

PUTNAM CALIFORNIA INVESTMENT GRADE MUNICIPAL TRUST

Form DEF 14A

September 14, 2006

# The proxy statement

Putnam California Investment Grade Municipal Trust

Putnam High Yield Municipal Trust

Putnam Municipal Bond Fund

Putnam Municipal Opportunities Trust

Putnam New York Investment Grade Municipal Trust

This proxy statement can help you decide how you want to vote on important issues relating to your Putnam fund. When you complete and sign your proxy ballot, the Trustees of the funds will vote on your behalf exactly as you have indicated. If you simply sign the proxy ballot, it will be voted in accordance with the Trustees' recommendations on page 6 and 7 of the proxy statement.

Please take a few moments and decide how you want to vote. When shareholders don't return their proxies in sufficient numbers, follow-up solicitations are required, which cost your fund money.

You can vote by returning your proxy ballots in the envelope provided. Or you can call our toll-free number, or go to the Internet. See your proxy ballot for the phone number and Internet address. If you have proxy related questions, please call 1-800-225-1581 or contact your financial advisor.

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PROXY CARD(S) ENCLOSED

If you have any questions, please contact us at 1-800-225-1581 or call your financial advisor.

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## A Message from the Chairman

Dear Fellow Shareholder:

I am writing to ask for your vote on important matters affecting your investment in the Putnam funds. While you are, of course, welcome to join us at your fund's meeting, most shareholders cast their vote by filling out and signing the enclosed proxy cards by calling or by voting via the Internet. We are asking for your vote on the following matters:

**\* Fixing the number of Trustees at 11 and electing your fund's nominees for Trustees**

Although Trustees do not manage fund portfolios, they play an important role in protecting fund shareholders, and are responsible for approving the fees paid to the fund's investment adviser and its affiliates, reviewing overall fund expenses, selecting the fund's auditors, monitoring conflicts of interest, overseeing the fund's compliance with federal securities laws and voting proxies for the fund's portfolio securities.

Your fund's Trustees have also in the past three years been at the forefront of reform efforts affecting the mutual fund industry, including ending the practice of directing fund brokerage commissions to brokers in connection with sales of fund shares, instituting measures to discourage excessive short-term trading in open-end funds and other initiatives to reduce shareholder expenses and improve fund disclosures.

**\* Converting your fund to an open-end investment company (*Putnam High Yield Municipal Trust only*)**

Your fund's governing documents require the fund to submit for shareholder vote a proposal to convert the fund to an open-end investment company if the fund's shares trade at a discount from net asset value over a specified time period. The Trustees recommend that shareholders vote against converting your fund. As discussed in this Proxy Statement, the Trustees believe that your fund's status as a closed-end fund offers potential investment benefits, including the ability to remain more fully invested in longer-term, higher-yielding securities. The Trustees do not believe that recent discount levels are currently a sufficient justification for abandoning the advantages of the closed-end structure through conversion to open-end status.

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**\* Shareholder proposals requesting the Trustees to take the steps necessary to merge Putnam California Investment Grade Municipal Trust and Putnam New York Investment Grade Municipal Trust into their respective open-end Putnam fund counterparts or otherwise to permit shareholders of the funds to realize the net asset value of their shares. (*Putnam California Investment Grade Municipal Trust and Putnam New York Investment Grade Municipal Trust only*)**

A shareholder of both Putnam California Investment Grade Municipal Trust and Putnam New York Investment Grade Municipal Trust has submitted shareholder proposals that call for your funds' Trustees to take steps to merge each fund into its Putnam open-end fund counterpart or consider other means of permitting fund shareholders to receive the net asset value of their shares. It is important to note that these proposals are not proposals formally to approve mergers or other transactions; they only request the Trustees to consider further action. As discussed in the Proxy Statement, the Trustees believe that each fund's closed-end status offers potential investment benefits, including the ability to utilize leverage through the issuance of preferred shares and the ability to remain more fully invested in longer-term, higher-yielding securities. Over most periods, both funds have outperformed their respective Putnam open-end fund counterparts at net asset value. In addition, these funds have historically offered significantly higher yields than their open-end fund counterparts. The Trustees believe that this outperformance is primarily attributable to the funds' status as leveraged closed-end funds. The Trustees do not believe that recent discount levels are currently a sufficient justification for abandoning the advantages of the closed-end structure through merger into an open-end fund.

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I'm sure that you, like most people, lead a busy life and are tempted to put this proxy aside for another day. Please don't. When shareholders do not vote their proxies, their fund may have to incur the expense of follow-up solicitations. All shareholders benefit from the speedy return of proxies.

Your vote is important to us. We appreciate the time and consideration I am sure you will give these important matters. If you have questions about any of these proposals, please call a Putnam customer services representative at 1-800-225-1581 or contact your financial advisor.

