in comparison to what went on in its New York office. According to a large mutual fund market timer who ran a market timing hedge fund, Fred O'Meally, who worked at Prudential's offices in New York, had a \$500 million book of timing business. O'Meally was fired by Prudential in September 2003.

88. Similar to the activities engaged in by Prudential's Boston office, O'Meally developed and marketed a system that deceived the mutual funds, including Putnam, as to the true nature of Prudential's activities. This system involved a "shell game" of hiding trades in a variety of accounts, in order to evade detection by the funds' market timing policing systems.

89. Although O'Meally had developed this scheme to hide Prudential's activities from the funds, Putnam became aware of his activities. An internal Putnam e-mail dated February 1, 2001, outlines O'Meally's trading history, and, in response, a Putnam manager noted that "It appears that Prudential is circumventing our systems by setting up dummy rep id's and placing trades that way."

90. Again in 2002, John Cashman of Putnam's MTD became concerned that trades from Prudential (this time from Messrs. Massaux and Parker of Prudential) were timing trades, but decided to see how Prudential reacted to the implementation of short-term trading fees. A week later, Putnam noted specifically that that Massaux and Parker were using omnibus accounts to circumvent the trading fees.

91. That Putnam knew that Prudential was engaged in timing trades is further confirmed by Prudential's repeated, consistent, appearance on Putnam's market timing reports.

**5. Timing Through Bank of America**

92. Defendant Bank of America was used as a platform for massive market timing of Putnam Funds on behalf of Canary and numerous other market timers, including round-trip market timing transactions valued at approximately \$400,000,000 in at least the following Putnam Funds, among others: Putnam America Government Income Fund, Putnam Asia Pacific Growth Fund, Putnam Europe Growth Fund (n/k/a Putnam Europe Equity Fund), Putnam Global Equity Fund, Putnam International Equity Fund, Putnam International Growth Fund, Putnam International New Opportunities Fund and Putnam U.S. Government Income Trust. Canary accounted for only approximately \$10,700,000, or less than 3%, of this amount.

**6. Market Timing By Putnam Investment Professionals and Employees**

93. Putnam employed numerous fund managers who were market timing funds that they managed. Putnam has admitted that between 1998 and 2003, its employees engaged in at least 251 improper trades.

94. Between 1998 and 2003, Omid Kamshad, the chief investment officer and managing director of several Putnam mutual funds, engaged in at least 38 "round trip" trades of Putnam funds, including at least four funds he participated in managing. In these "round trip" trades, Kamshad sold shares an average of only 13 trading days after purchasing shares in a fund and often sold shares only three or fewer trading days after purchases. As a result of his short-term trading, Kamshad realized hundreds of thousands of dollars in gains. Kamshad typically traded hundreds of thousands of dollars worth of fund shares, and on at least one occasion, the value of his short-term trade exceeded \$1 million.

95. In January 2000, senior Putnam executives learned of “large and frequent” movement of Putnam funds by Kamshad, who at the time served as lead portfolio manager in Putnam’s International Equity and Europe Equity funds. On January 25, 2000, Richard B. Tibbets, the director of Putnam’s employee relations and staffing unit, discussed with Kamshad his frequent trading, and Kamshad stated he would cease this type and level of activity. This conversation was documented by Tibbets in a memorandum to the file. Notwithstanding this representation, Kamshad continued to engage in short-term trading of Putnam funds. Between February and April 2000, Kamshad made at least nine more round-trip trades.

96. Kamshad continued his short-term trading of Putnam funds even after attending a mid-2000 meeting of investment professionals at which a senior Putnam executive stated that Putnam employees must not engage in short-term trading in Putnam funds. Between August and September 2000, Kamshad made seven more round-trip trades. In March 2003, Kamshad purchased more than \$850,000 worth of shares in Putnam’s Europe Equity fund, a fund for which he was lead manager, only to sell Europe Equity shares four trading days later. This transaction resulted in a profit of more than \$79,000. In total, Kamshad engaged in at least 20 short-term round-trip trades after he was warned about his conduct.

97. The following represents all trades in Kamshad’s Putnam accounts from January 2000 to September 2003:

**Profit Growth Plan  
Omid Kamshad**

<b>Date</b>	<b>In</b>	<b>Out</b>	<b>Amount</b>
4/4/2000	Int. Cap. Opp.	Money Market	601,437.00
4/4/2000	Asia Pac.	Money Market	601,437.00
4/12/2000	Int. Cap. Opp.	Fund for Growth	238,979.68
4/12/2000	Fund for Growth	Asia Pac.	238,979.70
4/12/2000	Money Market	Int. Cap. Opp.	601,006.95
4/12/200	Money Market	Asia Pac.	107,956.65

<b>Date</b>	<b>In</b>	<b>Out</b>	<b>Amount</b>
4/14/2000	Money Market	Mt. Cap. Opp.	32,729.08
4/14/2000	Money Market	Asia Pac.	178,562.37
4/24/2000	Money Market	Int. Cap. Opp.	190,471.36
4/24/2000	Money Market	Asia Pac.	46,308.60
8/3/2000	Int. Fund 2000	Money Market	270,474.77
8/7/2000	Small Cap Val.	Money Market	180,796.28
8/7/2000	U.S. Core	Money Market	451,990.70
8/7/2000	Cap. Opp.	Money Market	180,796.28
8/7/2000	Int. Fund 2000	Money Market	178,648.71
8/7/2000	Health Sci.	Money Market	180,796.28
8/7/2000	Int. Cap. Opp.	Money Market	180,796.29
8/7/2000	Vista	Money Market	180,796.28
9/8/2000	Money Market	Small Cap. Val.	190,015.36
9/8/2000	Money Market	Cap. Opp.	206,600.54
9/8/2000	Money Market	Health Sci.	175,246.06
9/8/2000	Money Market	Int. Cap. Opp.	185,437.59
9/8/2000	Money Market	Vista	186,309.43
9/25/2000	Money Market	U.S. Core	100,000.00
10/6/2000	Money Market	Int. Fund 2000	110,000.00
10/10/2000	Money Market	U.S. Core	70,000.00
10/10/2000	Money Market	Mt. Fund 2000	70,000.00
10/12/2000	Money Market	Int. Fund 2000	78,553.23
10/16/2000	Money Market	U.S. Core	101,140.93
10/20/2000	Money Market	U.S. Core	59,211.00
11/09/2000	Money Market	Int. Fund 2000	66,650.33
12/20/2000	Money Market	U.S. Core	26,782.12
12/20/2000	Money Market	Int. Fund 2000	27,830.04
12/28/2000	Money Market	U.S. Core	26,673.97
12/28/2000	Money Market	Int. Fund 2000	27,061.05
2/9/2001	Money Market	U.S. Core	17,559.39
2/9/2001	Money Market	Int. Fund 2000	19,659.16
2/20/2001	Money Market	U.S. Core	8,535.08
2/20/2001	Money Market	Int. Fund. 2000	9,396.67
2/27/2001	Money Market	U.S. Core	5,919.52
2/27/2001	Money Market	Mt. Fund 2000	6,542.02
4/23/2001	Money Market	U.S. Core	1,327.85
7/3/2002	Int. Equity	Money Market	1,072,374.95
7/3/2002	Europe Equity	Money Market	459,589.27
7/16/2002	Money Market	Int. Equity	1,030,751.78
7/16/2002	Money Market	Europe Equity	440,500.91
3/12/2003	Europe Equity	Money Market	852,556.96
3/18/2003	Money Market	Europe Equity	932,051.15
4/14/2003	High Yield Trust Y	Money Market	1,382,889.81

