

Via E-mail



Date: April 30, 2007

Nancy M. Morris, Secretary
Office of the Secretary
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Admin. Proc. File No. 3-11317

Dear Ms. Morris:

We believe that the Distribution Plan ("Plan") for distribution of the Fair Fund established In the Matter of: Putnam Investment Management, LLC has certain attributes which recognize the significant efforts required by financial intermediaries that maintain Omnibus Accounts (hereinafter collectively referred to as "Account Carrying Firms") in order to comply with and facilitate the Plan. These attributes include allowing Account Carrying Firms to credit distributions to beneficial owners of accounts, rather than mail checks, recognition of the diminishing value of distributions below a de minimis amount when compared against the cost of making such distributions, and reasonable time frames for the delivery of beneficial owner data. However, we believe several aspects of this Plan should be revisited, including; reimbursements of out-of-pocket costs, the provision for indemnification of Account Carrying Firms involved in the administration and distribution of the Fair Fund, and the inclusion of provisions for certain protections related to the delivery of beneficial owners' data by Account Carrying Firms. Certain capitalized terms used but not defined herein have the meanings ascribed to them in the Plan.

Reimbursements of Reasonable Costs

Sections II(15)(f) and VII(53) of the Plan state that the Respondent will bear the fees and other expenses of administering the Plan. This is supported by Section IV(B)(35)(1) that allows for the reasonable reimbursement to Account Carrying Firms of out-of-pocket costs associated with the gathering and supplying of the required data. However, Section IV(B)(35)(2) states that the Account Carrying Firm must bear the cost of executing the distribution to ultimate investors. Section VIII(58) requires certain communications to precede or accompany the distribution payment to beneficial owners. Account Carrying Firms crediting payments to beneficial owners' accounts will, under the proposed Plan, be required to bear the cost of these client communications. As stated in Section IV(B)(35), Account Carrying Firms are considered to be administering the Plan. Accordingly, we fail to understand why the Respondent should not bear the reasonable costs associated with the distribution, including at least, for example, the reasonable costs

associated with the communications required by Section VIII (58), particularly since the Plan states that the Respondent will bear all fees and expenses.

We respectfully request that the Plan be revised to provide for the reimbursement of all reasonable costs of the Account Carrying Firms that chose the option contained in Section IV(B)(35)(2), and in any event, at least the identifiable costs of printing and mailing any required communications. We believe that it would be unfair and unjust to impose these costs on the Account Carrying Firms, notwithstanding the option contained in Section IV(B)(35)(1), which as discussed below is not a viable alternative.

Acquiring Client Data:

The data requested by Putnam encompasses multiple funds and covers an extended period of time. Accordingly, certain data may not be available if it exceeds applicable record retention requirements. As such, we believe that the Plan in Section IV(B)(36) should acknowledge that Account Carrying Firms are only expected to make commercially reasonable efforts to acquire and provide data that exceeds applicable record retention requirements.

Indemnity:

The Plan states in Section VI(C) that the limited liability of certain persons, and/or their designees, agents and assigns is merely an expression of the current state of the law. It would appear, therefore, that the current state of law is such that it has not been applied to facts similar to the current situation to reach the issue of the standard of care that would apply to Account Carrying Firms. Accordingly, we believe that the Securities and Exchange Commission (the "Commission") should require, pursuant to Rule 1101(b)(6) [17 CFR 201.1101(b)(6)] of the Commission's Rules on Fair Fund and Disgorgement Plans, that the Plan include procedures for the indemnification of the Account Carrying Firms by the Respondent except in the case of an Account Carrying Firm's gross negligence, bad faith or willful misconduct, reckless disregard of duty, or reckless failure to comply with the terms of the Plan. We believe this would be permissible under Rule 1101(b)(6) because the Plan plainly states in Section IV(B)(35) that Account Carrying Firms are administering the Plan and Rule 1101(b)(6) applies to procedures for the administration of Fair Funds. As among the Respondent, Fund Administrator, bank service provider, data analysis company, IDC, the Commission and Account Carrying Firms (among others), we believe it to be necessary, given the state of the law, and appropriate in the public interest for the Respondent to be financially responsible for any additional costs or damages associated with claims in regard to the distribution of the Fair Fund should beneficial owners take action against Account Carrying Firms.

Data Privacy:

The Plan may require Account Carrying Firms to transmit a substantial amount of non-public personal information about their clients, including name, address and social security number, to non-affiliated entities whose data control procedures may not be comprehensive. The safeguarding of client data is mandated by Federal law and regulation, and many state laws govern financial institutions' handling of such client data. The transmission of client data exposes Account Carrying Firms to significant regulatory

and reputational risks if such data were to be disclosed or distributed in an unauthorized manner or otherwise mishandled. We respectfully request that the Plan be revised to provide for security and confidentiality obligations and indemnification of all Account Carrying Firms for any misuse or loss of client data which may occur as a result of the delivery of this data.

The Commission has pointed out with respect to other proposed plans of distribution that those plans require the client data to be maintained confidentially by the Fund Administrator. It has come to our attention that Fund Administrators intend to transmit client data to numerous other service providers engaged by them, including data analysis firms, print-mail vendors and others, pursuant to written agreements with standard commercial terms, including confidentiality and indemnity provisions. Accordingly, it would seem only prudent for the Plan to specifically require the Fund Administrator to extract confidentiality obligations from their service providers. Moreover, given the fact that Fund Administrators have no obligation or commercial incentive to provide any indemnity to Account Carrying Firms, and because of the state of the law which enjoys limited liability as specifically recognized by the Commission in the Plan, we believe the Commission should require the Plan to contain procedures requiring that Fund Administrators provide indemnities to Account Carrying Firms in applicable written agreements related to the provision of client data with the same standard of care referred to above. Again, we believe that the Commission's Rule 1101(b)(6) would allow for an indemnity to be included in the Plan.

The Commission has pointed out that Account Carrying Firms could choose not to provide any client data and thereby avoid any release of client data that could subject them to liability or reputational harm. It is respectfully submitted, however, that because Account Carrying Firms do not possess the capabilities to perform the data analysis required, nor would it be commercially reasonable for them to develop or purchase such services, availing themselves of this alternative is not reasonable, notwithstanding the option contained in the Plan.

Very truly yours,

William Bridy
Managing Director
Merrill Lynch & Co., Inc.