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**PUTNAM CALIFORNIA INVESTMENT GRADE  
MUNICIPAL TRUST  
PUTNAM HIGH YIELD MUNICIPAL TRUST  
PUTNAM MUNICIPAL BOND FUND  
PUTNAM MUNICIPAL OPPORTUNITIES TRUST  
PUTNAM NEW YORK INVESTMENT GRADE  
MUNICIPAL TRUST**

## Notice of Annual Meeting of Shareholders

**\* This is the formal agenda for your fund's shareholder meeting. It tells you what proposals will be voted on and the time and place of the meeting, in the event you attend in person.**

To the Shareholders of Putnam California Investment Grade Municipal Trust, Putnam High Yield Municipal Trust, Putnam Municipal Bond Fund, Putnam Municipal Opportunities Trust and Putnam New York Investment Grade Municipal Trust:

The Annual Meeting of Shareholders of your fund will be held on October 30, 2006 at 11:00 a.m., Boston time, at the principal offices of the fund on the 8th floor of One Post Office Square, Boston, Massachusetts 02109, to consider the following:

- 1. Fixing the number of Trustees at 11 and electing your fund's nominees for Trustees. See page 8.**
- 2. Converting your fund to an open-end investment company (Putnam High Yield Municipal Trust only). See page 35.**
- 3. Shareholder proposal requesting the Trustees to take the steps necessary to merge your fund into Putnam California Tax Exempt Income Fund, an open-end fund, or otherwise to permit shareholders to realize the net asset value of their shares (Putnam California Investment Grade Municipal Trust only). See page 44.**

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- 4. Shareholder proposal requesting the Trustees to take the steps necessary to merge your fund into Putnam New York Tax Exempt Income Fund, an open-end fund, or otherwise to permit shareholders to realize the net asset value of their shares (Putnam New York Investment Grade Municipal Trust only). See page 60.**

By Judith Cohen, Clerk, on behalf of the Trustees:

John A. Hill, Chairman  
Jameson A. Baxter, Vice Chairman  
George Putnam, III, President

Charles B. Curtis  
Myra R. Drucker  
Charles E. Haldeman, Jr.  
Paul L. Joskow  
Elizabeth T. Kennan  
Robert E. Patterson  
W. Thomas Stephens  
Richard B. Worley

**We urge you to mark, sign, date, and mail the enclosed proxy in the postage-paid envelope provided or record your voting instructions by telephone or via the Internet so that you will be represented at the meeting.**

September 15, 2006

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## Proxy Statement

**This document will give you the information you need to vote on the proposals. Much of the information is required under rules of the Securities and Exchange Commission ("SEC"); some of it is technical. If there is anything you don't understand, please contact us at our toll-free number, 1-800-225-1581, or call your financial advisor.**

### **\* Who is asking for your vote?**

The enclosed proxy is solicited by the Trustees of Putnam California Investment Grade Municipal Trust, Putnam High Yield Municipal Trust, Putnam Municipal Bond Fund, Putnam Municipal Opportunities Trust and New York Investment Grade Municipal Trust for use at the Annual Meeting of Shareholders of each fund to be held on October 30, 2006, and, if your fund's meeting is adjourned, at any later meetings, for the purposes stated in the Notice of Annual Meeting (see page 4). The Notice of Annual Meeting, the proxy and the Proxy Statement are being mailed on or about September 15, 2006.

### **\* How do your fund's Trustees recommend that shareholders vote on these proposals?**

The Trustees recommend that you vote:

- 1. FOR fixing the number of Trustees as proposed by the Board Policy and Nominating Committee and electing your fund's nominees for Trustees.**
- 2. AGAINST converting your fund to an open-end investment company and authorizing certain related amendments to your fund's Agreement and Declaration of Trust** (*Putnam High Yield Municipal Trust only*).
- 3. AGAINST the shareholder proposal requesting the Trustees to take the steps necessary to merge your fund into Putnam California Tax Exempt Income Fund, an open-end fund, or otherwise to permit shareholders to realize the net asset value of their shares** (*Putnam California Investment Grade Municipal Trust only*).

**4. AGAINST the shareholder proposal requesting the Trustees to take the steps necessary to merge your fund into Putnam New York Tax Exempt Income Fund, an open-end fund, or otherwise to permit shareholders to realize the net asset value of their shares** (*Putnam New York Investment Grade Municipal Trust only*).

**\* Who is eligible to vote?**

Shareholders of record at the close of business on August 3, 2006 are entitled to be present and to vote at the meeting or any adjourned meeting.

Each share is entitled to one vote. Unless otherwise noted, the holders of your fund's preferred shares and holders of your fund's common shares will vote as separate classes. Shares represented by your duly executed proxy will be voted in accordance with your instructions. If you sign the proxy card, but don't fill in a vote, your shares will be voted in accordance with the Trustees' recommendations. If any other business is brought before your fund's meeting, your shares will be voted at the discretion of the persons designated on the proxy card.

Shareholders of each fund vote separately with respect to each proposal. The outcome of a vote affecting one fund does not affect any other fund.

## The Proposals

### 1. ELECTION OF TRUSTEES

**\* Who are the nominees for Trustees?**

The Board Policy and Nominating Committee of the Trustees of each fund makes recommendations concerning the nominees for Trustees of that fund. The Board Policy and Nominating Committee consists solely of Trustees who are not "interested persons" (as defined in the Investment Company Act of 1940, as amended (the "1940 Act")) of your fund or of Putnam Investment Management, LLC, your fund's investment manager ("Putnam Management"). Those Trustees who are not "interested persons" of your fund or Putnam Management are referred to as "Independent Trustees" throughout this Proxy Statement.