<b>Date</b>	<b>In</b>	<b>Out</b>	<b>Amount</b>
6/4/2003	Money Market	High Yield Trust Y	450,776.91

**Putnam Partners Plan No. 550009**  
**Omid Kamshad**

<b>Date</b>	<b>In</b>	<b>Out</b>	<b>Amount</b>
4/14/2003	High Yield	Money Market	812,758.10
6/5/2003	Int. Cap. Opp.	Money Market	373,986.24

**Executive Deferred Comp. Plan No. 560006**  
**Omid Kamshad**

<b>Date</b>	<b>In</b>	<b>Out</b>	<b>Amount</b>
1/4/2000	Money Market	Int. Cap. Opp.	168,454.06
1/7/2000	Int. Equity	Money Market	33,706.63
1/7/2000	Int. Cap. Opp.	Money Market	33,706.63
1/7/2000	Asia Pac	Money Market	67,413.25
1/7/2000	Int. New Opp.	Money Market	33,706.63
1/11/2000	Money Market	Int. Equity	34,927.27
1/11/2000	Money Market	Int. Cap. Opp.	35,635.89
1/11/2000	Money Market	Asia Pac.	70,995.99
1/11/2000	Money Market	Int. New Opp.	35,885.68
1/13/2000	Int. Cap. Opp.	Money Market	35,500.34
1/13/2000	Europe Equity	Money Market	26,625.25
1/13/2000	Asia Pac	Money Market	79,875.77
1/13/2000	Int. New Opp.	Money Market	35,500.34
1/18/2000	Money Market	Int. Cap. Opp.	36,757.45
1/18/2000	Money Market	Europe Equity	26,946.59
1/18/2000	Money Market	Asia Pac	81,426.13
1/18/2000	Money Market	Int. New Opp.	34,182.42
2/8/2000	Global Agg. Gr.	Money Market	62,181.56
2/8/2000	Cap. Opp.	Money Market	60,352.68
2/8/2000	Mt. Cap. Opp.	Money Market	60,352.68
2/24/2000	Money Market	Int. Cap. Opp.	67,321.45
2/29/2000	Mt. Cap. Opp.	Money Market	67,372.45
3/14/2000	Money Market	Int. Cap. Opp.	70,157.19
3/15/2000	Money Market	Global Agg. Gr.	72,439.41
3/15/2000	Money Market	Cap. Opp.	65,877.85
4/4/2000	Int. Cap. Opp.	Money Market	52,747.81
4/4/2000	Asia Pac	Money Market	52,747.80
4/12/2000	Int. Cap. Opp.: 20,959.21 Fund for Gr.: 20,959.22 Money Market: 62,178.19	Int. Cap. Opp.: 52,710.07 Fund for Gr.: 20,959.21 Asia Pac: 30,427.34	

4/14/2000	Money Market	Int. Cap. Opp.	2,870.44
4/14/2000	Money Market	Asia Pac	15,660.43
4/24/2000	Money Market	Int. Cap. Opp.	16,704.93
4/24/2000	Money Market	Asia Pac	4,061.39
8/3/2000	Int. Fund 2000	Money Market	32,841.29
8/7/2000	Small Cap Val.	Money Market	21,952.46
8/7/2000	U.S. Core	Money Market	54,881.14
8/7/2000	Cap. Opp.	Money Market	21,952.46
8/7/2000	Int. Fund 2000	Money Market	21,691.72
8/7/2000	Health Sci.	Money Market	21,952.46
8/7/2000	Int. Cap. Opp.	Money Market	21,952.47
8/7/2000	Vista	Money Market	21,952.45
9/8/2000	Money Market	Small Cap Val	23,278.46
9/8/2000	Money Market	Cap. Opp.	25,300.93
9/8/2000	Money Market	Health Sci.	29,479.46
9/8/2000	Money Market	Int. Cap. Opp.	22,712.76
9/8/2000	Money Market	Vista	22,827.24
9/11/2000	Money Market	U.S. Core	56,287.37
9/11/2000	Money Market	Int. Fund 2000	56,489.53

**KAMSHAD PLAN 581999**

<b>Date</b>	<b>Transfer In</b>	<b>Amount</b>	<b>Transfer Out</b>	<b>Amount</b>
January 3, 2000	Money Market	\$53,197.47	Growth & Inc. Voyager Int'l Growth	\$16,862.45 \$57.52 \$36,277.50
January 5, 2000	Voyager Int'l Growth	\$903.26 \$34,862.81	Money Market	\$35,766.07
January 11, 2000	Money Market	\$35,811.89	Voyager Int'l Growth	\$282.43 \$35,529.46
January 14, 2000	Int'l Growth	\$17,889.16	Voyager Money Market	\$424.20 \$17,464.96
January 18, 2000	Int'l Growth Money Market	\$46.37 \$17,935.84	Voyager	\$17,982.21
January 20, 2000	Money Market	\$17,812.10	Int'l Growth	\$17,812.10
February 3, 2000	OTC & Emerging Growth New Opport.	\$14,345.53 \$7,172.77 \$21,518.30	Money Market	\$43,036.60

<b>Date</b>	<b>Transfer In</b>	<b>Amount</b>	<b>Transfer Out</b>	<b>Amount</b>
	Int'l Growth			
February 23, 2000	Int'l Growth Money Market	\$395.62 \$23,396.63	OTC & Emerging Growth New Opport.	\$16,201.45 \$7,590.80
February 24, 2000	Money Market	\$22,345.23	Int'l Growth	\$22,345.23
March 21, 2000	Investors Global Growth Asset Alloc. Conserv.	\$95,456.68 \$95,458.67 \$47,729.34	Growth & Inc. Voyager Int'l Growth Money Market	\$67,505.48 \$81,206.00 \$15,100.53 \$74,834.68
April 5, 2000	Global Growth Int'l Growth Money Market	\$4,705.91 \$2,308.20 \$232,345.06	Growth & Inc. Investors Asset Alloc. Conserv.	\$98,951.07 \$93,085.54 \$47,322.56
April 14, 2000	Money Market	\$82,238.03	Global Growth Int'l Growth	\$59,872.78 \$22,365.25
June 5, 2000	Money Market	\$139,658.41	Global Growth Int'l Growth	\$23,747.42 \$115,910.99

