High Yield Trust, Putnam Managed Municipal Income Trust, Putnam Master Income Trust, Putnam Master Intermediate Income Trust, Putnam Municipal Opportunities Trust, Putnam New York Investment Grade Municipal Trust, Putnam Premier Income Trust and Putnam Tax-Free Health Care Fund (collectively, the "Closed-End Trusts," and together with the Open-End Trusts, the "Trusts"), and Putnam Investment Management, Inc. (the "Manager").

RELEVANT ACT SECTIONS: Order requested under section 6(c) of the Act for an exemption from sections 13(a)(2), 13(a)(3), 18(a), 18(c), 18(f)(1), 22(f), 22(g) and 23(a) of the Act, and rule 2a–7 thereunder, under sections 6(c) and 17(b) of the Act for an exemption from section 17(a)(1) of the Act, and under section 17(d) of the Act and rule 17d–1 thereunder.

**SUMMARY OF APPLICATION:** Applicants request an order that would permit the Trusts to enter into deferred compensation arrangements with their trustees.

FILING DATE: The application was filed on August 9, 1994 and amended on December 9, 1994.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on January 23, 1995, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESSES Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, One Post Office Square, Boston, Massachusetts 02111.

FOR FURTHER INFORMATION CONTACT: Deepak T. Pai, Staff Attorney, at (202) 942–0574, or Robert A. Robertson, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

**SUPPLEMENTARY INFORMATION**: The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch.

## **Applicant's Representations**

- 1. Each Open-End Trust is a registered open-end management investment company organized as a Massachusetts business trust. Certain of the Open-End Trusts consist of more than one series of shares. Each Closed-End Trust is a registered closed-end management investment company organized as a Massachusetts business trust and each consists of only a single series of shares. The Manager serves as the investment adviser for the Trusts. Putnam Mutual Funds Corp. serves as the Open-End Trusts' principal underwriter. Applicants request that the proposed relief apply to the Trusts and all subsequently registered investment companies advised by the Manager (such registered investment companies, together with the Trusts, being referred to collectively as the "Funds"). Any relief granted from section 13(a)(3) of the Act would extend only to existing Trusts.
- 2. Each Trust has a board of trustees, a majority of whom are not interested persons of the Manager or any of the Trusts. Each trustee of the Trusts receives an annual retainer fee and an additional fee for each trustees' meeting attended. Trustees who are not interested persons of the Manager or any of the Trusts and who serve on committees of the trustees receive additional fees for attendance at committee meetings. The proposed deferred fee arrangements would be implemented by means of a fee deferral plan (the "Plan"), which would permit individual trustees to elect to defer receipt of all or a portion of their fees. This would enable these trustees to defer payment of income taxes on such fees.
- 3. Under the Plan, the deferred trustee's fees will be credited to a book entry account established by each participating Fund (the "Deferred Fee Account"), as of the date the fees would have been paid to a trustee. The value of the Deferred Fee Account will be periodically adjusted by treating the Deferred Fee Account as though an equivalent dollar amount had been invested and reinvested in certain designated securities (the "Underlying Securities"). The Underlying Securities for a Deferred Fee Account will be shares of the Funds that a participating trustee designates. Each Deferred Fee Account shall be credited or charged with book adjustments representing all interest, dividends and other earnings and all gains and losses that would have been realized had such account been invested in such Underlying Securities.

- 4. The Fund's obligation to make payments from a Deferred Fee Account will be a general obligation of the Fund and payments made pursuant to the Plan will be made from each Fund's general assets and property. With respect to the obligations created under the Plan, the relationship of a trustee to the Fund will be only that of a general unsecured creditor. The Fund will be under no obligation to the trustee to purchase, hold or dispose of any investments but, if the Trust chooses to purchase investments to cover its obligations under the Plan, then any and all such investments will continue to be a part of the general assets and property of the Trust.
- 5. As a matter of prudent risk management, each Fund intends to, and with respect to any money market Fund that values its assets by the amortized cost method will, purchase and maintain Underlying Securities in an amount equal to the deemed investments of the Deferred Fee Accounts. The Plan will not obligate any Fund to retain the services of a trustee, nor will it obligate any Fund to pay any (or any particular level of) trustee's fees to any trustee.

## Applicants' Legal Analysis

- 1. Applicants request an order that would exempt the Funds under section 6(c) of the Act from sections 13(a)(2), 18(a), 18(c), 18(f)(1), 22(f), 22(g) and 23(a) of the Act, the rule 2a-7 thereunder, under sections 6(c) and 17(b) of the Act from section 17(a)(1) of the Act, and under section 17(d) of the Act and rule 17d-1 thereunder to permit the Funds to enter into the deferred fee arrangements. The existing Trusts also request an exemption under section 6(c) from section 13(a)(3) of the Act. The finding required by section 17(b)(2) for the existing Trusts is predicated on the assumption that relief is granted from section 13(a)(3).
- 2. Sections 18(a) and 18(c) restrict the ability of a registered closed-end investment company to issue senior securities. Section 18(f)(1) generally prohibits a registered open-end investment company from issuing senior securities. Section 13(a)(2) requires that a registered investment company obtain shareholder authorization before issuing any senior security not contemplated by the recitals of policy in its registration statement. Applicants state that the Plan possesses none of the characteristics of senior securities that led Congress to enact these sections. The Plan would not induce speculative investments or provide opportunities for manipulative allocation of any Fund's expenses or