

PUTNAM MUNICIPAL OPPORTUNITIES TRUST  
Form DEFA14A  
May 04, 2011

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934

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- // Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2))
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**PUTNAM MUNICIPAL OPPORTUNITIES TRUST**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement,  
if other than Registrant)

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# Putnam Municipal Opportunities Trust (PMO)

## Presentation to ISS May 3, 2011

### **John A. Hill**

Chairman of the Board of Trustees,  
The Putnam Funds

### **Jameson A. Baxter**

Vice Chairman of the Board of Trustees,

## The Putnam Funds

### **Paul D. Scanlon, CFA**

Co-Head of Fixed Income, Putnam Investments

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## Agenda [Mr. Hill]

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### **1. Overview:**

1. PMO's shareholders are well-served, and Karpus cannot be trusted to effect in any event.

### **2. Discussion:**

1. PMO's Trustees have acted as responsible, independent fiduciaries.

2. PMO's preferred share leverage is highly advantageous to common shareholders rights and legitimate expectations of preferred shareholders.

3. PMO's performance and trading price do not warrant a change in management.

4. Karpus's agenda for PMO discredits Karpus's Trustee nominees as potential

### **3. Conclusion:**

1. Vote PMO's Management Proxy (White Card):

1. FOR PMO's 10 Trustee nominees voted upon by the common and preferred shareholders

2. FOR PMO's 2 Trustee nominees voted upon by the preferred shareholders

3. AGAINST Karpus's Proposal 2 recommending that PMO's management contract with PMO Management, LLC (Putnam) be terminated.

4. AGAINST Karpus's Proposal 3 recommending that PMO's Trustees consider to redeem all preferred shares at par and to utilize alternative sources of leverage.

2. DO NOT VOTE Karpus's Dissident Proxy (Green Card).

3. ISS should **not** provide separate recommendations for each class of stock.

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## 1. Overview

PMO's shareholders are well-served, and Karpus cannot be trusted to make a change for all shareholders in any event. [Mr. Hill]

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### **PMO's shareholders are well-served. No management change is warranted.**

PMO's common shareholders continue to benefit from the fund's closed-end, limited partnership structure and currently enjoy liquidity in the secondary market at prices close to NAV.

PMO's common shareholders have benefited from the fund's solid performance and continued confidence in Putnam, a leading money manager with substantial fixed income investment experience.

PMO's preferred shareholders have had their rights fully honored and have no right to redemption or a change in the terms of the securities they purchased when such a change would be in the interests of the common shareholders.

PMO's current Trustees have a demonstrated record of independence and of acting in the best interests of all shareholders.

## **█Karpus cannot be trusted to effect positive change for all**

█Karpus's primary interest is in forcing PMO to provide a liquidity event allowing share position (~ 16%, or \$75M) and modest preferred share position (~ 4%, or \$20M), irrespective of the impact of such a liquidity event on other shareholders.

█Karpus's interests are not aligned with those of other common shareholders who would benefit from its closed-end, leveraged structure over the longer term.

█Karpus's interests are not aligned with those of other preferred shareholders who would benefit from shares at a substantial discount.

█Karpus's Trustee nominees cannot be trusted to fairly represent the interests of common shareholders who would be obliged to do if elected.

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### 2.1. Discussion

PMO's Trustees have acted as responsible, independent fiduciaries.

## **█The fiduciary obligations of PMO's Trustees are clear.**

█The economic rights of preferred and common shareholders are clearly defined.

█All Trustees owe the same duties to PMO (slide 6).

█As a legal matter, PMO's Trustees owe their primary duty to common shareholders, whose interests of common and preferred shareholders diverge (slides 7 and 8).

PMO has satisfied its obligations to preferred shareholders (slide 9).

Preferred shareholders have no inherent right to liquidity (slide 10).

**PMO's Trustees have a demonstrated record of taking action to address the concerns of preferred shareholders.**

Although under no fiduciary duty or legal obligation to do so, PMO's Trustees have taken a number of actions over the past 3 years that have provided additional liquidity to preferred shareholders (slide 11).

**As a general matter, the Putnam Funds' Trustees and Putnam have been actively addressing the particular concerns of closed-end funds.**

**PMO's Trustees are independent, experienced, and highly skilled in fund governance practices (slide 13).**

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## 2.1. Discussion

PMO's Trustees have acted as responsible, independent fiduciaries for the benefit of all shareholders.

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**The economic rights of preferred and common shareholders are defined in the trust agreement.**

Under PMO's organizational documents, PMO's **preferred** shareholders are legal owners of PMO's assets and earnings.

In contrast, PMO's **common** shareholders are entitled to **all remaining** assets and the rights of the preferred shareholders have been satisfied.

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## 2.1. Discussion

PMO's Trustees have acted as responsible, independent fiduciaries.

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### **All Trustees owe the same duties to PMO.**

Under the Investment Company Act of 1940 (1940 Act), 2 Trustees are elected by the common shareholders.

The 1940 Act provides exclusive voting rights to preferred shareholders to ensure that their interests (e.g., dividends and liquidation preference) are appropriately honored.

The 1940 Act does **not** accord any other fiduciary priority to preferred shareholders, but rather focuses on balancing of interests between preferred and common shareholders.

The fiduciary duties of corporate directors/Trustees are defined by state law.

Under state law and PMO's organizational documents, all of PMO's Trustees owe the same fiduciary duties, regardless of which shareholders elected them.

Mass. Business Corporation Act, Ch. 156D, Sec. 8.30: "[A] director shall discharge his or her duties in a manner the director reasonably believes to be in the best interests of the corporation."

PMO's Declaration of Trust: The Trustees will hold assets "in trust...for the benefit of the common shares." Trustees are entitled to indemnification when acting in "good faith in the best interests of the trust."

[their actions are] in the best interests of [PMO], subject to certain 1940 Act limitations.

Each Trustee thus is a fiduciary of PMO as a whole, and no Trustee is exclusively for the benefit of only common or preferred shareholders.

