August 21, 2006

Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

Re: Request for Additional Comment: Investment Company Governance: File No. S7-03-04

Dear Ms. Morris:

I am writing on behalf of the Board of Trustees of the Putnam mutual funds to indicate our strong support for the SEC's proposal to require that 75 % of mutual fund boards be independent of the advisor and that the board be led by an independent chair. We have had a 75% majority of independent directors since 2001 and an independent chair since 2000 when I was elected as the first independent chairperson in the history of the company.

Given the unique structure of mutual funds and the nature of the conflicts and magnitude of the economic considerations involved in the relationship of funds with their advisors, it is essential that the boards of funds be in a position to exert as much influence as possible on the funds and their management. In my view, both of the proposed requirements are necessary building blocks for enhancing board influence and effectiveness on behalf of shareholders.

My primary concern in writing this letter is that the Commission focus its deliberations on the real -- as opposed to some of the mistaken or theatrical -- concerns and issues that have been advanced in this policy debate. From this vantage point, it is important to recognize that there are many areas where independent and affiliated boards members have identical interests, responsibilities and objectives: both sit on the same side of the table on matters of fund performance, client service, and ethical corporate conduct.

At the same time, **there are also significant areas of concern to both independent and affiliated board members where there is not an identity of**

interests: advisory fees, soft dollars, 12b-1 fees and other expenses paid by fund shareholders to investment management companies. Independent board members have no direct interest or stake in these fees and costs other than that they be fair and reasonable to shareholders. Affiliated board members, on the other hand, have a direct stake in the form of their own compensation or the value of their management companies if they are also owners of the management company that manage their funds.

Given the size of this industry, **the dollars involved in these conflicting interests are massive.** In an earlier letter to the Commission on this topic, I noted by way of example, that according to data collected by Lipper from public filings, one firm (among hundreds) had mutual fund assets of $462 billion on February 3, 2004 and an effective advisory fee of .545%, resulting in annual revenues at these assets levels of over $2.5 billion per year. These revenues are probably substantially higher today and they do not include soft dollar benefits or 12B-1 revenues retained by this firm.

Although I would be the first to argue that independent boards are not a panacea for whatever ills – real or imaginary –afflict the mutual fund industry, I do believe, both from personal experience and from the academic literature, that **there is a substantial difference in the mindset of independent and affiliated board members when they sit down to negotiate the level and structure of advisory fees like those noted above, the renewal of advisory contracts or other policies which may affect an investment manager's overall business (e.g. making mutual fund proxy votes public)**. This difference in mindset represents millions of dollars (and perhaps billions industry wide) annually . Given the dollars involved in this conflict, the inherent dynamic of boards as social organisms and the realities of human nature (even when performing at its most noble levels)**, I can frankly can see no good reason not to require that mutual fund boards be at least 75% independent and that they be chaired by an independent member of the board.** If such independence requirements are appropriate for the compensation committees of corporate boards, they are even more appropriate for mutual fund boards.

It is the case that the role of an independent chair involves more time and a heightened level of responsibility for the person who plays that role than for other board members – but that is precisely why it is likely, in fact, to be both efficacious and necessary. Given the complexity of the board role and of Federal and State regulations, boards need someone who can spend the extra time necessary to identify the key issues, set the priorities and work with the board to organize its interaction with the advisor for the sole benefit of the shareholders. In the absence of such a person, these tasks are left to the management of the advisor, who, as I have suggested above, frequently have other issues or priorities.

The claim of unacceptably high costs associated with an independent chair are, to be blunt, a red herring. The only extra cost associated with my role as independent chair is the extra fee I earn for serving as independent chair. This cost is less than 1/50 of one cent per shareholder. If costs are such an overriding issue, it would be better to focus on other regulatory costs that are simultaneously high and of dubious benefit. It is also the case that the additional costs associated with my role as independent chair have been more than offset by the millions of dollars the Putnam board has taken out of Putnam revenues over the past 6 years as a result of our being in an enhanced position to define the issues and set the priorities.

In closing it is worth noting that most mutual fund boards have already implemented the 75% independent requirement and elected either an independent chair or lead director. While this is apparently an issue to the US Chamber of Commerce, it is not an issue in the mutual fund board world. I urge the SEC not to retreat from this important initiative to strengthen mutual fund governance on behalf of all mutual fund shareholders.

I appreciate your consideration of these views.

Sincerely,

John A. Hill

cc: Christopher Cox, Chairman
Paul S. Atkins, Commissioner
Roel C. Campos, Commissioner
Annette L. Nazareth, Commissioner
Kathleen L. Casey, Commissioner
Andrew Donohue, Director of Investment Management