**KAMSHAD PLAN 581997**

<b>Date</b>	<b>Transfer In</b>	<b>Amount</b>	<b>Transfer Out</b>	<b>Amount</b>
January 3, 2000	Money Market	\$335,363.63	Growth & Inc. Voyager Int'l Growth	\$106,303.05 \$362.70 \$228,697.88
January 5, 2000	Voyager Int'l Growth	\$5,694.23 \$219,779.60	Money Market	\$225,473.83
January 11, 2000	Money Market	\$225,762.67	Voyager Int'l Growth	\$1,780.48 \$223,982.19
January 14, 2000	Int'l Growth	\$112,775.55	Voyager Money Market	\$2,674.17 \$110,101.38
January 18, 2000	Int'l Growth Money Market	\$292.27 \$113,069.88	Voyager	\$113,362.15

<b>Date</b>	<b>Transfer In</b>	<b>Amount</b>	<b>Transfer Out</b>	<b>Amount</b>
January 20, 2000	Money Market	\$112,269.64	Int'l Growth	\$112,289.64
February 3, 2000	OTC & Emerging Growth New Opport. Int'l Growth	\$90,436.04 \$45,218.02 \$135,654.06	Money Market	\$271,308.12
February 24, 2000	Money Market	\$140,867.15	Int'l Growth	\$140,867.15
March 21, 2000	Growth & Inc. Investors Global Growth Asset Alloc. Conserv. Int'l Growth	\$94,353.45 \$94,353.45 \$94,353.45 \$47,167.72 \$141,530.17	Money Market	\$471,767.24
April 5, 2000	Global Growth Int'l Growth Money Market	\$4,651.41 \$2,281.47 \$229,654.94	Growth & Inc. Investors Asset Alloc. Conserv.	\$97,805.41 \$92,007.77 \$46,774.64
April 14, 2000	Money Market	\$81,265.86	Global Growth Int'l Growth	\$59,179.56 \$22,106.30
June 5, 2000	Money Market	\$138,041.40	Global Growth Int'l Growth	\$23,472.47 \$114,568.93

**KAMSHAD PLAN 581998**

<b>Date</b>	<b>Transfer In</b>	<b>Amount</b>	<b>Transfer Out</b>	<b>Amount</b>
January 3, 2000	Money Market	\$667,998.73	Growth & Inc. Voyager Int'l Growth	\$211,741.19 \$722.44 \$455,535.10
January 5, 2000	Voyager Int'l Growth	\$11,342.16 \$437,771.05	Money Market	\$449,113.21
January 11, 2000	Money Market	\$449,688.52	Voyager Int'l Growth	\$3,546.49 \$446,142.03
January 14, 2000	Int'l Growth	\$224,633.55	Voyager	\$5,326.61

<b>Date</b>	<b>Transfer In</b>	<b>Amount</b>	<b>Transfer Out</b>	<b>Amount</b>
2000			Money Market	\$219,306.94
January 18, 2000	Int'l Growth Money Market	\$582.19 \$225,219.80	Voyager	\$225,801.99
January 20, 2000	Money Market	\$223,665.65	Int'l Growth	\$223,665.65
February 3, 2000	OTC & Emerging Growth New Opport. Int'l Growth	\$180,136.27 \$90,068.14 \$270,204.41	Money Market	\$540,408.82
February 23, 2000	Int'l Growth Money Market	\$4,967.58 \$293,790.47	OTC & Emerging Growth New Opport.	\$203,441.25 \$95,316.80
February 24, 2000	Money Market	\$280,588.17	Int'l Growth	\$280,588.17
March 21, 2000	Growth & Inc. Investors Global Growth Asst Alloc. Conserv. Int'l Growth	\$187,939.22 \$187,939.23 \$187,939.22 \$93,969.61 \$281,908.84	Money Market	\$939,696.12
April 5, 2000	Global Growth Int'l Growth Money Market	\$9,264.97 \$4,544.38 \$457,441.40	Growth & Inc. Investors Asset Alloc. Conserv.	\$194,815.05 \$183,266.97 \$93,168.73
April 14, 2000	Money Market	\$161,910.37	Global Growth Int'l Growth	\$117,877.63 \$44,032.74
June 5, 2000	Money Market	\$274,959.71	Global Growth Int'l Growth	\$46,753.95 \$228,205.76

**KAMSHAD PLAN 580028**

<b>Date</b>	<b>Transfer In</b>	<b>Amount</b>	<b>Transfer Out</b>	<b>Amount</b>
January 4, 2000	Money Market	\$256,579.46	Int'l Cap. Opport.	\$256,579.46

<b>Date</b>	<b>Transfer In</b>	<b>Amount</b>	<b>Transfer Out</b>	<b>Amount</b>
January 7, 2000	Int'l Equity Int'l Cap. Opport. Asia Pacific Int'l New Opport.	\$51,339.14 \$51,339.15 \$102,678.28 \$51,339.14	Money Market	\$256,695.71
January 11, 2000	Money Market	\$270,269.24	Int'l Equity Int'l Cap. Opport. Asia Pacific Int'l New Opport.	\$53,196.31 \$54,277.51 \$108,135.23 \$54,658.09
January 13, 2000	Int'l Cap. Opport. Europe Equity Asia Pacific Int'l New Opport.	\$54,070.29 \$40,552.71 \$121,668.13 \$54,070.28	Money Market	\$270,351.41
January 18, 2000	Money Market	\$274,623.36	Int'l Cap. Opport. Europe Equity Asia Pacific Int'l New Opport.	\$55,676.54 \$40,816.86 \$123,324.68 \$54,805.30
February 8, 2000	Global Aggressive Growth Capital Opport. Int'l Cap. Opport.	\$93,660.77 \$90,906.06 \$90,906.06	Money Market	\$275,472.89
February 24, 2000	Money Market	\$119,122.19	Int'l Cap. Opport.	\$119,122.19
February 29, 2000	Int'l Cap. Opport.	\$119,213.20	Money Market	\$119,122.19
March 14, 2000	Money Market	\$123,535.45	Int'l Cap. Opport.	\$123,535.45
March 15, 2000	Money Market	\$214,241.76	Global Aggressive	\$119,127.08

<b>Date</b>	<b>Transfer In</b>	<b>Amount</b>	<b>Transfer Out</b>	<b>Amount</b>
2000			Growth Capital Opport.	\$95,114.68
April 4, 2000	Int'l Cap. Opport. Asia Pacific	\$84,652.63 \$84,652.62	Money Market	\$169,305.25
April 12, 2000	Int'l Cap. Opport. Growth & Inc. Money Market	\$33,636.55 \$33,636.54 \$99,787.05	Int'l Cap. Opport. Growth & Inc. Asia Pacific	\$84,592.10 \$33,636.55 \$48,831.49
April 14, 2000	Money Market	\$99,787.05	Int'l Cap. Opport. Asia Pacific	\$4,606.66 \$25,132.78
April 24, 2000	Money Market	\$33,326.93	Int'l Cap. Opport. Asia Pacific	\$26,808.97 \$6,517.96
August 3, 2000	Int'l Fund 2000	\$58,816.33	Money Market	\$58,816.33
September 8, 2000	Money Market	\$231,003.10	Small Cap Value Capital Opport. Int'l Cap. Opport. Vista Fund	\$46,445.33 \$50,500.40 \$45,192.06 \$45,725.97
September 11, 2000	Money Market	\$220,608.24	US Core Fund Int'l Fund 2000	\$110,276.53 \$110,331.71

98. Between 1998 and 2000, Justin Scott, a portfolio manager for at least five Putnam mutual funds, engaged in approximately 35 round trip trades in Putnam funds, including funds he participated in managing. In 2000 alone, Scott engaged in at least 12 trades in which he bought and sold mutual fund shares on consecutive days. As a result of his short-term trading, Scott realized hundreds of thousands of dollars in gains. Scott often traded millions of dollars worth of mutual fund shares.