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## 2.1. Discussion

PMO's Trustees have acted as responsible, independent fiduciaries for the benefit of all shareholders.

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**As a legal matter, PMO's Trustees owe their primary duty to the interests of common and preferred shareholders divergent.**

The Delaware Chancery Court, to which state courts frequently look for guidance on fiduciary duty issues, has stated, "[G]enerally it will be the duty of the board, where discretion is exercised, to prefer the interests of the common stock as the good faith judgment of the board to be to the interests created by the special rights, preferences, etc., of preferred stock in the event of conflict." *In re Trados Inc. Shareholder Litigation*, 2009 WL 2225958, \*7 (Del. Ch. 2009); *Investors v. Adams*, 705 A.2d 1040, 1042 (Del. Ch. 1997).

Thus, PMO's Trustees are **not** required or permitted to engage in a "balancing" of the interests of common and preferred shareholders in matters where these interests diverge.

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## 2.1. Discussion

PMO's Trustees have acted as responsible, independent fiduciar

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**As a legal matter, PMO's Trustees owe their primary duty to the interests of common and preferred shareholders diver**

A common example from corporate finance is instructive:

After the initial issuance of debt, the debt holders may wish to have the debt re or to receive a higher interest payment.

No responsible corporate board would seriously consider acting to redeem such interest paid in the absence of circumstances indicating that such actions would stock holders.

Similarly, PMO's preferred shareholders may wish to be redeemed or to change they purchased, but, in the absence of circumstances indicating that such action common shareholders, PMO's preferred shareholders have no legitimate basis

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## 2.1. Discussion

PMO's Trustees have acted as responsible, independent fiduciar

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## **PMO has satisfied its obligations to preferred shareholders**

Since the collapse of preferred share remarketings/auctions across the industry, PMO continued to satisfy all of its obligations under both the Bylaws and the 1940 Act.

PMO has paid dividends at the default interest rate set in accordance with the Bylaws.

PMO has continued to engage and pay a remarketing agent for the conduct of remarketings/auctions.

PMO has assured that the preferred shares continue to be entitled to all voting rights.

PMO has continued to meet its asset coverage tests and other maintenance requirements.

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### 2.1. Discussion

PMO's Trustees have acted as responsible, independent fiduciaries.

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## **Preferred shareholders have no inherent right to liquidity**

The terms of PMO's preferred shares do not guarantee that there will be liquidation proceeds from a remarketing/auction process or otherwise.

The offering documents for PMO's preferred shares specifically disclosed the possibility of failed remarketings/auctions.

PMO's Bylaws specifically contemplate the possibility of failed remarketings/auctions.

pay dividends to preferred shareholders at a default interest rate for periods following remarketings/auctions.

The terms of PMO's preferred shares do not require PMO or its Trustees to provide in specific cases where mandatory redemption provisions in the Bylaws are triggered (e.g., asset coverage requirements).

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## 2.1. Discussion

PMO's Trustees have acted as responsible, independent fiduciaries.

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### **PMO's Trustees have a demonstrated record of taking actions to benefit preferred shareholders.**

Although under no fiduciary duty or legal obligation to do so, PMO's Trustees have taken actions over the past 3 years that have provided additional liquidity to preferred shareholders:

June 2008 – August 2008: PMO redeemed \$59.1M, or 15%, of then-outstanding preferred shares by substituting tender option bonds (TOBs) as an alternative form of leverage.

September 2008: Putnam recommended, and the Trustees approved, the merger of PMO with a comparable open-end Putnam fund, subject to a number of conditions. The merger required the complete redemption of all preferred shares.

November 2008 – January 2009: PMO redeemed \$156.05M, or approximately 40% of then-outstanding preferred shares in preparation for the merger.

While efforts to complete the merger were suspended in January 2009 due to unfavorable market conditions, the foregoing actions resulted in the aggregate redemption of 54.61 million shares (including a 10% premium in liquidation preference) of the preferred shares originally outstanding.

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## 2.1. Discussion

PMO's Trustees have acted as responsible, independent fiduciaries for the benefit of the shareholders.

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### **As a general matter, the Putnam Funds' Trustees and Putnam have actively addressed the particular concerns of closed-end fund shareholders.**

The Trustees meet regularly with Putnam regarding closed-end funds, and they discuss fund performance, the trading prices (including any discounts or premiums) of fund shares, and the views of shareholders in the funds.

Putnam and the Trustees have taken significant actions when circumstances warrant to benefit the long-term best interests of shareholders:

#### **They have merged closed-end funds.**

They have merged closed-end funds together, twice in 2005 and twice in 2008.

They have merged closed-end funds into open-end funds, once in 2006 and twice in 2008.

**They have initiated tender offers.** In 2007, tender offers were conducted to purchase all outstanding common shares of each of 8 closed-end funds (including PMO) at a 98% of NAV. In 2008, a tender offer for another fund was conducted to purchase all outstanding common shares of the fund at a 98% of NAV.

outstanding common shares at a price per share equal to 99% of NAV.

**They have instituted a share repurchase program.** In 2005, the Trustees plan and have renewed it ever since. To date, the program has made a meaningful investment return.

**They reduced management fees for the closed-end funds, effective January 2005.** Management fee decreased by 15%, from 65 basis points to 55 basis points.

**They have monitored the incremental earnings associated with preferred stock.** requiring Putnam to forego a management fee on assets attributable to preferred stock if incremental earnings become negative.

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## 2.1. Discussion

PMO's Trustees have acted as responsible, independent fiduciaries.

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**PMO's Trustees are independent, experienced, and highly qualified fiduciaries. PMO's governance practices.**

### **Independent**

The Trustees have an independent Chairman, John Hill.

Jameson Baxter, the Vice Chairman of the Board and Chairman of its Contract Committee, is the Chairman of the Fund Directors Forum, which promotes vigilant, dedicated, and well-informed independent directors and their voice and advocate on important policy matters.

11 of 12 Trustees are Independent Trustees, not "interested persons" of PMO or of Putnam.