The Board Policy and Nominating Committee of the Trustees of each fund recommends that the number of Trustees be fixed at 11 and that you vote for the election of the nominees described in the following pages. Each nominee is currently a Trustee of your fund and of the other Putnam funds.

Pursuant to the bylaws of your fund and the 1940 Act, holders of the preferred shares of your fund, voting as a class, are entitled to elect two nominees for Trustees. The holders of the preferred shares and the common shares of your fund, voting together as a single class, are entitled to vote for the remaining 9 of the 11 nominees. Therefore, Messrs. Hill and Patterson have been nominated to be elected as Trustees by the holders of the preferred shares, while the other 9 nominees have been nominated to be elected by the holders of the preferred shares and common shares voting together as a single class.

The nominees for Trustees and their backgrounds are shown in the following pages. This information includes each nominee's name, year of birth, principal occupation(s) during the past 5 years, and other information about the nominee's professional background, including other directorships the nominee holds. Each Trustee oversees all of the Putnam funds and serves until the election and qualification of his or her successor, or until he or she sooner dies, resigns or is removed. The address of all of the Trustees is One Post Office Square, Boston, Massachusetts 02109. At December 31, 2005, there were 108 Putnam funds.

**Jameson A. Baxter** (Born 1943)

Trustee since 1994 and Vice Chairman since 2005

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Ms. Baxter is the President of Baxter Associates, Inc., a private investment firm that she founded in 1986.

Ms. Baxter serves as a Director of ASHTA Chemicals, Inc., Banta Corporation (a printing and digital imaging firm), Ryerson Tull, Inc. (a steel service corporation), the Mutual Fund Directors Forum, Advocate Health Care and BoardSource, formerly the National Center for Nonprofit Boards. She is Chairman Emeritus of the Board of Trustees, Mount Holyoke College, having served as Chairman for five years and as a board member for thirteen years. Until 2002, Ms. Baxter was a Director of Intermatic Corporation (a manufacturer of energy control products).

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

**Charles B. Curtis** (Born 1940)

Trustee since 2001

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Mr. Curtis is President and Chief Operating Officer of the Nuclear Threat Initiative (a private foundation dealing with national security issues) and serves as Senior Advisor to the United Nations Foundation.

Mr. Curtis is a member of the Council on Foreign Relations, the Trustee Advisory Council of the Applied Physics Laboratory, Johns Hopkins University and serves as a Director of Edison International and Southern California Edison. Until 2003, Mr. Curtis was a member of the Electric Power Research Institute Advisory Council and the University of Chicago Board of Governors for Argonne National Laboratory. Prior to 2002, Mr. Curtis was a Member of the Board of Directors of the Gas Technology Institute and the Board of Directors of the Environment and Natural Resources Program Steering Committee, John F. Kennedy School of Government, Harvard University. Until 2001, Mr. Curtis was a member of the Department of Defense Policy Board and Director of EG&G Technical Services, Inc. (a fossil energy research and development support company).

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From August 1997 to December 1999, Mr. Curtis was a Partner at Hogan & Hartson L.L.P., a Washington, D.C. law firm. Prior to May 1997, Mr. Curtis was Deputy Secretary and Under Secretary of the U.S. Department of Energy. He served as Chairman of the Federal Energy Regulatory Commission from 1977 to 1981 and has held positions on the staff of the U.S. Treasury Department, and the SEC.

**Myra R. Drucker** (Born 1948)

Trustee since 2004

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Ms. Drucker is Chair of the Board of Trustees of Commonfund (a not-for-profit firm specializing in asset management for educational endowments and foundations), Vice Chair of the Board of Trustees of Sarah Lawrence College, and a member of the Investment Committee of the Kresge Foundation (a charitable trust). She is also a director of New York Stock Exchange LLC, a wholly-owned subsidiary of the publicly-traded NYSE Group, Inc. She is an advisor to Hamilton Lane LLC and RCM Capital Management (investment management

firms).

Ms. Drucker is an ex-officio member of the New York Stock Exchange (NYSE) Pension Managers Advisory Committee, having served as Chair for seven years and a member of the Executive Committee of the Committee on Investment of Employee Benefit Assets. She is Chair of the Advisory Board of Hamilton Lane Advisors (an investment management firm) and a member of the Advisory Board of RCM (an investment management firm). Until August 31, 2004, Ms. Drucker was Managing Director and a member of the Board of Directors of General Motors Asset Management and Chief Investment Officer of General Motors Trust Bank. Ms. Drucker also served as a member of the NYSE Corporate Accountability and Listing Standards Committee and the NYSE/NASD IPO Advisory Committee.

Prior to joining General Motors Asset Management in 2001, Ms. Drucker held various executive positions in the investment management industry. Ms. Drucker served as Chief Investment Officer of Xerox Corporation (a technology and service company in the document industry), where she was responsible for the investment of the company's pension assets. Ms. Drucker was also Staff Vice President and Director of Trust Investments for International Paper (a paper, paper distribution, packaging and forest products company) and previously served as Manager of Trust Investments for Xerox

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Corporation. Ms. Drucker received a B.A. degree in Literature and Psychology from Sarah Lawrence College and pursued graduate studies in economics, statistics and portfolio theory at Temple University.