99. On February 18, 2000, Scott, a superior to Kamshad, was copied on a memorandum which addressed the warning given to Kamshad in January 2000, and made clear that short-term trading in large amounts was inconsistent with Putnam's policies "for standard mutual fund clients." In addition, in March 2000, Putnam's intranet advised employees, inter alia, that "excessive exchange by a relatively small number of individuals among a number of Putnam's funds [had] had a detrimental effect on the long-term shareholders of those funds." Nevertheless, Scott continued to engage in short-term trades. Between March and May of 2000, Scott made more than 20 round trip trades, including 10 "next day" round trip trades in Putnam funds.

100. The following represents all trades in Scott's Putnam accounts from January 2000 to September 2003:

**Profit Growth Plan  
Justin Scott**

<b>Date</b>	<b>In</b>	<b>Out</b>	<b>Amount</b>
3/31/2000	Int. Cap. Opp.	Money Market	236,051.54
4/03/2000	Int. Cap. Opp.	Mt. Cap. Opp.	228,258.49
4/4/2000	Money Market	Int. Cap. Opp.	108,911.49
4/6/2000	Asia Pac.	Money Market	1,265,900.83
4/10/2000	Int. Cap. Opp.	Money Market	114,985.87
4/10/2000	Asia Pac.	Money Market	261,168.01
4/11/2000	U.S. Core	Asia Pac.	259,410.93
4/11/2000	Money Market	Asia Pac.	778,232.76
4/12/2000	Money Market	Int. Equity	528,423.72
4/18/2000	Int. Equity	Money Market	900,000.00
4/18/2000	Int. Cap. Opp.	Money Market	650,000.00
4/19/2000	Global Equity: 789,980.25 Money Market: 789,980.23	Int. Equity: 915,211.28 Int. Cap. Opp.:	
4/25/2000	Int. Equity	Money Market	513,488.16
5/10/2000	Europe Equity: 100,421.00 Money Market: 100,421.00	Int. Equity	200,842.00
5/11/2000	Int. Capp. Opp.	Money Market	551,777.49
5/11/2000	Asia Pac.	Money Market	652,213.73
5/12/2000	Money Market	Global Equity	308,194.20

5/12/2000	Money Market	Europe Equity	102,208.57
5/17/2000	Int. Equity: 283,499.99 Money Market: 608,039.07	Int. Cap. Opp.: 221,400.18	
5/18/2000	Money Market	Int. Equity	282,343.14
5/18/2000	Money Market	Int. Cap. Opp.	332,100.25
5/23/2000	hit. Equity	Money Market	288,136.76
5/24/2000	Int. Cap. Opp.	Money Market	714,603.90
5/24/2000	Int. Equity	Money Market	493,886.71
5/24/2000	Asia Pac.	Money Market	714,603.89
5/25/2000	Money Market	Int. Equity	500,942.25
5/25/2000	Money Market	Int. Cap. Opp.	725,440.60
5/25/2000	Money Market	Asia Pac.	717,260.42

**Putnam Voluntary 1993-1996 Plan No. 560012  
Justin M. Scott**

Date	In	Out	Amount
5/15/2000	Int. Equity	Money Market	110,695.21
5/23/2000	Money Market	Int. Equity	290,902.54

**Partners Plan No. 560009  
Justin Scott**

Date	In	Out	Amount
3/29/2000	Int. Equity	Money Market	3,326,938.20
3/29/2000	Int. Cap. Opp.	Money Market	431,250.00
3/31/2000	Cap. Appreciation	Global Equity	276,027.96
4/3/2000	Int. Cap. Opp.	Int. Cap. Opp.	402,399.26
4/4/2000	Money Market	Int. Equity	3,475,441.61
4/4/2000	Money Market	Int. Cap. Opp.	288,001.72
4/5/2000	Global Equity	Money Market	122,583.99
4/5/2000	Europe Equity	Money Market	942,899.92
4/5/2000	Asia Pac.	Money Market	551,627.88
4/6/2000	Asia Pac.	Money Market	528,217.19
4/7/2000	Asia Pac.	Money Market	1,2287,131.77
4/10/2000	U.S. Core: 200,000.00 Money Market: 1,651,850.19 Global Equity: 1,000,000.00	Int. Equity: 700,000.00 Int. Cap. Opp.: 101,354.90 Asia Pac.: 2,050,495.29	
4/11/2000	U.S. Core	Asia Pac.	370,294.82
4/18/2000	Int. Cap. One	Money Market	544,026.26
4/18/2000	Asia Pac.	Money Market	1,635,334.51

4/19/2000	Research: 258,085.79 Money Market: 2,639,846.99 Global Equity: 258,085.77	Int. Equity: 319,470.77 Int. Cap. Opp.: 556,370.80 Europe Equity: 928,526.49 Asia Pac: 1,361,650.49	
4/25/2000	Int. Equity	Money Market	1,866,187.30
4/25/2000	Int. Cap. Op p.	Money Market	967,620.18
4/25/2000	Asia Pac.	Money Market	484,248.78
5/10/2000	Money Market 1,742,924.07 Europe Equity: 729,926.82	Int. Equity: 729,926.82 Int. Cap. Opp.: 969,483.13 Asia Pac.: 773,440.94	
5/11/2000	Int. Cap. Opp.: 1,110,479.96 Asia Pac.: 1,365,523.23	Europe Equity: 732,814.19 Money Market: 1,743,189.00	
5/12/2000	Money Market: 692,713.41	Global Equity: 526,566.86 Growth & Inc: 166,146.56	
5/15/2000	Int. Equity	Money Market	603,032.76
5/17/2000	Int. Equity: 52,578.74 Money Market: 1,750,213.21	Int. Cap. Opp.: 794,439.02 Europe Equity: 394,595.02 Asia Pac.: 1,402,947.97	
5/18/2000	Money Market	Int. Equity	575,875.49
5/18/2000	Money Market	Int. Cap. p.	319,508.52
5/23/2000	Money Market	Europe Equity	382,513.99
5/24/2000	Int. Equity	Money Market	1,345,282.04
5/24/2000	Int. Cap. Opp.	Money Market	842,839.41
5/24/2000	Asia Pac.	Money Market	842,839.41
4/18/2001	Int. Equity	Money Market	2,202,499.59
4/18/2001	Int. Cap. Opp.	Money Market	2,208,565.02
9/20/2001	U.S. Core	Money Market	750,000.000
9/25/2001	Money Market	Research	141,946.68
9/25/2001	Money Market	Voyager	84,327.11
10/12/2001	Money Market	Int. Equity	790,522.05
10/12/2001	Money Market	Int. Cap. Opp.	277,839.00
4/23/2002	Money Market	U.S. Core	813,609.41
6/4/2002	Investors	Money Market	1,000,000.00