The Independent Trustees are assisted by an independent administrative staff and by auditors and legal counsel independent of the Independent Trustees and independent of Putnam.

**Highly qualified, with significant current and past experience** (for complete biographies, see

The Trustees are highly accomplished business and investment professionals with extensive leadership and deep backgrounds in mutual fund governance.

See how Karpus's Trustee nominees compare with the current Trustees:

<b>PMO's Current 12 Trustees</b>	<b>Karpus's Proposed 12 Trustees</b>
4 have experience as a founder or Chief Executive Officer of a major investment firm	0 with equivalent experience
7 serve on Boards of Directors of public operating companies	1 with equivalent positions
A former Chief Financial Officer of a Fortune 100 company	0 with equivalent experience
The Chairman of the Mutual Fund Directors Forum	0 with equivalent experience
A former Director of the Investment Company Institute	0 with equivalent experience
12 have experience supervising mutual funds	3 with equivalent experience

**Strong fund governance practices**

A combination of long-tenured and newer members, bringing diverse perspectives to fund oversight

No staggered board or other takeover defenses; every PMO board member stands for election each year

2.2. Discussion

PMO's preferred share leverage is highly advantageous to common shareholders with the legal rights and legitimate expectations of preferred shareholders.

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**The cost and terms of PMO's preferred share leverage are highly advantageous to common shareholders (slide 15).**

**Preferred share leverage continues to add to common shareholders' returns (slide 16).**

**Putnam actively monitors the marketplace for alternative financing sources to provide additional liquidity for preferred shareholders without being contrary to the interests of common shareholders and regularly reports to PMO's Trustees on these matters.**

**PMO's actions in redeeming preferred shares place it in the mainstream of the market.**

**Anyone evaluating a board's actions relating to ARPS redemptions should consider a number of considerations that can influence a fund's redemption rate and should not rely on a single measure (slide 19).**

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## 2.2. Discussion

PMO's preferred share leverage is highly advantageous to common shareholders with the legal rights and legitimate expectations of preferred shareholders.

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**The cost and terms of PMO's preferred share leverage are highly advantageous to common shareholders.**

## common shareholders.

As a result of the Federal Reserve Board's decisions to maintain interest rates current **cost** of maintaining PMO's preferred share leverage is highly favorable shareholders.

The **terms** of PMO's preferred shares are also highly favorable to PMO's comm be replaced with any alternative form of leverage cited by Karpus.

Maturity Preferred shares are perpetual in nature, with no stated maturity da

Callability Preferred shares are callable at any time at the option of PMO.

Puttability Preferred shareholders have no ability to "put" the shares back to

Financing rate Recent dividend rates for PMO's Series B and Series C preferre respectively, 0.396% (4/25 failed remarketing) and 0.411% (4/28 failed remark

As an example, if a homeowner today had a mortgage whose terms featured:

No due date,

Pre-payment at the homeowner's option at any time without penalty,

No possibility of the homeowner being forced to pre-pay the mortgage, and

An interest rate hovering between 0% and 1%,

Would it be in the best interest of that homeowner to pay off the mortgage or n



## 2.2. Discussion

PMO's preferred share leverage is highly advantageous to common shareholders with the legal rights and legitimate expectations of preferred shareholders.

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## 2.2. Discussion

PMO's preferred share leverage is highly advantageous to common shareholders with the legal rights and legitimate expectations of preferred shareholders.

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**Putnam actively monitors the marketplace for alternative sources of leverage that may result in additional liquidity for preferred shareholders without adversely affecting the interests of PMO's common shareholders and regularly reports on these matters.**

Tax-exempt closed-end funds have fewer options for alternative leverage than taxable funds.

Karpus's suggested alternative sources of leverage, including municipal term preferred securities (MTPS) and variable rate demand preferred securities (VRDPs), are **more costly** than the current preferred share structure. **Favorable terms** at this time.

Fixed dividend rates on a recent issuance of MTPS were 2.90%, with the shares mandatory call 5 years from the issue date.

VRDPs pay dividends at variable rates, but a third party, commonly referred to as a liquidity provider, purchases the VRDPs in the event of a failed remarketing/auction.

These rates are typically subject to escalation in the event of an extended period of failed remarketings/auctions, and closed-end funds are typically required to redeem VRDPs by the liquidity provider if there are 6 months of continuous, unsuccessful remarketings/auctions.

Tender options bonds (TOBs), another financing source cited by Karpus, represent a partial, rather than complete, form of alternative leverage, and PMO has already taken advantage of this opportunity to the extent deemed prudent.

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## 2.2. Discussion

PMO's preferred share leverage is highly advantageous to commensurate with the legal rights and legitimate expectations of preferred shareholders.

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### **PMO's actions in redeeming preferred shares place it in t**

Since the failure of the auction-rate preferred securities (ARPS) market through 2008, PMO has redeemed 54.61% of its originally outstanding ARPS.

Analysis of the actual redemption actions of other tax-exempt closed-end funds reveals the following:

The average tax-exempt closed-end fund has redeemed 48.72% of its outstanding

The median tax-exempt closed-end fund has redeemed 35.00% of its outstanding

Excluding the Nuveen funds, which as an organization made a unique and high judgment by refinancing ARPS using fixed-rate preferred shares, the average for 29.95% and the median was 25.24%.

Of the 158 tax-exempt closed-end funds that still have ARPS outstanding, PMO percentage of its preferred shares since 2008 than any other fund, with the exc

Excluding the Nuveen funds, industry data show that PMO has redeemed a high single one of the 135 other tax-exempt closed-end funds with ARPS outstanding funds to have redeemed more than PMO are the 16 funds that have redeemed which redeemed in connection with a merger or liquidation).