**John A. Hill** (Born 1942)

Trustee since 1985 and Chairman since 2000

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Mr. Hill is Vice Chairman of First Reserve Corporation, a private equity buyout firm that specializes in energy investments in the diversified worldwide energy industry.

Mr. Hill is a Director of Devon Energy Corporation, TransMontaigne Oil Company and various private companies controlled by First Reserve Corporation, as well as Chairman of TH Lee, Putnam Investment Trust (a closed-end investment company advised by an affiliate of Putnam Management). He is also a Trustee of Sarah Lawrence College. Until 2005, he was a Director of Continuum Health Partners of New York.

Prior to acquiring First Reserve Corporation in 1983, Mr. Hill held executive positions in investment banking and investment management with several firms and with the federal government, including Deputy Associate Director of the Office of Management and Budget, and Deputy Director of the Federal Energy Administration. He is active in various business associations, including the Economic Club of New York, and lectures on energy issues in the United States and Europe. Mr. Hill holds a B.A. degree in Economics from Southern Methodist University and pursued graduate studies there as a Woodrow Wilson Fellow.

**Paul L. Joskow** (Born 1947)

Trustee since 1997

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Dr. Joskow is the Elizabeth and James Killian Professor of Economics and Management, and Director of the Center for Energy and Environmental Policy Research at the Massachusetts Institute of Technology.

Dr. Joskow serves as a Director of National Grid plc (a UK-based holding company with interests in electric and gas transmission and distribution and telecommunications infrastructure) and TransCanada Corporation (an energy company focused on natural gas transmission and power services). He also serves on the Board of Overseers of the Boston Symphony Orchestra. Prior to February 2005, he served on the board of the Whitehead Institute for Biomedical

Research (a non-profit research institution) and has been President of the Yale University Council since 1993. 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 five books and numerous articles on topics in industrial organization, government regulation of industry, and competition policy. He is active in industry restructuring, environmental, energy, competition and privatization policies □ serving as an advisor to governments and corporations worldwide. Dr. Joskow holds a Ph.D. and M. Phil from Yale University and B.A. from Cornell University.

**Elizabeth T. Kennan** (Born 1938)

Trustee since 1992

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Dr. Kennan is a Partner of Cambus-Kenneth Farm (thoroughbred horse and cattle breeding). She is President Emeritus of Mount Holyoke College.

Dr. Kennan served as Chairman and is now Lead Director of Northeast Utilities. She has served as Director on a number of other boards, including Bell Atlantic, Chastain Real Estate, Shawmut Bank, Berkshire Life Insurance, Kentucky Home Life Insurance and Talbots, Inc. She is a Trustee of the National Trust for Historic Preservation, of Centre College and of Midway College in Midway, Kentucky. Until 2006, she was a member of The Trustees of Reservations. Dr. Kennan has served on the oversight committee of the Folger Shakespeare Library, as President of Five Colleges Incorporated, as a Trustee of Notre Dame University, and is active in various educational and civic associations.

As a member of the faculty of Catholic University for twelve years, until 1978, Dr. Kennan directed the post-doctoral program in Patristic and Medieval Studies, taught history and published numerous articles. Dr. Kennan holds a Ph.D. from the University of Washington in Seattle, an M.S. from St. Hilda's College at Oxford University and an A.B. from Mount Holyoke College. She holds several honorary doctorates.

**Robert E. Patterson** (Born 1945)

Trustee since 1984

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

Mr. Patterson serves as Chairman Emeritus and Trustee of the Joslin Diabetes Center and as a Director of Brandywine Trust Group, LLC. Prior to June 2003, he was a Trustee of the Sea Education Association. Prior to December 2001, he 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.







Management and its affiliates, including administration, custody, and shareholder servicing. At least annually, the Trustees review and evaluate the fees and operating expenses paid by your fund for these services and negotiate changes that they deem appropriate. In carrying out these responsibilities, the Trustees are assisted by an independent administrative staff and by your fund's auditors, independent counsel and other experts as appropriate, selected by and responsible to the Trustees.

At least 75% of the trustees of your fund are required to not be "interested persons" (as defined in the 1940 Act) of your fund or your fund's investment manager. These independent trustees, who are referred to in this proxy statement as "Independent Trustees," must vote separately to approve all financial arrangements and other agreements with your fund's investment manager and other affiliated parties. The role of independent trustees has been characterized as that of a "watchdog" charged with oversight to protect shareholders' interests against overreaching and abuse by those who are in a position to control or influence a fund. Your fund's Independent Trustees meet regularly as a group in executive session. Nine of the 11 nominees for election as Trustee would be Independent Trustees.

**Board committees.** Your fund's Trustees have determined that the efficient conduct of your fund's affairs makes it desirable to delegate responsibility for certain specific matters to committees of the board. Certain committees (the Executive Committee, Distributions Committee, and Audit and Compliance Committee) are authorized to act for the Trustees as specified in their charters. The other committees review and evaluate matters specified in their charters and make recommendations to the Trustees as they deem appropriate. Each committee may utilize the resources of your fund's independent staff, counsel and auditors as well as other experts. The committees meet as often as necessary, either in conjunction with regular meetings of the Trustees or otherwise. The membership and chairperson of each committee are appointed by the Trustees upon recommendation of the Board Policy and Nominating Committee.

