

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.

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

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. 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

Audit and Compliance Committee*	13
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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

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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
---------------------------------------	----

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
---	----

Investment Process Committee****	4
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Putnam Municipal Opportunities 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
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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 Communication, Service and Marketing Committee were divided between two separate committees, the Marketing Committee and the Shareholder Communications and Relations Committee. The number of meetings shown represents the number of meetings held by the former combined Communication, Service and Marketing Committee prior to the formation of the new committees and by the relevant new committee after its formation.

***The Investment Process Committee began meeting in January 2006.

Your fund does not have a policy with respect to Trustee attendance at shareholder meetings. Although your fund's Trustees did not attend the last annual meeting of your fund, they were represented at the meeting by their staff.

*** What are the Trustees paid for their services?**

Each Independent Trustee of the fund receives an annual retainer fee and additional fees for each Trustees' meeting attended, for attendance at industry seminars and for certain compliance-related services. Independent Trustees who serve on board committees receive additional fees for attendance at certain committee meetings and for special services rendered in that connection. Independent Trustees also are reimbursed for costs incurred in connection with their services, including costs of travel, seminars and educational materials. All of the current Independent Trustees of the fund are Trustees of all the Putnam funds and receive fees for their services. Mr. Putnam, III also receives the foregoing fees for his services as Trustee.

The Trustees periodically review their fees to ensure that such fees continue to be appropriate in light of their responsibilities as well as in relation to fees paid to trustees of other mutual fund complexes. The Board Policy and Nominating Committee, which consists solely of Independent Trustees of the fund, estimates that committee and Trustee meeting time, together with the appropriate preparation, requires the equivalent of at least three business days per Trustee meeting. The following table shows the year each Trustee became a Trustee of the Putnam funds and the fees paid to each Trustee by your fund for its most recent fiscal year and the fees paid to each Trustee by all of the Putnam funds during calendar year 2005:

**Putnam California Investment Grade Municipal Trust
Compensation Table**

Trustees/Year	Aggregate compensation from the fund	Retirement benefits accrued as part of fund expenses	Estimated annual benefits from all Putnam funds upon retirement ⁽¹⁾	Total compensation from all Putnam funds ⁽²⁾⁽³⁾
Jameson A. Baxter/1994 ⁽⁴⁾	\$1,405	\$418	\$110,500	\$237,250
Charles B. Curtis/2001	1,310	778	113,900	231,500
Myra R. Drucker/2004	1,287	N/A	N/A	224,250
Charles E. Haldeman, Jr./2004	0	N/A	N/A	0
John A. Hill/1985 ⁽⁴⁾⁽⁵⁾	2,005	539	161,700	422,813

Ronald J. Jackson/1996(4)(6)	17	451	107,400	107,333
Paul L. Joskow/1997(4)	1,342	443	113,400	228,500
Elizabeth T. Kennan/1992	1,373	526	108,000	229,250
John H. Mullin, III/1997(4)(6)	1,325	485	107,400	220,000
Robert E. Patterson/1984	1,323	291	106,500	222,000
George Putnam, III/1984(5)	1,498	265	130,300	262,750
W. Thomas Stephens/1997(4)	1,264	482	107,100	211,250
Richard B. Worley/2004	1,317	N/A	N/A	218,750

Putnam High Yield Municipal Trust Compensation Table

Jameson A. Baxter/1994(4)	\$1,363	\$445	\$110,500	\$237,250
Charles B. Curtis/2001	1,261	840	113,900	231,500
Myra R. Drucker/2004	1,291	N/A	N/A	224,250
Charles E. Haldeman, Jr./2004	0	N/A	N/A	0
John A. Hill/1985(4)(5)	2,074	576	161,700	422,813
Ronald J. Jackson/1996(4)(6)	316	485	107,400	107,333
Paul L. Joskow/1997(4)	1,291	480	113,400	228,500
Elizabeth T. Kennan/1992	1,326	562	108,000	229,250
John H. Mullin, III/1997(4)(6)	1,274	515	107,400	220,000
Robert E. Patterson/1984	1,268	309	106,500	222,000
George Putnam, III/1984(5)	1,485	282	130,300	262,750
W. Thomas Stephens/1997(4)	1,188	515	107,100	211,250
Richard B. Worley/2004	1,265	N/A	N/A	218,750