A chart showing distribution of redemptions by percentage is included as Appe

Source of ARPS redemption data as of 3/31/11 is Cecilia L. Gondor, Thomas J. H

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## 2.2. Discussion

PMO's preferred share leverage is highly advantageous to comm with the legal rights and legitimate expectations of preferred sha

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**Anyone evaluating a board's actions relating to ARPS red many considerations that can influence a fund's redempti**

## **caution in relying on any single measure.**

Redemption decisions across the industry reflect many factors, including:

The relatively limited options available for refinancing ARPS,

The highly variable cost structures of ARPS issued through different underwriters in time,

The significant issuance costs for any new financing,

Fundamental investment decisions regarding the appropriate leverage structure,

General business decisions such as the determination to merge or liquidate a firm,

ISS should not apply a single bright-line standard for purposes of evaluating a firm's ability to ARPS redemptions.

Any quantitative assessment should take into account the limitations of simple averages, especially where a concentration of 100%-redemption data points can distort the results.

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### 2.3. Discussion

PMO's performance and trading price do not warrant a change in rating.

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**In Putnam's hands, PMO's performance compares favorably to the industry.**

**(slide 21).**

**PMO's expenses also compare favorably with its Lipper p**

**PMO's common shareholders currently enjoy liquidity in t  
close to NAV, due to the continued narrowing of the trading**

**PMO's Trustees have taken proactive steps in periods of c  
to provide liquidity and enhance fund returns, while maint  
structure (slide 23).**

**PMO has skilled portfolio management (slide 24).**

**Putnam's fixed income investment organization is one of  
(slide 24).**

**Putnam's fixed income funds have a strong track record (**

**Putnam is a leading money manager (slide 25).**

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### 2.3. Discussion

PMO's performance and trading price do not warrant a change i

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**In Putnam's hands, PMO's performance compares favora**

## Annualized total returns as of March 31, 2011:

	1 year	3 years	5 years
PMO at NAV	0.19%	3.52%	3.02%
PMO at market price	1.03%	6.68%	4.61%
Lipper General Municipal Debt Funds (leveraged closed-end) Average	-0.55%	3.68%	2.43%

**PMO's expenses also compare favorably with its Lipper p**

	Expense ratio
PMO as of FYE April 30, 2010 (most recent fiscal year)	1.08%
Lipper General Municipal Debt Funds (leveraged closed-end) Average	1.23%

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### 2.3. Discussion

PMO's performance and trading price do not warrant a change i

**PMO's common shareholders currently enjoy liquidity in t  
close to NAV, due to the continued narrowing of the trading**

PMO's market price relative to NAV has fluctuated over time; in no period has persistent discount.

Tightest discount (or highest premium)	Widest discount (or lowest premium)	Average discount/ premium
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### 2.3. Discussion

PMO's performance and trading price do not warrant a change in management. [Mr. Hill]

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**PMO's Trustees have taken proactive steps in periods of common share trading discounts to provide liquidity and enhance fund returns, while maintaining the fund's closed-end structure.**

**The tender offer:** In 2007, PMO conducted a tender offer to purchase 10% of the fund's outstanding common shares at a price per share equal to 98% of the NAV per share.

**The repurchase program:** Recognizing the benefit of share repurchases for less than NAV,

since 2005 Putnam and the Trustees have authorized a program to conduct open-market repurchases of outstanding common shares for PMO and all Putnam closed-end funds.

**The benefit:** From October 2005 to March 2011, share repurchases under both the share repurchase program and the 2007 tender offer contributed approximately 1.27% to PMO's cumulative returns during a low-interest-rate environment for fixed income investing.

Benefit to PMO through repurchase, in \$	Contribution to PMO's cumulative returns at NAV, 10/25/05-3/31/11	PMO's cumulative returns at NAV, 10/25/05-3/31/11
\$3,286,245	1.27%	18.53%

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### 2.3. Discussion

PMO's performance and trading price do not warrant a change in management. [Mr. Hill]

**PMO has skilled portfolio management** (for complete biographies, see Appendix B).

PMO portfolio managers	Investment experience (years)	Responsibilities
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Thalia Meehan, CFA	28	Team Leader, Tax Exempt Group
Paul M. Drury, CFA	22	Tax Exempt Specialist
Susan A. McCormack, CFA	25	Tax Exempt Specialist

**Putnam's fixed income investment organization is one of the largest in the industry.**

Over 60 investment professionals averaging 15 years of experience, and with \$55 billion in assets under management

Co-heads of fixed income	Investment experience (years)	Responsibilities
D. William Kohli	24	Portfolio Construction and Global Strategies
Michael V. Salm	20	Liquid Markets
Paul D. Scanlon, CFA	25	Corporate Credit and Tax Exempt

Research coverage of every global fixed income sector

**Putnam's fixed income funds have a strong track record.**

% of Putnam fixed income funds that ranked above average in their Lipper groups as of March 31, 2011:

1 year	3 years	5 years	10 years
72% (21 of 29 funds)	85% (23 of 27 funds)	93% (25 of 27 funds)	92% (24 of 26 funds)

% of Putnam tax-exempt fixed income funds that ranked above average in their Lipper groups as of March 31, 2011:

1 year	3 years	5 years	10 years
87% (13 of 15 funds)	87% (13 of 15 funds)	100% (15 of 15 funds)	93% (14 of 15 funds)

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## 2.3. Discussion

PMO's performance and trading price do not warrant a change

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### **Putnam is a leading money manager.**

For its 2010 investment performance, Putnam ranked in the top quartile of the mutual fund families.

Putnam ranked #1 for the same survey for 2009.

Putnam has over 70 years of investment experience, managing money for individuals since 1937.

Over \$127 billion in assets under management.

81 mutual funds across asset classes, and six investment categories — growth, return, and global sector.

23 variable annuity and variable life product choices, with subaccounts for The Group and Allstate Life Insurance Company.

311 401(k) plans including a range of Putnam funds.

141 investment professionals with a balance of skill and backgrounds.

Offices in Boston, London, Frankfurt, Amsterdam, Tokyo, Sydney, and Singapore

led by experienced investment managers who seek superior results over time through fundamental research.