6/4/2002	Cap. Appreciation	Money Market	1,000,000.00
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**Profit Sharing Retirement Plan  
Justin Scott**

<b>Date</b>	<b>In</b>	<b>Out</b>	<b>Amount</b>
1/4/2000	Money Market	Int'l Cap. Opport.	\$115,557.02
1/7/2000	International Equity \$23,121.87 Int'l Cap. Opport. \$23,121.88 Asia Pacific Growth \$46,243.76 Int'l New Opport. \$23,122.87	Money Market	\$115,609.38
1/11/2000	Money Market	International Equity \$23,959.20 Int'l Cap. Opport. \$24,445.31 Asia Pacific Growth \$48,701.43 Int'l New Opport. \$24,616.65	\$121,759.59
1/13/2000	Int'l Cap. Opport. \$24,351.92 Europe Equity \$18,263.94 Asia Pacific Growth \$54,791.82 Int'l New Opport. \$24,351.91	Money Market	\$121,759.59
1/18/2000	Money Market	Int'l Cap. Opport. \$25,142.84 Europe Equity \$18,432.19 Asia Pacific \$55,694.42 Int'l New Opport. \$24,749.42	\$124,018.87
2/8/2000	Capital Opport. \$62,368.20 Int'l Cap. Opport. \$62,368.18	Money Market	\$124,736.38
2/24/2000	Money Market	Int'l Cap. Opport.	\$79,884.37
2/29/2000	Int'l Cap. Opport.	Money Market	\$80,274.02
3/14/2000	Money Market	Int'l Cap. Opport.	\$83,357.83
3/15/2000	Capital Opport.	Money Market	\$78,145.40
4/4/2000	Int'l Cap. Opport.	Money Market	\$81,284.78

	\$40,642.40 Asia Pacific \$40,642.38		
4/12/2000	Int'l Cap. Opport. \$16,149.17 Growth & Income \$16,149.16 Money Market \$47,908.56	Int'l Cap. Opport. \$40,613.34 Growth & Income \$16,149.17 Asia Pacific \$23,444.38	
4/14/2000	Money Market	Int'l Cap. Opport. \$2,211.66 Asia Pacific \$12,066.42	\$14,278.08
4/24/2000	Money Market	Int'l Cap. Opport. \$12,871.21 Asia Pacific \$3,129.33	\$16,000.54
8/24/2000	Capital Opport. \$16,584.41 Technology \$99,506.46 Pending Acct \$49,753.23	Money Market	\$165,844.10
8/25/2000	Marsh & McLennan stock	Pending Acct	\$49,753.23
9/25/2000	Capital Opport.	Technology	\$50,000
10/10/2000	Pending Acct	Marsh & McLennan stock	\$54,237.89
10/13/2000	Money Market	Pending Acct	\$54,237.89
10/18/2000	Money Market	Technology	\$37,953.58
12/28/2000	Money Market	Capital Opport.	\$70,815.47

**Plan No. 56013  
Justin Scott**

Date	In	Out	Amount
4/5/2000	Int'l Cap. Opport.	Money Market	\$525,049.77
4/10/2000	Money Market	Int'l Cap. Opport.	\$574,248.86
4/12/2000	Money Market	International Equity	\$1,006,210.13
4/18/2000	International Equity \$791,020.39	Money Market	\$1,582,040.76
4/19/2000	Money Market \$1,788,265.49	International Equity \$603,292.31	
4/25/2000	International Equity \$402,359.75	Money Market	\$804,719.48
5/10/2000	Money Market	Asia Pacific	\$383,523.65
5/11/2000	Int'l Cap. Opport. \$411,314.70 Asia Pacific \$479,867.15	Money Market	\$1,355,668.16
5/12/2000	Money Market	Int'l Cap. Opport. \$209,028.81	\$404,732.14

5/15/2000	International Equity	Money Market	\$404,918.72
5/17/2000	Europe Equity \$147,905.65 Money Market	Int'l Cap. Opport. \$293,967.30	
5/23/2000	Money Market	Int'l Equity	
5/24/2000	Int'l New Opport.	Money Market	\$1,355,668.16
5/25/2000	Money Market	Int'l New Opport.	\$1,407,158.53
4/18/2001	Int'l Equity	Money Market	\$1,000,000
9/25/2001	Money Market	Research	\$246,677.13
6/5/2002	Cap. Opport. \$999,999.99 Global Equity	Money Market	\$2,000,000

**Profit Sharing Retirement Plan  
Justin Scott**

<b>Date</b>	<b>In</b>	<b>Out</b>	<b>Amount</b>
4/03/2000	Research	Research	\$61,987.78
4/10/2000	Money Market	Asia Pacific Growth	\$16,252.03
4/19/2000	Money Market \$347,013.72	International Equity Europe Equity	\$342,829.74 \$6,183.98
4/25/2000	International Equity	Money Market	\$387,289.00
5/12/2000	Money Market \$82,200.25	Classic Equity Growth & Inc.	\$52,653.88 \$29,546.37
5/17/2000	Money Market	Asia Pacific Growth	\$77.65
5/23/2000	Money Market	International Equity	\$362,203.08
5/25/2000	Money Market	Global Equity	\$773.95

**SCOTT PLAN 581997**

<b>Date</b>	<b>Transfer In</b>	<b>Amount</b>	<b>Transfer Out</b>	<b>Amount</b>
August 30, 2001	Equity Income	\$134,571.93	Voyager	\$88,204.68
	Voyager	\$88,204.68	New Opport.	\$27,529.86
				\$13,570.93

101. In addition, Putnam Global Equity Fund portfolio member Geirulv Lode, Putnam Emerging Markets Equities Director Carmel Peters, Putnam mutual funds portfolio member James Prusko, and Putnam Small and Mid-cap Value team member Frank Perfetuo also engaged in excessive short-term trading of Putnam funds in their personal accounts. Lode and Peters, like Scott and Kamshad, traded in funds over which they had investment decision-making

responsibility and access to non-public information regarding, among other things, current portfolio holdings, valuations and transactions not readily available to all fund shareholders. In total, between 1998 and 2003, short-term trading by Lode, Peters, Prusko, Perfetuo, Kamshad, and Scott generated more than \$1 million in gross personal gains.