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**Audit and Compliance Committee.** The Audit and Compliance Committee provides oversight on matters relating to the preparation of the fund's financial statements, compliance matters and Code of Ethics issues. This oversight is discharged by regularly meeting with management and the fund's independent registered public accounting firms and keeping current on industry developments. Duties of this Committee also include the review and evaluation of all matters and relationships pertaining to the fund's independent registered public accounting firms, including their independence. The members of your Committee include only Independent Trustees. Each member of the Committee is "independent" as defined in Sections 303.01(B)(2)(a) and (3) of the listing standards of the New York Stock Exchange and as defined in Section 121(A) of the listing standards of the American Stock Exchange. The Trustees have adopted a written charter for the Committee. The Audit and Compliance Committee's charter, which is included in this Proxy Statement as Exhibit A, is also available on the fund's web site at [https://content.putnam.com/individual\\_investor/pdf/committee\\_charter.pdf](https://content.putnam.com/individual_investor/pdf/committee_charter.pdf). Print copies of the charter are available free of charge upon request by calling 1-800-225-1581. The Committee currently consists of Messrs. Patterson (Chairperson), Hill and Stephens.

**Board Policy and Nominating Committee.** The Board Policy and Nominating Committee reviews policy matters pertaining to the operations of the Board of Trustees and its Committees, the compensation of the Trustees and their staff and the conduct of legal affairs for the funds. The Committee also oversees the voting of proxies associated with portfolio investments of the Putnam funds, with the goal of ensuring that these proxies are voted in the best interest of the fund's shareholders.

The Committee evaluates and recommends all candidates for election as Trustees and recommends the appointment of members and chairs of each board committee. The Committee also identifies prospective nominees for election as trustee by considering individuals that come to its attention through current Trustees, Putnam Management or shareholders. Candidates properly submitted by shareholders (as described below) will be considered and evaluated on the same basis as candidates recommended by other sources. The Committee may, but is not required to, engage a third-party professional search firm to assist it in identifying and evaluating potential nominees.

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When evaluating a potential candidate for membership on the Board of Trustees, the Committee considers the skills and characteristics that it feels would most benefit the Putnam funds at the time the evaluation is made. The Committee may take into account a wide variety of attributes in considering potential trustee candidates, including, but not limited to: (i) availability and commitment of a candidate to attend meetings, (ii) other board experience, (iii) relevant industry and related experience, (iv) educational background, (v) financial expertise, (vi) an assessment of the candidate's ability, judgment and expertise, (vii) an assessment of the perceived needs of the Board of Trustees and its committees at that point in time and (viii) the overall composition of the Board of Trustees. In connection with this evaluation, the Committee will determine whether to interview prospective nominees, and, if warranted, one or more members of the Committee, and other Trustees and representatives of the funds, as appropriate, will interview prospective nominees in person or by telephone. Once this evaluation is completed, the Committee recommends such candidates as it determines appropriate to the Independent Trustees for nomination, and the Independent Trustees select the nominees after considering the recommendation of the Committee.

The Committee will consider nominees for trustee recommended by shareholders of a fund provided shareholders submit their recommendations by the date disclosed in the paragraph entitled "Date for receipt of shareholders" proposals for the next annual meeting, and provided the shareholders' recommendations otherwise comply with applicable securities laws, including Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "1934 Act").

The Committee consists only of Independent Trustees. The Committee currently consists of Dr. Kennan (Chairperson), Ms. Baxter and Messrs. Hill and Patterson.

**Brokerage Committee.** The Brokerage Committee reviews the policies and procedures of the funds regarding the execution of portfolio transactions for the funds, including policies regarding: the selection of brokers and dealers to execute portfolio transactions; the establishment of brokerage commissions rates; and the generation and use of soft dollar credits. The Committee also oversees the implementation by Putnam Management of such policies and procedures. The Committee reviews periodic reports regarding payments made, the quality of execution obtained by the funds, and the value of research obtained by Putnam Management in connection with portfolio transactions on

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behalf of the funds. The Committee currently consists of Dr. Joskow (Chairperson), Ms. Drucker and Mr. Putnam, III.

**Contract Committee.** The Contract Committee reviews and evaluates, at least annually, all arrangements pertaining to (i) the engagement of Putnam Management and its affiliates to provide services to the funds, (ii) the expenditure of the funds' assets for distribution purposes pursuant to the distribution plans of the open-end funds and (iii) the engagement of other persons to provide material services to the funds, including in particular those instances where the cost of services is shared between the funds and Putnam Management and its affiliates or where Putnam Management or its affiliates have a material interest. The Committee recommends to the Trustees such changes in arrangements as it deems appropriate. After review and evaluation, the Committee recommends to the Trustees the proposed organization of new fund products and proposed structural changes to existing funds. Its oversight of the closed-end funds includes (i) investment performance, (ii) trading activity, (iii) determinations with respect to conversion of a closed-end fund to an open-end fund, and (iv) other measures in response to trading discounts, including share repurchase programs. The Committee consists only of Independent Trustees. The Committee currently consists of Ms. Baxter (Chairperson), Messrs. Curtis and Worley and Dr. Kennan.