## 2.4. Discussion

Karpus's agenda for PMO discredits Karpus's Trustee nominees and fiduciaries. [Ms. Baxter]

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**Karpus's goal is to dismantle PMO's closed-end structure and reduce the costs imposed on other shareholders.**

**PMO's shareholders consciously chose a closed-end fund, and PMO continues to offer benefits.**

**Investments in higher-yielding securities.** Because a closed-end fund's share price is not required to maintain short-term, lower-yielding investments in anticipation of

**No sales and redemption costs.** PMO does not experience the cash flows associated with redemptions of open-end fund shares, which create transaction costs that are borne by the shareholders.

**Ability to use leverage.** Unlike open-end funds, closed-end funds are permitted to use leverage by issuing preferred shares.

Leverage is a viable investment tool to adjust duration, take advantage of relative value opportunities, increase yield, and increase exposure to attractive securities and/or sectors.

**In April 2010, PMO shareholders wisely defeated Karpus's proposal to**

For the 2 years ended December 31, 2010, PMO achieved a total return of 37.6% compared to the 20.9% return of the class A shares of Putnam's comparable open-end fund, Income Fund.

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## 2.4. Discussion

Karpus's agenda for PMO discredits Karpus's Trustee nominees and fiduciaries. [Mr. Scanlon]

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**Karpus's stated agenda is to receive the intrinsic value of PMO shares from shareholders by imposing significant transaction costs and a high leverage ratio.**

**A liquidity event (i.e., a merger, open-ending, or liquidation) would result in the liquidation of preferred shares and could impose costs on shareholders.** PMO would need to liquidate a portion of its portfolio in order to redeem its outstanding preferred shares prior to a liquidity event. The fund to incur significant transaction costs under certain market conditions and market losses associated with liquidating large positions in a short time frame.

**A merger or open-ending would result in additional asset liquidation to meet redemption requests.** PMO would likely need to liquidate additional assets in order to meet redemption requests from investors who wish to remain open-end fund shareholders.

**Other costs associated with a merger or open-ending.** PMO would likely incur costs associated with solicitation, and other costs in connection with soliciting a shareholder vote for

effecting the transaction.

**Increased expense ratio.** Significant shareholder redemptions would reduce result in an increased expense ratio for remaining shareholders.

**Karpus's stated agenda, if implemented, would deprive PMO leveraged, closed-end investment that they consciously seek of options available in the marketplace.**

### 3. Conclusions

Recommendations for PMO's 2011 shareholder meeting [Mr. Hi

**PMO's shareholders are well-served; no management change is warranted. PMO should be trusted to effect positive change for all shareholders in any event.**

**Vote PMO's Management Proxy (White Card).**

**DO NOT VOTE Karpus's Dissident Proxy (Green Card).**

PMO White Card Proposal	Proposed ISS Recommendation	Rationale
1a: Fixing the number of Trustees at 12	Vote <u>FOR</u> fixing the number of Trustees at 12.	Recommendation of the Nominating Committee
1b: Electing Trustees	Vote <u>FOR</u> PMO's 10 Trustee nominees voted	PMO's Trustees are in

upon by the common and preferred shareholders voting together.

active fiduciaries with advancing the interest nominees lack equivalence and cannot be trusted shareholders.

Vote FOR PMO's 2 Trustee nominees voted upon by the preferred shareholders voting separately.

2: [Karpus Proposal] Terminating PMO's management contract with Putnam

Vote AGAINST Karpus's proposal to terminate PMO's management contract with Putnam.

Putnam is a leading m solid performance for F Shareholders can have

3: [Karpus Proposal] Recommending Trustees consider taking all steps to cause PMO to redeem preferred shares at par and to utilize alternate sources of leverage\*

Vote AGAINST Karpus's proposal to redeem preferred shares at par and utilize alternate sources of leverage.

Karpus's proposal is n referendum. PMO's Tr alternative sources of f additional liquidity for harming PMO's comm judgment, the Trustees alternatives would be c common shareholders.

\* As no purpose would be served by permitting a shareholder vote on this proposal, the Trustees do not intend to permit a

### 3. Conclusions

Recommendations for PMO's 2011 shareholder meeting [Ms. Ba

**ISS should not issue separate recommendations for each**

**¶Karpus's 2 nominees for election by the preferred shareholders do not**

¶PMO's nominees for election by the preferred shareholders consist of the independent Board of Trustees and the independent Chairman of the Audit and Compliance Committee. Mr. Goldstein served on the Board of Trustees of the Putnam Funds for over 25 years. During this time, he has demonstrated an outstanding record of independence and diligence in promoting the interests of all shareholders.

¶Karpus's nominees for election by the preferred shareholders are (i) a person who has been in the business of attacking closed-end funds and (ii) a person who has regularly engaged other persons engaged in such activities. Both nominees have a history of serving as a platform for attacks on closed-end funds. They cannot be trusted to independently and fairly represent the interests of all shareholders.

¶Mr. Goldstein has publicly criticized closed-end funds for redeeming preferred shares out of the interest of some of the managers that are redeeming preferred shares, whether in the best interest of the funds or the management company to salvage their reputations. Karpus has vigorously opposed such redemptions in the past (including in a letter to the Board of Trustees attached as Appendix E) as being contrary to the interests of common shareholders. Mr. Goldstein significantly undercut their claims to champion the particular interests of the preferred shareholders.

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### 3. Conclusions

Recommendations for PMO's 2011 shareholder meeting [Mr. Hi

**¶ISS should not issue separate recommendations for each**

**An ISS recommendation supporting Karpus's 2 nominees for election would only be harmful to the fund.**

The election of 2 Karpus nominees would disrupt the orderly governance of PMO by holding of separate meetings for PMO's board. (Currently, PMO's board meets combined meetings for all of the Putnam Funds.) As a result, PMO would incur additional administrative costs due to the loss of efficiencies associated with the combined

If elected, the 2 Karpus nominees would have no power to force PMO's board to act relating to the preferred and, consistent with their obligations to protect the interests of the common shareholders, could not advocate for any action that would benefit the preferred shareholders over the common shareholders in any event.