102. Specifically, between 2000 and 2001, Lode made approximately 49 round trip trades of Putnam mutual funds, including funds for which he had some responsibility. During the period 2000 to 2002, Peters made approximately 45 round trip trades of Putnam mutual funds, including at least one fund in which she participated in managing. During the period 2000 to 2003, Prusko made approximately 36 round trips of Putnam mutual funds. Finally, in 2000, Perfetuo made approximately 48 round trip trades of Putnam mutual funds.

103. Improper employee trading at Putnam, however, extended even beyond the admitted misdeeds alleged above. . According to a *Wall Street Journal* article, in December 2003, Putnam fired a total of 15 employees for “improper trading activity.” Indeed, according to an internal report generated by Putnam subsequent to the revelation of Putnam employee wrongdoing, 40 current and former Putnam Investments employees had been issued warnings about rapid trading between 2001 and 2003, but no further action was taken against them.

104. Putnam has identified the following funds as being “affected by the short-term trading of Putnam’s investment professionals:” Putnam Emerging Markets Fund and Putnam Asia Pacific Growth Fund (both having merged into Putnam International Equity Fund), Putnam International Capital Opportunities Fund (formerly Putnam International Voyager Fund), Putnam International Equity Fund (formerly Putnam International Growth Fund), Putnam Europe Equity Fund (formerly Putnam Europe Growth Fund), Putnam Worldwide Equity Fund, Putnam International New Opportunities Fund, and Putnam International Fund 2000.

105. Putnam knew that certain of its investment professionals and employees were engaged in market timing and short-term trading of Putnam Funds. Among other things:

(a) In a May 4, 2000 e-mail, Mark Goldfield, a Putnam human-resources employee, discussed high levels of trading in various deferred-compensation plans for Putnam employees in the first four months of 2000. These employees included Scott and Kamshad, as well as Woolverton, who was reported as having “actively traded [his] account,” having engaged in eight trades in one account in a four-month period and five trades in another. The e-mail states that the rapid trading in the accounts had driven up tax liabilities in the funds;

(b) According to a report by Putnam’s trustees, in 2000 Putnam Management’s Senior Managing Director and Head of Investments, Ian Ferguson, informed defendant Lasser that Putnam employees were engaged in improper trading;

(c) In an arbitration claim it brought against defendant Lasser following his resignation, Putnam has admitted that defendant Lasser, who was President and CEO of Putnam Management, was aware of the employee timing conduct and appreciated the “seriousness of the issues involved;” and

(d) An internal report generated by Putnam Investments following disclosure of Putnam employee wrongdoing acknowledges that William Woolverton, Putnam’s General Counsel, Code of Ethics Officer and Chief Compliance Officer, knew about improper trading by fund managers in 2000.

106. Notwithstanding its knowledge of market timing by its own employees documented above, Putnam turned a blind eye and failed to take any remedial action to halt this harmful market timing of Putnam Funds until late 2003, following state and federal regulatory inquiries. Remarkably, even after being warned in 2000, the fund managers were allowed to

retain personal profits already gained at Putnam's customers' expense and were permitted to continue to manage the funds they were timing. Indeed, none of these employees was asked to return ill-gotten gains or otherwise disciplined until this scandal became public.

107. In his report, Professor Tufano, the Independent Assessment Consultant retained to examine damages relating to certain instances of market timing, estimates that improper timing transactions by Putnam employees caused total dilution to investors of approximately \$53 million.

#### **7. Putnam's Knowledge Of Market Timing By 401(k) Plan Participants**

108. In addition to the foregoing, Putnam also allowed members of Boilermakers Local Lodge No. 5 ("Boilermakers") and Joint International Board of Electrical Workers ("JIBEW") ("Electrical Workers") to time investments of their pension funds in Putnam funds.

109. According to an administrative complaint filed by the Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth, at least 28 Boilermaker plan participants made between 150-500 trades each over a three year period, with each earning profits of from \$100,000 to over \$1 million from market timing Putnam Funds.

110. As was the case with respect to employee market timing, Putnam was well aware of the market timing activities of the Boilermakers and the Electrical Workers. A former service specialist for Defined Contribution Plans at Putnam Investments who worked in the Norwood, Massachusetts office stated that the trading activity of the Boilermakers was so prolific that 3 to 4 p.m., the hour before the market cleared, was known as "boilermaker hour" within his office. Similarly, with respect to the Electrical Workers, the former service specialist stated that every day that saw movement in NASDAQ would result in scores of requests from JIBEW plan

participants to move their entire balances in or out of either the Putnam New Opportunity Fund or Putnam OTC Emerging Growth Fund.

111. If market timing was detected in 401(k) plans, Putnam employees were instructed to bring their concerns to defendant Putnam Retail Management, which was responsible for managing and supervising accounts of 401(k) clients. However, when certain Dedicated Service Representatives did so, defendant Putnam Retail Management, whose interest was in maintaining good relations with the 401(k) plans, claimed that any enforcement against market timing was Putnam Management's responsibility and the Dedicated Service Representatives were further instructed not to concern themselves with the market timing activity.

112. Further, Putnam has allowed participants in other plans, including the New York State Deferred Compensation Plan, to engage in market timing, and indeed has contracted to allow these participants to trade on a daily basis in direct contradiction of the policies and procedures stated in Putnam's Prospectuses. In a letter to Putnam Investments dated February 4, 2000, counsel for the New York State Deferred Compensation Board stated:

The cornerstone of the design of the [Defendant Compensation Plan for Employees of the State of New York and Other Participating Public Jurisdictions (the "Plan")] is that participants have the ability to trade on a daily basis between and among the broad array of investment options offered under the Plan. This idea was set forth in the public "request for proposal" pursuant to which the Fund was selected as an investment option. It was a key element in the negotiations between the Board and Putnam and permeates Putnam's contract with the Board.

113. Professor Tufano concluded that timing by 401(k) plan participants caused approximately \$32 million in dilution to long-term fundholders.

**C. Putnam's Materially False and Misleading Prospectuses**

114. None of the Prospectuses issued for any Putnam fund during the Class Period contained any disclosure of the obviously material fact that Putnam had agreed to allow wealthy

hedge funds and other market timers to steal mutual fund profits that rightfully belonged to long-term holders.

115. The Prospectuses were materially false and misleading because they each failed to disclose the material and adverse facts set forth in paragraphs 60 - 112 above including, *inter alia*, that:

(a) Putnam had entered into agreements allowing certain preferred investors to time their trading of the Putnam Funds shares;

(b) Pursuant to those agreements, certain preferred investors regularly timed their trading in the Putnam Funds shares;

(c) The Putnam Defendants regularly allowed certain preferred investors to engage in trades that: (i) stole profits from long-term fund holders, (ii) were disruptive to the efficient management of the Putnam Funds, and (iii) increased the Putnam Funds' costs and thereby reduced the Putnam Funds' actual performance;

(d) Certain Putnam Investments' employees were permitted to engage in market timing and in some cases were permitted to market time in funds which those same employees managed;

(e) Participants in certain 401(k) Plans were permitted to engage in market timing of Putnam Funds; and

(f) Defendants benefited financially from this market timing activity at the expense of long-term buy and hold investors in Putnam Funds.