**Distributions Committee.** The Distributions Committee oversees all fund distributions. The Committee makes recommendations to the Trustees of the funds regarding the amount and timing of distributions paid by the funds, and approves such matters when the Trustees are not in session. The Committee also oversees the policies and procedures pursuant to which Putnam Management prepares recommended distributions, and meets regularly with representatives of Putnam Management to review the implementation of such policies and procedures. The Committee currently consists of Mr. Putnam, III, (Chairperson), Ms. Drucker and Dr. Joskow.

**Executive Committee.** The functions of the Executive Committee are twofold. The first is to ensure that the funds' business may be conducted at times when it is not feasible to convene a meeting of the Trustees or for the Trustees to act by written consent. The Committee may exercise any or all of the power and authority of the Trustees when the Trustees are not in session. The second is to establish annual and ongoing goals, objectives and priorities for the Board of Trustees and to

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ensure coordination of all efforts between the Trustees and Putnam Management and its affiliates on behalf of the shareholders of the Putnam funds. The Committee currently consists of Messrs. Hill (Chairperson), Curtis, Patterson and Putnam, III (*ex officio*), Dr. Joskow and Ms. Baxter.

**Investment Oversight Committees.** These Committees regularly meet with investment personnel of Putnam Management to review the investment performance and strategies of the funds in light of their stated investment objectives and policies. Investment Oversight Committee A currently consists of Meses. Drucker (Chairperson) and Baxter and Mr. Curtis. Investment Oversight Committee B currently consists of Drs. Joskow (Chairperson) and Kennan and Mr. Stephens. Investment Committee C currently consists of Messrs. Patterson (Chairperson) and Putnam, III. Investment Oversight Committee D currently consists of Messrs. Worley (Chairperson), Haldeman and Hill.

**Investment Process Committee.** The Investment Process Committee complements the work of the Investment Oversight Committees by monitoring Putnam Management's investment philosophies, investment processes and investment personnel. The Committee reviews Putnam Management's research capabilities; risk management processes; recruiting, training and compensation of investment personnel; performance measurement; and portfolio construction. The Committee currently consists of Ms. Drucker (Chairperson), Dr. Joskow and Mr. Putnam, III.

**Marketing Committee.** The Marketing Committee oversees the marketing and sale of fund shares by Putnam Retail Management. The Committee reviews (i) services provided by Putnam Retail Management under its Distributor's Contracts with the open-end funds, (ii) sales charges imposed in connection with the sale of fund shares, (iii) expenditure of the funds' assets for distribution and shareholder services pursuant to distribution plans of the open-end funds, (iv) financial arrangements between Putnam Retail Management and financial intermediaries related to the sale of fund shares, and (v) compliance by Putnam Retail Management with applicable federal and state laws and regulations governing the sale of fund shares. The Committee also exercises general oversight of marketing and sales communications used by Putnam Retail Management in connection with the sale of fund shares. The Committee currently consists of Messrs. Curtis (Chairperson) and Worley, Ms. Baxter and Dr. Kennan.

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**Pricing Committee.** The Pricing Committee oversees the implementation of your fund's policies and procedures for achieving accurate and timely pricing of the funds' shares, including oversight of fair value determinations of individual securities made by Putnam Management or other designated agents of your fund. The Committee oversees compliance by money market funds with Rule 2a-7 under the 1940 Act, interfund transactions pursuant to Rule 17a-7 under the 1940 Act, and the correction of occasional pricing errors. The Committee also receives reports on various matters including reports on the liquidity of portfolio securities. The Committee currently consists of Messrs. Stephens (Chairperson), Hill and Patterson.

**Shareholder Communications and Relations Committee.** The Shareholder Communications and Relations Committee reviews certain communications sent to fund shareholders, including shareholder reports, prospectuses, proxy statements and other materials. The Committee oversees the policies and procedures pursuant to which such shareholder communications are prepared, and the implementation by Putnam Management of such policies and procedures. The Committee reviews periodic reports regarding the costs to the funds of preparing and distributing such communications. The Committee also reviews periodic reports regarding comments and suggestions received with respect to such communications. The Committee currently consists of Mr. Putnam, III (Chairperson), Ms. Drucker and Dr. Joskow.

**\* How large a stake do the Trustees and nominees have in the Putnam family of funds?**

The Trustees allocate their investments among the Putnam funds based on their own investment needs. The table below shows the number of shares beneficially owned by each nominee for Trustee and the value of each nominee's holdings in each fund and in all of the Putnam funds as of June 30, 2006. As a group, the Trustees owned shares of the Putnam funds valued at approximately \$87 million as of June 30, 2006.

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**Putnam California Investment Grade Municipal Trust**

Name of Nominee	Dollar Range of Putnam California Investment Grade Municipal Trust Shares Owned	Shares Beneficially Owned	Aggregate Dollar Range of Shares held in all of the Putnam funds
Jameson A. Baxter	\$1 □ \$10,000	188.704	over \$100,000
Charles B. Curtis	\$1 □ \$10,000	116.878	over \$100,000
Myra R. Drucker	\$1 □ \$10,000	103.512	over \$100,000
Charles E. Haldeman, Jr.	\$1 □ \$10,000	243	over \$100,000
John A. Hill	\$1 □ \$10,000	218.319	over \$100,000
Paul L. Joskow	\$1 □ \$10,000	100	over \$100,000
Elizabeth T. Kennan	\$1 □ \$10,000	201.338	over \$100,000
Robert E. Patterson	\$1 □ \$10,000	100	over \$100,000
George Putnam, III	\$10,001 □ \$50,000	1,100	over \$100,000
W. Thomas Stephens	\$1 □ \$10,000	100	over \$100,000
Richard B. Worley	\$1 □ \$10,000	100	over \$100,000