**Because there is one fund and one fiduciary obligation to PMO as a whole, an ISS recommendation to both classes of stock.**

It would be illogical for ISS to endorse the election of 2 Karpus nominees who would advocate and promote actions that are fundamentally inconsistent with the strategic direction of the Trust. Trustee nominees that ISS may simultaneously endorse for election by the common

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## Appendices

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Appendix A: Trustees' biographies

Appendix B: Investment managers' biographies



Appendix C: Ropes & Gray LLP legal memorandum on Trustees

Appendix D: Table of distribution of ARPS redemptions among tax failure of ARPS in 2008 through 3/31/11

Appendix E: Karpus's letter to PMO in 2008 cautioning against A

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## Appendix A

### Trustees' biographies

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#### **John A. Hill (Chair)**

(Born 1942), Trustee since 1985 and Chairman since 2000

Mr. Hill is founder and Vice-Chairman of First Reserve Corporation, the leading private equity buyout firm specializing in the worldwide energy industry, with offices in Greenwich, Connecticut; Houston, Texas; London, England; and Shanghai, China. The firm's investments on behalf of some of the nation's largest pension and endowment funds are currently concentrated in 31 companies with annual revenues in excess of \$15 billion, which employ over 100,000 people in 23 countries.

Mr. Hill is a Director of Devon Energy Corporation (a leading independent natural gas and oil exploration and production company) and various private companies owned by First Reserve, and serves as a Trustee of Sarah Lawrence College where he serves as chairman and also chairs the Investment Committee. He is also a member of the Advisory Board of the Millstein Center for Corporate Governance and Performance at the Yale School of Management.

Prior to forming First Reserve in 1983, Mr. Hill served as President of F. Eberstadt and Company, an investment banking and investment management firm. Between 1969 and 1976, Mr. Hill held various senior positions in Washington, D.C. with the federal government, including Deputy Associate Director of the Office of Management and Budget and Deputy Administrator of the Federal Energy Administration during the Ford Administration.

Mr. Hill was born and raised in Midland, Texas, Mr. Hill received his B.A. in Economics from Southern Methodist University and pursued graduate studies as a Woodrow Wilson Fellow.

**Jameson A. Baxter (Vice Chair)**

(Born 1943), Trustee since 1994 and Vice Chairman since 2005

Ms. Baxter serves as Chairman of the Mutual Fund Directors Forum. Until 2011, Ms. Baxter served as a director of ASHTA Chemical, Inc. Until 2007, she was a Director of Banta Corporation (a printing and supply chain management company), Ryerson, Inc. (a metals service corporation), and Advocate Health Care. Until 2004, she was a Director of BoardSource (formerly the National Center for Nonprofit Boards), and until 2002, she was a Director of Intermatic Corporation (a manufacturer of energy control products) . She is Chairman Emeritus of the Board of Trustees of Mount Holyoke College, having served as Chairman for 5 years.

Ms. Baxter has held various positions in investment banking and corporate finance, including Vice President of and Consultant to First Boston Corporation and Vice President and Principal of the Regency Group. She is a graduate of Mount Holyoke College.

**Ravi Akhoury**

(Born 1947), Trustee since 2009

Mr. Akhoury serves as Advisor to New York Life Insurance Company. He is also a Director of Jacob Ballas Capital India (a non-banking finance company focused on private equity advisory services) and is a member of its Compensation Committee. He also serves as a Trustee of the Rubin Museum, serving on the Investment Committee, and of the American India Foundation. Mr. Akhoury is also a Director of RAGE Frameworks, Inc. (a private software company) .

Previously, Mr. Akhoury was a Director and on the Compensation Committee of MaxIndia/New York Life Insurance Company in India. He was also Vice President and Investment Policy Committee member of Fischer, Francis, Trees and Watts (a fixed-income portfolio management firm). He has also served on the Board of Bharti Telecom (an Indian telecommunications company), serving as a member of its Audit and Compensation Committees, and as a Director and member of the Audit Committee on the Board of Thompson Press (a publishing company) . From 1992 to 2007, he was Chairman and CEO of MacKay Shields, a multi-product investment management firm with over \$40 billion in assets under management.

Mr. Akhoury graduated from the Indian Institute of Technology with a B.S. in Engineering and obtained an M.S. in Quantitative Methods from SUNY at Stonybrook.

## Appendix A

### Trustees' biographies

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**Barbara M. Baumann**

(Born 1955) Trustee since 2010

Ms. Baumann is President and Owner of Cross Creek Energy Corporation, a strategic consultant to domestic energy firms and direct investor in energy assets. Ms. Baumann currently serves as a Director of SM Energy Company (a publicly held U.S. exploration and production company) and Unisource Energy Corporation (a publicly held electric utility in Arizona), as well as Cody Resources Management, LLP (a privately held energy, ranching, and commercial real estate company). Ms. Baumann is a Trustee of Mount Holyoke College and serves on the Investment Committee for the college's endowment. She is the former Chair of the Board and a current Board member of Girls Inc. of Metro Denver, and serves on the Finance Committee of The Children's Hospital Denver.

Prior to forming Cross Creek Energy Corporation in 2003, Ms. Baumann was Executive Vice President of Associated Energy Managers, a domestic private equity firm. From 1981 until 2000, she held a variety of financial and operational management positions with the global energy company Amoco Corporation and its successor, BP, most recently serving as Commercial Operations Manager of its Western Business Unit.

Ms. Baumann holds an M.B.A. from The Wharton School of the University of Pennsylvania and a B.A. from Mount Holyoke College.

**Charles B. Curtis**

(Born 1940), Trustee since 2001

Mr. Curtis is President Emeritus of the Nuclear Threat Initiative (a private foundation dealing with national security issues), serves as Senior Advisor to the United Nations Foundation, and as Senior Advisor to the Center for Strategic and International Studies.

Mr. Curtis is a member of the Council on Foreign Relations and the National Petroleum Council. He also serves as Director of Edison International and Southern California Edison. Until 2006, Mr. Curtis served as a member of the Trustee Advisory Council of the Applied Physics Laboratory, Johns Hopkins University.