116. To make matters worse, as Putnam has acknowledged, all of Putnam's mutual fund Prospectuses indicated that: "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.”

117. In addition, beginning in 2001, most Putnam global and international fund Prospectuses added the following language:

In order to limit excessive exchange activity and otherwise to promote the best interests of the fund, the fund imposes a redemption fee of 1.00% of the total exchange amount (calculated at market value) on exchanges of shares held less than 90 days. The fund also 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.

118. Thus, the language of the Prospectuses indicated that Putnam would actively monitor excessive market timing and short-term trading because of the harm this type of trading has on the performance of the Putnam Funds. Further, the Prospectuses indicated that market timing activity and short-term trading would not be tolerated.

### **ADDITIONAL SCIENTER ALLEGATIONS**

119. As alleged herein, defendants acted with scienter in that defendants knowingly or recklessly participated in a scheme to defraud Lead Plaintiff and other purchasers and holders of Putnam mutual funds and profited from their participation in said scheme as set forth herein.

#### **A. The Putnam Defendants**

120. The Putnam Defendants permitted and/or engaged in market timing of Putnam mutual funds as alleged herein. Putnam entered into contracts with known market timers that explicitly permitted the wrongdoing complained of herein, and had employees whose job was to enable trading by market timing entities. In addition, Putnam was otherwise able to detect market timing through the activities of its market timing department. Moreover, Putnam

Management's knowledge of market timing activity can be inferred from its establishing a system of paying broker commissions that categorized transactions of known market timers as non-compensable. Further, Putnam Management's most senior management, including defendant Lasser, its President and CEO, and William Woolverton, its chief legal, compliance and ethics officer, have admitted that they were aware of market timing of Putnam Funds by Putnam investment professionals.

121. In addition, each of the Putnam Defendants knew that this market timing activity was enormously harmful to long-term buy and holder investors in Putnam Funds. Moreover, each of the Putnam Defendants knew that the public documents and statements issued or disseminated in the name of the 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 in violation of their fiduciary duties and the federal securities laws.

122. 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 the Putnam Funds which made them privy to confidential proprietary information concerning the Putnam Funds, participated in the fraudulent scheme alleged herein.

123. 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. Large investors attracted to the Putnam Funds by market timing arrangements increased the amount of assets under management and permitted Putnam

Management, among other things, to receive increased management fees. Putnam Management earned advisory and management fees ranging from approximately 1% to 2% annualized of the net asset value of the Putnam Funds, calculated on a daily basis. Thus, the large infusions of cash provided by market timers, while detrimental to other fund investors, were a source of enormous profits to the Putnam Defendants because these infusions dramatically increased the amount of assets under management, thereby increasing the dollar amount of fees payable from those assets.

124. This receipt of increased fees became particularly important for Putnam when, in 2000, there were dramatic declines in the stock markets, which caused Putnam's assets under management (and thus the fees earned on these assets) to decline dramatically as well.

125. In addition, certain Putnam employees and officers,— Kamshad, Scott, Prusko, Perfetuo, Peters, Lode and Woolverton — themselves market timed Putnam Funds and collectively earned millions of dollars as a result of this activity, at the expense of plaintiffs and members of the Class.

**B. The Market Timing Defendants**

126. The Market Timing Defendants timed Putnam Funds to the detriment of plaintiffs and members of the Class. The Market Timing Defendants' scienter is evidenced by one or more of the following: (i) written agreements to time Putnam Funds; (ii) their awareness of the Prospectuses' language prohibiting market timing and of the fact that their agreements with Putnam were not disclosed; (iii) their awareness that this activity came at a long-term holders' expense, and (iv) their awareness that Putnam had mechanisms in place to prevent market timing that were disabled as to the Market Timing Defendants.

**FIRST CLAIM FOR RELIEF**

**VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT  
AND RULE 10b-5 PROMULGATED THEREUNDER**

**(Against Putnam Management, Putnam Retail  
Management Limited Partnership, and the Market  
Timing Defendants)**

127. Plaintiffs hereby incorporate by reference all of the allegations set forth above as though fully set forth hereafter.

128. This claim is brought pursuant to Section 10(b) of the Exchange Act, 15 U.S.C. § 78j, against Putnam Management, Putnam Retail Management Limited Partnership, and the Market Timing Defendants on behalf of all Class members who purchased shares of the Funds during the Class Period.

129. During the Class Period, each of the defendants named in the previous paragraph participated in a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did deceive the investing public, including plaintiffs and other members of the Class, as alleged herein and caused plaintiffs and other members of the Class purchase Putnam Funds' shares or interests at distorted prices and to otherwise suffer damages. In furtherance of this unlawful scheme, plan and course of conduct, these defendants, and each of them, took the actions set forth herein.

130. The defendants named in this count: (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/or (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Putnam Funds' securities, including plaintiffs 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 Putnam Funds' shares in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. These defendants are sued as primary participants in the wrongful and illegal conduct and scheme charged herein.

131. The defendants named in this count, 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 the manipulative scheme alleged herein.

132. Said 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 in Putnam Funds and thereby engaged in transactions, practices and a course of business which operated as a fraud and deceit upon plaintiffs and members of the Class.

133. Said defendants knowingly participated in the manipulative scheme alleged herein and/or 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. Said defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing the truth.

134. As a result of the manipulative scheme alleged herein and/or defendants' 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 the facts that market prices of the shares were distorted, and relying directly or indirectly on the false and misleading statements made in the Prospectuses, 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, plaintiffs and the other members of the Class were damaged by acquiring the shares or interests in the Putnam Funds during the Class Period at distorted prices.

135. At the time of said misrepresentations and omissions, plaintiffs and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiffs and other members of the Class known of the truth concerning the Putnam Funds' operations, which were not disclosed by defendants, plaintiffs and other members of the Class would not have purchased or otherwise acquired their shares at the distorted prices which they paid.

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

137. As a direct and proximate result of defendants' wrongful conduct, plaintiffs and the other members of the Class have suffered damages.

## **SECOND CLAIM FOR RELIEF**

### **VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5 PROMULGATED THEREUNDER**

**(Against Putnam Management, Putnam Retail  
Management Limited Partnership, and the Market  
Timing Defendants)**

138. Plaintiffs hereby incorporate by reference all of the allegations set forth above as though fully set forth hereafter.

139. This claim is brought pursuant to Section 10(b) of the Exchange Act, 15 U.S.C. § 78j, against Putnam Management, Putnam Retail Management Limited Partnership, and the Market Timing Defendants on behalf of all Class members who held Funds during the Class

Period and were injured in connection with the purchase and/or sale of the Funds by market timers, as alleged herein.