**Putnam High Yield Municipal Trust**

Name of Nominee	Dollar Range of Putnam High Yield Municipal Trust Shares Owned	Shares Beneficially Owned	Aggregate Dollar Range of Shares held in all of the Putnam funds
Jameson A. Baxter	\$1 □ \$10,000	203.997	over \$100,000

Charles B. Curtis	\$1 □ \$10,000	115.108	over \$100,000
Myra R. Drucker	\$1 □ \$10,000	102.765	over \$100,000
Charles E. Haldeman, Jr.	\$1 □ \$10,000	500	over \$100,000
John A. Hill	\$1 □ \$10,000	218.965	over \$100,000
Paul L. Joskow	\$1 □ \$10,000	100	over \$100,000
Elizabeth T. Kennan	\$1 □ \$10,000	201.315	over \$100,000
Robert E. Patterson	\$1 □ \$10,000	300	over \$100,000
George Putnam, III	\$10,001 □ \$50,000	2100	over \$100,000
W. Thomas Stephens	\$1 □ \$10,000	100	over \$100,000
Richard B. Worley	\$1 □ \$10,000	100	over \$100,000

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**Putnam Municipal Bond Fund**

Name of Nominee	Dollar Range of Putnam Municipal Bond Fund Shares Owned	Shares Beneficially Owned	Aggregate Dollar Range of Shares held in all of the Putnam funds
Jameson A. Baxter	\$10,001 □ \$50,000	3570	over \$100,000
Charles B. Curtis	\$1 □ \$10,000	120.297	over \$100,000
Myra R. Drucker	\$1 □ \$10,000	103.105	over \$100,000
Charles E. Haldeman, Jr.	\$1 □ \$10,000	250	over \$100,000
John A. Hill	\$1 □ \$10,000	318.337	over \$100,000
Paul L. Joskow	\$1 □ \$10,000	196	over \$100,000
Elizabeth T. Kennan	\$1 □ \$10,000	189.709	over \$100,000

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Robert E. Patterson	\$1 □ \$10,000	293	over \$100,000
George Putnam, III	\$10,001 □ \$50,000	1184	over \$100,000
W. Thomas Stephens	\$1 □ \$10,000	196	over \$100,000
Richard B. Worley	\$1 □ \$10,000	100	over \$100,000

**Putnam Municipal Opportunities Trust**

Name of Nominee	Dollar Range of Putnam Municipal Opportunities Trust Shares Owned	Shares Beneficially Owned	Aggregate Dollar Range of Shares held in all of the Putnam funds
Jameson A. Baxter	\$1 □ \$10,000	207.003	over \$100,000
Charles B. Curtis	\$1 □ \$10,000	120.544	over \$100,000
Myra R. Drucker	\$1 □ \$10,000	102.890	over \$100,000
Charles E. Haldeman, Jr.	\$1 □ \$10,000	270	over \$100,000
John A. Hill	\$1 □ \$10,000	222.08	over \$100,000
Paul L. Joskow	\$1 □ \$10,000	100	over \$100,000
Elizabeth T. Kennan	\$1 □ \$10,000	119.793	over \$100,000
Robert E. Patterson	\$1 □ \$10,000	100	over \$100,000
George Putnam, III	\$10,001 □ \$50,000	1300	over \$100,000
W. Thomas Stephens	\$1 □ \$10,000	100	over \$100,000
Richard B. Worley	\$1 □ \$10,000	100	over \$100,000

**Putnam New York Investment Grade Municipal Trust**

Dollar Range



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Name of Nominee	of Putnam New York Investment Grade Municipal Trust Shares Owned	Shares Beneficially Owned	Aggregate Dollar Range of Shares held in all of the Putnam funds
Jameson A. Baxter	\$1 □ \$10,000	186.650	over \$100,000
Charles B. Curtis	\$1 □ \$10,000	115.781	over \$100,000
Myra R. Drucker	\$1 □ \$10,000	102.234	over \$100,000
Charles E. Haldeman, Jr.	\$1 □ \$10,000	280	over \$100,000
John A. Hill	\$100,001 □ \$500,000	36,316.780	over \$100,000
Paul L. Joskow	\$1 □ \$10,000	100	over \$100,000
Elizabeth T. Kennan	\$1 □ \$10,000	189.263	over \$100,000
Robert E. Patterson	\$1 □ \$10,000	100	over \$100,000
George Putnam, III	\$10,001 □ \$50,000	1,200	over \$100,000
W. Thomas Stephens	\$1 □ \$10,000	100	over \$100,000
Richard B. Worley	\$1 □ \$10,000	100	over \$100,000

At June 30, 2006, the Trustees and officers, as a group, owned on that date less than 1% of the outstanding common shares of each fund, except Putnam New York Investment Grade Municipal Trust, of which their aggregate ownership was approximately 1.39% .

None of the Trustees owns any preferred shares of any of the funds.