Mr. Curtis is an attorney with over 15 years in private practice and 19 years in various positions in public service, including service at the Department of Treasury, the U.S. House of Representatives, the Securities and Exchange Commission, the Federal Energy Regulatory Commission and the Department of Energy.

**Robert J. Darretta**

(Born 1946), Trustee since 2007

Mr. Darretta serves as Director of UnitedHealth Group, a diversified health-care company, and as the Health Care Industry Advisor to Permira, a global private equity firm.

Until April 2007, Mr. Darretta was Vice Chairman of the Board of Directors of Johnson & Johnson, one of the world's largest and most broadly based health-care companies. Prior to 2007, he had responsibility for Johnson & Johnson's finance, investor relations, information technology, and procurement functions. He served as Johnson & Johnson Chief Financial Officer for a decade, prior to which he spent two years as Treasurer of the corporation and over 10 years leading various Johnson & Johnson operating companies.

Mr. Darretta received a B.S. in Economics from Villanova University.

## Appendix A

### Trustees' biographies

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#### **Paul L. Joskow**

(Born 1947), Trustee since 1997

Dr. Joskow is an economist and President of the Alfred P. Sloan Foundation (a philanthropic institution focused primarily on research and education on issues related to science, technology, and economic performance) . He is the Elizabeth and James Killian Professor of Economics and Management, Emeritus at the Massachusetts Institute of Technology (MIT), where he joined the faculty in 1972. Dr. Joskow was the Director of the Center for Energy and Environmental Policy Research at MIT from 1999 through 2007.

Dr. Joskow serves as a Trustee of Yale University, as a Director of TransCanada Corporation (an energy company focused on natural gas transmission and power services) and of Exelon Corporation (an energy company focused on power services), and as a member of the Board of Overseers of the Boston Symphony Orchestra. Prior to August 2007, he served as a Director of National Grid (a UK-based holding company with interests in electric and gas transmission and distribution and telecommunications infrastructure) . Prior to July 2006, he served as President of the Yale University Council. Prior to February 2005, he served on the board of the Whitehead Institute for Biomedical Research (a non-profit research institution) . Prior to February 2002, he was a Director of State Farm Indemnity Company (an automobile insurance company), and prior to March 2000, he was a Director of New England Electric System (a public utility holding company) .

Dr. Joskow has published seven books and numerous articles on industrial organization, government regulation of industry, and competition policy. He is active in industry restructuring, environmental, energy, competition, and privatization policies □ having served as a advisor to governments and corporations worldwide. Dr. Joskow holds a Ph.D. and MPhil from Yale University and a B.A. from Cornell University.

#### **Kenneth R. Leibler**

(Born 1949), Trustee since 2006

Mr. Leibler is a founder and former Chairman of the Boston Options Exchange, an electronic marketplace for the trading of derivative securities.

Mr. Leibler currently serves as Vice Chairman of the Board of Trustees of Beth Israel Deaconess Hospital in Boston. He is also a Director of Northeast Utilities, which operates New England's largest energy delivery system, and, until November 2010, was a Director of Ruder Finn Group, a global communications and advertising firm.

Prior to December 2006, he served as a Director of the Optimum Funds group. Prior to October 2006, he served as a Director of ISO New England, the organization responsible for the operation of the electric generation system in the New England states. Prior to 2000, Mr. Leibler was a Director of the Investment Company Institute in Washington, D.C.

Prior to January 2005, Mr. Leibler served as Chairman and Chief Executive Officer of the Boston Stock Exchange. Prior to January 2000, he served as President and Chief Executive Officer of Liberty Financial Companies, a publicly traded diversified asset management organization. Prior to June 1990, Mr. Leibler served as President and Chief Operating Officer of the American Stock Exchange (AMEX), and at the time was the youngest person in AMEX history to hold the title of President. Prior to serving as AMEX President, he held the position of Chief Financial Officer, and headed its management and marketing operations.

Mr. Leibler graduated with a degree in Economics from Syracuse University.

**Robert E. Patterson**

(Born 1945), Trustee since 1984

Mr. Patterson is Senior Partner of Cabot Properties, LP and Co-Chairman of Cabot Properties, Inc. (a private equity firm investing in commercial real estate) .

Mr. Patterson is past Chairman and served as a Trustee of the Joslin Diabetes Center. He previously was a Trustee of Sea Education Association. Prior to December 2001, Mr. Patterson was President and Trustee of Cabot Industrial Trust (a publicly traded real estate investment trust). Prior to February 1998, he was Executive Vice President and Director of Acquisitions of Cabot Partners Limited Partnership (a registered investment adviser involved in institutional real estate investments) . Prior to 1990, he served as Executive Vice President of Cabot, Cabot & Forbes Realty Advisors, Inc. (the predecessor company of Cabot Partners) .

Mr. Patterson practiced law and held various positions in state government, and was the founding Executive Director of the Massachusetts Industrial Finance Agency. Mr. Patterson is a graduate of Harvard College and Harvard Law School.

## Appendix A

### Trustees' biographies

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**George Putnam, III**

(Born 1951), Trustee since 1984

Mr. Putnam is Chairman of New Generation Research, Inc. (a publisher of financial advisory and other research services), and President of New Generation Advisors, LLC (a registered investment adviser to private funds). Mr. Putnam founded the New Generation companies in 1986.

Mr. Putnam is a Director of The Boston Family Office, LLC (a registered investment adviser) . He is a Trustee of Epiphany School and a Trustee of the Marine Biological

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Laboratory in Woods Hole, Massachusetts. Prior to June 2007, Mr. Putnam was President of the Putnam Funds. Until 2010, he was a Trustee of St. Mark's School, until 2006, he was a Trustee of Shore Country Day School, and until 2002, was a Trustee of the Sea Education Association.

Mr. Putnam previously worked as an attorney with the law firm of Dechert LLP (formerly known as Dechert Price & Rhoads) in Philadelphia. He is a graduate of Harvard College, Harvard Business School, and Harvard Law School.