Putnam Municipal Bond Fund Compensation Table

Trustees/Year	Aggregate compensation from the fund	Retirement benefits accrued as part of fund expenses	Estimated annual benefits from all Putnam funds upon retirement ⁽¹⁾	Total compensation from all Putnam funds ⁽²⁾⁽³⁾
Jameson A. Baxter/1994 ⁽⁴⁾	\$1,572	\$465	\$110,500	\$237,250
Charles B. Curtis/2001	1,466	867	113,900	231,500
Myra R. Drucker/2004	1,440	N/A	N/A	224,250
Charles E. Haldeman, Jr./2004	0	N/A	N/A	0
John A. Hill/1985 ⁽⁴⁾⁽⁵⁾	2,242	601	161,700	422,813
Ronald J. Jackson/1996 ⁽⁴⁾⁽⁶⁾	18	502	107,400	107,333
Paul L. Joskow/1997 ⁽⁴⁾	1,502	493	113,400	228,500
Elizabeth T. Kennan/1992	1,536	586	108,000	229,250
John H. Mullin, III/1997 ⁽⁴⁾⁽⁶⁾	1,482	541	107,400	220,000
Robert E. Patterson/1984	1,481	324	106,500	222,000
George Putnam, III/1984 ⁽⁵⁾	1,676	296	130,300	262,750
W. Thomas Stephens/1997 ⁽⁴⁾	1,415	537	107,100	211,250
Richard B. Worley/2004	1,473	N/A	N/A	218,750

Putnam Municipal Opportunities Trust Compensation Table

Jameson A. Baxter/1994 ⁽⁴⁾	\$1,546	\$458	\$110,500	\$237,250
Charles B. Curtis/2001	1,441	852	113,900	231,500
Myra R. Drucker/2004	1,416	N/A	N/A	224,250

Charles E. Haldeman, Jr./2004	0	N/A	N/A	0
John A. Hill/1985(4)(5)	2,205	591	161,700	422,813
Ronald J. Jackson/1996(4)(6)	18	494	107,400	107,333
Paul L. Joskow/1997(4)	1,477	485	113,400	228,500
Elizabeth T. Kennan/1992	1,511	576	108,000	229,250
John H. Mullin, III/1997(4)(6)	1,458	532	107,400	220,000
Robert E. Patterson/1984	1,456	319	106,500	222,000
George Putnam, III/1984(5)	1,648	291	130,300	262,750
W. Thomas Stephens/1997(4)	1,391	528	107,100	211,250
Richard B. Worley/2004	1,449	N/A	N/A	218,750

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**Putnam New York Investment Grade Municipal Trust
Compensation Table**

Trustees/Year	Aggregate compensation from the fund	Retirement benefits accrued as part of fund expenses	Estimated annual benefits from all Putnam funds upon retirement (1)	Total compensation from all Putnam funds (2)(3)
Jameson A. Baxter/1994(4)	\$1,374	\$407	\$110,500	\$237,250
Charles B. Curtis/2001	1,281	759	113,900	231,500
Myra R. Drucker/2004	1,259	N/A	N/A	224,250
Charles E. Haldeman, Jr./2004	0	N/A	N/A	0
John A. Hill/1985(4)(5)	1,961	526	161,700	422,813
Ronald J. Jackson/1996(4)(6)	16	440	107,400	107,333

Paul L. Joskow/1997(4)	1,313	432	113,400	228,500
Elizabeth T. Kennan/1992	1,343	513	108,000	229,250
John H. Mullin, III/1997(4)(6)	1,296	474	107,400	220,000
Robert E. Patterson/1984	1,294	284	106,500	222,000
George Putnam, III/1984(5)	1,465	259	130,300	262,750
W. Thomas Stephens/1997(4)	1,237	471	107,100	211,250
Richard B. Worley/2004	1,288	N/A	N/A	218,750

(1) Estimated benefits for each Trustee are based on Trustee fee rates for calendar years 2003, 2004 and 2005. For Mr. Jackson, the annual benefits equal the actual benefits he is currently receiving under the Retirement Plan for Trustees of the Putnam funds.

(2) As of December 31, 2005, there were 108 funds in the Putnam family. For Mr. Hill, amounts shown also include compensation for service as Chairman of TH Lee, Putnam Emerging Opportunities Portfolio, a closed-end fund advised by an affiliate of Putnam Management.

(3) Includes amounts (ranging from approximately \$1,500 to \$15,250 per Trustee) for which the Putnam funds were reimbursed by Putnam Management for special Board and committee meetings and additional time spent on behalf of the Putnam funds in connection with certain regulatory and investigatory matters.