**\* What are some of the ways in which the Trustees represent shareholder interests?**

Among other ways, the Trustees seek to represent shareholder interests:

\* by carefully reviewing your fund's investment performance on an individual basis with your fund's investment team;

\* by carefully reviewing the quality of the various other services provided to the funds and their shareholders by Putnam Management and its affiliates;

\* by discussing with senior management of Putnam Management steps being taken to address any performance deficiencies;

\* by reviewing in depth the fees paid by each fund and by negotiating with Putnam Management to ensure that such fees remain reasonable and competitive with those of comparable funds, while at the same time providing Putnam Management sufficient resources to continue to provide high quality services in the future;

\* by reviewing brokerage costs and fees, allocations among brokers, soft dollar expenditures and similar expenses of the fund;

\* by monitoring potential conflicts of interest between the funds and Putnam Management and its affiliates to ensure that the funds continue to be managed in the best interests of their shareholders; and

\* by monitoring potential conflicts among funds managed by Putnam to ensure that shareholders continue to realize the benefits of participation in a large and diverse family of funds.

**\* How can shareholders communicate with the Trustees?**

The Board of Trustees provides a process for shareholders to send communications to the Trustees. Shareholders may direct communications to the Board of Trustees as a whole or to specified individual Trustees by submitting them in writing to the following address:

The Putnam Funds  
Attention: [Board of Trustees] or any specified Trustee(s)  
One Post Office Square  
Boston, Massachusetts 02109

Written communications must include the shareholder's name, be signed by the shareholder, refer to the Putnam fund(s) in which the shareholder holds shares and include the class and number of shares held by the shareholder as of a recent date.

The Office of the Trustees will respond to all correspondence sent to Trustees. Due to the volume of correspondence, all communications are not sent directly to the Trustees; the correspondence is reviewed, summarized and presented to Trustees on a periodic basis.

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**\* How often do the Trustees meet?**

The Trustees meet each month (except August) over a two-day period to review the operations of your fund and of the other Putnam funds. A portion of these meetings is devoted to meetings of various committees of the board that focus on particular matters. Each Trustee generally attends at least two formal committee meetings during each regular meeting of the Trustees. In addition, the Trustees meet in small groups with Chief Investment Officers, Portfolio Leaders and Portfolio Members to review recent performance and the current investment climate for selected funds. These meetings ensure that each fund's performance is reviewed in detail at least twice a year. The committees of the board, including the Executive Committee, may also meet on special occasions as the need arises. During calendar year 2005, the average Trustee participated in approximately 55 committee and board meetings.

The number of times each committee met during your fund's last fiscal year is shown in the table below:

**Putnam California Investment Grade Municipal Trust**

Fiscal year ended April 30, 2006

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Audit and Compliance Committee*	13
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Board Policy and Nominating Committee	12
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Brokerage Committee**	8
Contract Committee	14
Distributions Committee	9
Executive Committee	2
Investment Oversight Committees	38
Marketing Committee***	11
Pricing Committee*	13
Shareholder Communications and Relations Committee***	10
Investment Process Committee****	4

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**Putnam High Yield Municipal Trust**

Fiscal year ended March 31, 2006

Audit and Compliance Committee*	14
Board Policy and Nominating Committee	13
Brokerage Committee**	7
Contract Committee	14
Distributions Committee	8
Executive Committee	2
Investment Oversight Committees	38
Marketing Committee***	12
Pricing Committee*	15
Shareholder Communications and Relations Committee***	10

Investment Process Committee****	3
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**Putnam Municipal Bond Fund**

Fiscal year ended April 30, 2006

Audit and Compliance Committee*	13
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Board Policy and Nominating Committee	12
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Brokerage Committee**	8
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Contract Committee	14
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Distributions Committee	9
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Executive Committee	2
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Investment Oversight Committees	38
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Marketing Committee***	11
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Pricing Committee*	13
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Shareholder Communications and Relations Committee***	10
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Investment Process Committee****	4
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**Putnam Municipal Opportunities Trust**

Fiscal year ended April 30, 2006

Audit and Compliance Committee*	13
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Board Policy and Nominating Committee	12
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Brokerage Committee**	8
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Contract Committee	14
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Distributions Committee	9
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Executive Committee	2
Investment Oversight Committees	38
Marketing Committee***	11
Pricing Committee*	13
Shareholder Communications and Relations Committee***	10
Investment Process Committee****	4

**Putnam New York Investment Grade Municipal Trust**

Fiscal year ended April 30, 2006

Audit and Compliance Committee*	13
Board Policy and Nominating Committee	12
Brokerage Committee**	8
Contract Committee	14
Distributions Committee	9
Executive Committee	2
Investment Oversight Committees	38
Marketing Committee***	11
Pricing Committee*	13
Shareholder Communications and Relations Committee***	10
Investment Process Committee****	4

\* Effective January 2006, the responsibilities of the Audit and Pricing Committee were divided between two separate committees, the Audit and Compliance Committee and the Pricing Committee. The number of meetings shown represents the number of meetings held by the former combined Audit and Pricing Committee prior to the formation of the new committees and by the relevant new committee after its formation.

\*\* Effective January 2006, the Brokerage and Custody Committee was renamed the Brokerage Committee.

\*\*\* Effective January 2006, the responsibilities of the Co