### **Robert L. Reynolds**

(Born 1952), Trustee since 2008 and President of the Funds since July 2009

Mr. Reynolds is President and Chief Executive Officer of Putnam Investments, a member of Putnam Investments' Executive Board of Directors, and President of the Putnam Funds. He has more than 30 years of investment and financial services experience.

Prior to joining Putnam Investments in 2008, Mr. Reynolds was Vice Chairman and Chief Operating Officer of Fidelity Investments from 2000 to 2007. During this time, he served on the Board of Directors for FMR Corporation, Fidelity Investments Insurance Ltd., Fidelity Investments Canada Ltd., and Fidelity Management Trust Company. He was also a Trustee of the Fidelity Family of Funds. From 1984 to 2000, Mr. Reynolds served in a number of increasingly responsible leadership roles at Fidelity.

Mr. Reynolds serves on several not-for-profit boards, including those of the West Virginia University Foundation, Concord Museum, Dana-Farber Cancer Institute, Lahey Clinic, and Initiative for a Competitive Inner City in Boston. He is a member of the Chief Executives Club of Boston, the National Innovation Initiative, and the Council on Competitiveness, and he is a former President of the Commercial Club of Boston.

Mr. Reynolds received a B.S. in Business Administration/Finance from West Virginia University.

### **W. Thomas Stephens**

(Born 1942), Trustee since 2009

Mr. Stephens retired as Chairman and Chief Executive Officer of Boise Cascade, L.L.C. (a paper, forest products, and timberland assets company) in December 2008.

Mr. Stephens is a Director of TransCanada Pipelines, Ltd. (an energy infrastructure company) . Until 2004, Mr. Stephens was a Director of Xcel Energy Incorporated (a public utility company), Qwest Communications, and Norske Canada, Inc. (a paper manufacturer) . Until 2003, Mr. Stephens was a Director of Mail-Well, Inc. (a diversified printing company) . He served as Chairman of Mail-Well until 2001 and as CEO of MacMillan Bloedel, Ltd. (a forest products company) until 1999.

Prior to 1996, Mr. Stephens was Chairman and Chief Executive Officer of Johns Manville Corporation. Mr. Stephens holds B.S. and M.S. degrees from the University of Arkansas.

## Investment managers' biographies

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### **Paul D. Scanlon, CFA**

Mr. Scanlon is Co-Head of Fixed Income and Team Leader of Corporate Credit and Tax Exempt at Putnam. He is a Portfolio Manager of Putnam Absolute Return 100 Fund, Putnam Absolute Return 300 Fund, Putnam Diversified Income Trust, Putnam Floating Rate Income Fund, Putnam High Yield Advantage Fund, Putnam High Yield Trust, Putnam Master Intermediate Income Trust, and Putnam Premier Income Trust. Mr. Scanlon, a CFA charterholder, joined Putnam in 1999, and has been in the investment industry since 1986.

Education: University of Chicago, M.B.A.; Colgate University, B.A.

### **Thalia Meehan, CFA**

Ms. Meehan is a Team Leader of the Tax Exempt Group. In addition to managing Putnam's Tax Exempt Group, she is a Portfolio Manager of Putnam's tax-exempt fixed income funds. Ms. Meehan has served on the National Federation of Municipal Analysts' Board of Governors and is a member of Putnam's Diversity Advisory Council, the Boston Municipal Analyst Forum, and the Boston Security Analysts Society, as well as the Society of Municipal Analysts. In 2002, she received the Meritorious Service Award from the NFMA. Ms. Meehan, who joined Putnam's Tax Exempt Bond Group in 1989, is a CFA charterholder and has been in the investment industry since 1983.

Education: Williams College, B.A.

### **Paul M. Drury, CFA**

Mr. Drury is a Tax Exempt Specialist on the Tax Exempt Fixed Income team. He is responsible for managing several sectors within the municipal market. He is a Portfolio Manager of Putnam's tax-exempt fixed income funds. Mr. Drury joined Putnam in 1989 as a Mutual Fund Accountant in the Tax Exempt Accounting Department. A CFA charterholder, he has over 21 years of investment industry experience.

Education: Suffolk University, B.A.

### **Susan A. McCormack, CFA**

Ms. McCormack is a Tax Exempt Specialist on the Tax Exempt Fixed Income Group. She is a Portfolio Manager of Putnam's tax-exempt fixed income funds. Ms. McCormack joined Putnam in 1994 as an analyst and moved into the role of Portfolio Manager in 1999. She is a CFA charterholder and has been in the investment industry since 1986.

Education: Stanford University, M.B.A.; Dartmouth College, A.B.

## Appendix C

Ropes & Gray LLP legal memorandum on Trustees' fiduciary du

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## Appendix C

Ropes & Gray LLP legal memorandum on Trustees' fiduciary du

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## Appendix D

Table of distribution of ARPS redemptions among tax-exempt clo  
from failure of ARPS in 2008 through 3/31/11

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<b>Range of ARPS Redemptions (% Redeemed) Among Tax-Exempt Closed-End Funds</b>	<b>Including Nuveen Funds</b>	<b>Excluding Nuveen Funds</b>
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0%

20

19

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0.01% □ 9.99%	24	18
10% □ 19.99%	29	24
20% □ 29.99%	28	25
30% □ 39.99%	35	33
40% □ 49.99%	17	16
50% □ 59.99%	2	1
60% □ 69.99%	3	0
70% □ 79.99%	0	0
80% □ 89.99%	0	0
90% □ 99.99%	0	0
100%	82	16
<b>Number of Tax-Exempt Closed-End Funds</b>	<b>240</b>	<b>152</b>

Source of ARPS redemption data as of 3/31/11 is Cecilia L. Gondor, Thomas J. Herzfeld Advisors, Inc.

## Appendix E

Karpus's letter to PMO in 2008 cautioning against ARPS redemp

## Appendix E

Karpus's letter to PMO in 2008 cautioning against ARPS redemp

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Putnam Municipal  
Opportunities Trust (PMO)

Presentation to ISS  
May 3, 2011

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