(4) Certain Trustees are also owed compensation deferred pursuant to a Trustee Compensation Deferral Plan. As of the dates identified below, the total amounts of deferred compensation payable by the fund, including income earned on such amounts, to certain Trustees were:

Putnam California Investment Grade Municipal Trust (April 30, 2006) Ms. Baxter □ \$1,020; Ms. Drucker □ \$41; Mr. Hill □ \$4,371; Mr. Jackson □ \$1,947; Dr. Joskow □ \$1,208; Dr. Kennan □ \$47; Mr. Mullin □ \$1,196; and Mr. Stephens □ \$112.

Putnam High Yield Municipal Trust (March 31, 2006) Ms. Baxter □ \$1,261; Ms. Drucker □ \$24; Mr. Hill □ \$5,264; Mr. Jackson □ \$2,409; Dr. Joskow □ \$1,494; Dr. Kennan □ \$27; Mr. Mullin □ \$1,480; and Mr. Stephens □ \$139.

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Putnam Municipal Bond Fund (April 30, 2006) Ms. Baxter □ \$1,375; Ms. Drucker □ \$55; Mr. Hill □ \$5,891; Mr. Jackson □ \$2,624; Dr. Joskow □ \$1,629; Dr. Kennan □ \$63; Mr. Mullin □ \$1,612; and Mr. Stephens □ \$151.

Putnam Municipal Opportunities Trust (April 30, 2006) Ms. Baxter □ \$1,365; Ms. Drucker □ \$55; Mr. Hill □ \$5,848; Mr. Jackson □ \$2,605; Mr. Joskow □ \$1,617; Dr. Kennan □ \$62; Mr. Mullin □ \$1,600; and Mr. Stephens □ \$150.

Putnam New York Investment Grade Municipal Trust (April 30, 2006) Ms. Baxter □ \$1,003; Ms. Drucker □ \$40; Mr. Hill □ \$4,297; Mr. Jackson □ \$1,914; Dr. Joskow □ \$1,188; Dr. Kennan □ \$46; Mr. Mullin □ \$1,176; and Mr. Stephens □ \$110.

(5) Includes additional compensation to Messrs. Hill and Putnam, III, for service as Chairman of the Trustees and President of the Funds, respectively.

(6) Mr. Jackson retired from the Board of Trustees of the Putnam funds on June 10, 2005, and Mr. Mullin retired from the Board on June 30, 2006.

Under a Retirement Plan for Trustees of the Putnam funds (the "Plan"), each Trustee who retires with at least five years of service as a Trustee of the funds is entitled to receive an annual retirement benefit equal to one-half of the average annual attendance and retainer fees paid to such Trustee for calendar years 2003, 2004 and 2005. This retirement benefit is payable during a Trustee's lifetime, beginning the year following retirement, for the number of years of service through December 31, 2006. A death benefit, also available under the Plan, ensures that the Trustee and his or her beneficiaries will receive benefit payments for the lesser of an aggregate period of (i) ten years or (ii) such Trustee's total years of service.

The Plan Administrator (currently the Board Policy and Nominating Committee) may terminate or amend the Plan at any time, but no termination or amendment will result in a reduction in the amount of benefits (i) currently being paid to a Trustee at the time of such termination or amendment, or (ii) to which a current Trustee would have been entitled had he or she retired immediately prior to such termination or amendment. The Trustees have terminated the Plan with respect to any Trustee first elected to the board after 2003.

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2. APPROVAL OR DISAPPROVAL OF THE CONVERSION OF YOUR FUND FROM CLOSED-END TO OPEN-END STATUS AND CERTAIN RELATED AMENDMENTS TO YOUR FUND'S AGREEMENT AND DECLARATION OF TRUST *(For Putnam High Yield Municipal Trust only)*

*** What is this proposal?**

Shareholders will have the opportunity to vote at the meeting on the question of whether your fund should be converted from a closed-end fund to an open-end fund. If the conversion is approved, your fund's shares would become redeemable directly from your fund at net asset value, eliminating any discount of market price to net asset value. In order to address the organizational changes necessitated by any conversion from closed-end to open-end status, approval of this proposal would also authorize the Trustees to make such amendments to your fund's Agreement and Declaration of Trust (the "Declaration of Trust") as they may deem necessary.

*** Why is this question being submitted to shareholders?**

Your fund's Declaration of Trust requires that shareholders of your fund be given the opportunity to vote on a proposal to convert your fund from closed-end to open-end status if the fund's common shares have traded at an average discount of more than 10% from their net asset value per share during the last twelve calendar weeks of the preceding fiscal year (measured as of the last trading day in each such week). For the twelve weeks ended March 31, 2006, your fund's shares traded at an average discount from net asset value of 11.51%, requiring that this proposal be submitted to shareholders.