140. During the Class Period, each of the defendants named in the previous paragraph participated in a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did deceive the investing public, including plaintiffs and other members of the Class, as alleged herein and caused plaintiffs and other members of the Class to hold Putnam Funds shares or interests at distorted prices and to otherwise suffer damages. In furtherance of this unlawful scheme, plan and course of conduct, said defendants, and each of them, took the actions set forth herein.

141. The defendants named in this count: (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/or (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Putnam Funds' securities, including plaintiffs 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 Putnam Funds' shares in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. Said defendants are sued as primary participants in the wrongful and illegal conduct and scheme charged herein.

142. Said 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 the manipulative scheme alleged herein.

143. Said 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 in Putnam Funds and thereby engaged in transactions, practices and a course of business which operated as a fraud and deceit upon plaintiffs and members of the Class.

144. Said defendants knowingly participated in the manipulative scheme alleged herein and/or 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. Said defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing the truth.

145. As a result of the manipulative scheme alleged herein and/or defendants' 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 in the Prospectuses, 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, plaintiffs and the other members of the Class were damaged by Putnam's allowing market timers to effectively steal profits properly belonging to them.

146. At the time of said misrepresentations and omissions, plaintiffs and other members of the Class were ignorant of their falsity and believed them to be true. Had plaintiffs

and other members of the Class known of the truth concerning the Putnam Funds' operations, which were not disclosed by defendants, plaintiffs and other members of the Class would not have continued to hold their shares.

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

148. As a direct and proximate result of defendants' wrongful conduct, plaintiffs and the other members of the Class have suffered damages.

### **THIRD CLAIM FOR RELIEF**

#### **VIOLATION OF SECTION 20(a) OF THE EXCHANGE ACT**

**(Against Putnam Investment Trust,  
Putnam LLC, Putnam Investment Management Trust, Lawrence J. Lasser, Gordon H.  
Silver, Irene M. Esteves  
Robert F. Lucey and Stephen M. Oristaglio)**

149. Plaintiffs hereby incorporate by reference all of the allegations set forth above as though fully set forth hereafter.

150. This claim is brought by the Class pursuant to Section 20(a) of the Exchange Act, 15 U.S.C. § 78t, against Putnam Investment Trust, Putnam LLC, Putnam against Putnam Investment Trust, Putnam LLC, Putnam Investment Management Trust, Lawrence J. Lasser, Gordon H. Silver, Irene M. Esteves, Robert F. Lucey and Stephen M. Oristaglio.

151. Defendants Putnam Management and Putnam Retail Management violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder as alleged herein.

152. In addition, the Registrants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder in that they issued materially false and misleading registration statements and prospectuses that failed to disclose market timing activity in the Putnam funds and indicated that short-term trading would not be tolerated.

153. Defendants named in this count were control persons of Putnam Management, the Registrants and Putnam Retail Management 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 Management's, the Registrants' and Putnam Retail Management's respective businesses and systematic involvement in the fraudulent scheme alleged herein, defendants each had the power to influence and control and did influence and control, directly or indirectly, the decision making and actions of Putnam Management, the Registrants and Putnam Retail Management, including the content and dissemination of the Prospectuses plaintiffs contend are false and misleading. Defendants had the ability to prevent the issuance of the statements alleged to be false and misleading or cause such statements to be corrected.

154. In particular, each of the defendants named in this count had direct and supervisory involvement in the operations of Putnam Management, the Registrants and Putnam Retail Management 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.

155. By virtue of their positions as controlling persons, said defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, plaintiffs and other members of the Class have suffered damages.

#### **FOURTH CLAIM FOR RELIEF**

#### **VIOLATION OF SECTION 36(b) OF THE INVESTMENT COMPANY ACT**

#### **(Against Putnam Management and Putnam Retail Management)**

156. Plaintiffs hereby incorporate by reference all of the allegations set forth above as though fully set forth hereafter.

157. This claim is brought on behalf of the Class pursuant to Section 36(b) of the Investment Company Act, 15 U.S.C. § 80a-35(b), against the Putnam Management and Putnam Retail Management.

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

159. Defendants devised and implemented a scheme to obtain substantial fees and other income for themselves and their affiliates by allowing others to engage in timing of Putnam Funds throughout the Class Period and in violation of their fiduciary duties to their customers, *i.e.*, plaintiffs and other members of the Class. Defendants failed to reveal material facts concerning their conduct, such that plaintiffs and other members of the Class were not able to make informed decisions about the true value and performance of the Putnam Funds.

160. Plaintiffs and other members of the Class have been injured as a result of defendants' statements, conduct, and excessive fees.

### **PRAYER FOR RELIEF**

**WHEREFORE**, plaintiffs pray for relief and judgment, as follows:

- (a) Determining that this action is a proper class action and appointing OTTA and Shanis representatives of the Class under Rule 23 of the Federal Rules of Civil Procedure;
- (b) Awarding compensatory damages in favor of plaintiffs and the members of the Class against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- (c) Awarding plaintiffs and members of the Class restitution, disgorgement of the unjustly earned profits of defendants, and punitive damages;

(d) Imposition of a Constructive Trust on any amounts by which any defendant was unjustly enriched as the result of breaches of fiduciary duty;

(e) An Order for equitable restitution and other appropriate equitable monetary relief against the defendants.

(f) Awarding plaintiffs and the members of the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(g) Such other and further relief as the Court may deem just and proper.

**JURY TRIAL DEMANDED**

Plaintiffs hereby demand a trial by jury.

Dated: August 22, 2006

Respectfully submitted,

JIM PETRO  
ATTORNEY GENERAL OF OHIO

/s \_\_\_\_\_  
Stanley M. Chesley

/s \_\_\_\_\_  
James R. Cummins  
Robert Heuck II  
**WAITE, SCHNEIDER, BAYLESS,  
& CHESLEY CO., L.P.A.**

1513 Fourth & Vine Tower  
One West Fourth Street  
Cincinnati, OH 45202  
Phone: (513) 621-0267  
Facsimile: (513) 381-2375

**Counsel for Lead Plaintiff Ohio Tuition Trust  
Authority**

Sherrie R. Savett  
Lawrence Deutsch  
Glen L. Abramson  
**BERGER & MONTAGUE, P.C.**  
1622 Locust Street  
Philadelphia, PA 19103  
Telephone: (800) 424-6690  
Facsimile: (215) 875-4604

**Counsel for Plaintiff Joseph Shanis**

**Certificate of Service**

I hereby certify that on August 22, 2006, I caused a true and correct copy of the foregoing Second Consolidated Amended Complaint to be served through the CM/ECF Electronic Filing System pursuant to Case Management Order No. 1 (Docket No. 190-2, approved by paperless order on May 25, 2004 at Docket No. 216).

/s/ \_\_\_\_\_  
Robert Heuck II