*** What do the Trustees recommend?**

The Trustees of your fund believe that the continued operation of your fund as a closed-end fund is in the best long-term interests of your fund's shareholders. Accordingly, the Trustees of your fund unanimously recommend that shareholders vote "AGAINST" this proposal.

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*** Why are the Trustees recommending a vote against a conversion?**

In recommending a vote against converting your fund to open-end status, the Trustees considered the following factors:

* *Potential investment advantages.* The Trustees believe that your fund's closed-end status provides potential investment advantages not available to open-end fund investors. Because your fund's shares are not redeemable,

your fund is not required to maintain short-term, lower-yielding investments in anticipation of possible redemptions, and generally can be more fully invested in higher-yielding securities. As a closed-end fund, your fund does not experience the cash flows associated with sales and redemptions of open-end fund shares, which create transaction costs that are borne by long-term shareholders. Such cash flows may at times also require temporary investment in short-term, lower-yielding securities, pending investment in longer-term, higher-yielding securities.

** Advantages of leverage through preferred shares.* The Trustees considered the fact that your fund has engaged in investment leverage by issuing preferred shares, a strategy that is not available to open-end funds. This form of investment leverage offers your fund opportunities for increased investment yield. If the fund were to convert to open-end status, the fund would be required to redeem its preferred shares.

** Other recent measures in response to discounts.* In reviewing the trading information for your fund, the Trustees took into account the fact that its shares have consistently traded at a discount to net asset value over the past few years. They reviewed the possible causes and effects of discounts, which are discussed at more length below, and noted that discount levels for your fund have fluctuated over the years and that, for some periods, fund shares have traded at substantially lower discounts or at premiums.

Both in response to recent discounts and as part of their general oversight responsibilities, the Trustees have since 2005 reviewed various measures to increase shareholder value for each of the Putnam closed-end funds. The Trustees recently authorized a share repurchase program for all of the Putnam closed-end funds, which is discussed below. Furthermore, the Trustees initiated changes to your fund's management contract, which went into effect in January 2006, resulting in a reduction of the effective management fee rate from 0.70% to 0.55%, measured as a percentage of

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average assets of the fund (including assets attributable to preferred shares). The Trustees believe that these steps have the potential to enhance shareholder returns, which in turn may support increased demand for your fund's shares.

** Possible changes in fund size and expenses.* Following conversion to open-end status, redemptions by shareholders could cause your fund to shrink, in the near term, resulting in an increased expense ratio for remaining shareholders. Putnam Retail Management has advised the Trustees that your fund may experience significant net redemptions shortly following a conversion to open-end status, thereby shrinking the fund's size and creating significant transaction costs. If shareholders approve a conversion to open-end status, the Trustees would intend to institute a redemption fee for a period of time following conversion, with the purpose of at least partly offsetting the transaction costs that may result from significant redemptions of shares. The terms of any redemption fee would be determined at a later time, but the Trustees do not expect that the fee would exceed 2% or be imposed on redemptions for a period of longer than one year following conversion.

Since open-end funds may continuously offer new shares to the public, they also have the ability to increase in size in the long term, and growth in your fund's size following a conversion to open-end status could result in efficiencies and the ability to spread fixed costs over a larger pool of assets. In order to increase assets in the face of redemptions following a conversion, the Trustees would likely consider commencing a continuous offering of shares of your fund. In that instance, to support the marketing of fund shares, the Trustees might also propose that your fund adopt a distribution plan under Rule 12b-1 under the 1940 Act similar to the plans of other open-end Putnam funds, under which Putnam Retail Management, those funds' principal underwriter, currently receives annual distribution fees of 0.25% of net assets, though the applicable plans permit fees of up to 0.35% ..

If, following a conversion, your fund were to experience a significant loss of assets and corresponding increase in expenses, the Trustees might alternatively consider initiating a merger of your fund into another open-end Putnam fund with a comparable investment strategy.

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*** What does it mean when fund shares trade at a discount?**

Since closed-end funds are not required to redeem their shares, investors in closed-end funds who wish to liquidate their investment must sell their shares in the secondary markets. To promote the availability of active secondary markets for shareholders who wish to sell their shares, your fund has listed its shares for trading on the New York Stock Exchange. Prices in these secondary markets are determined by market forces and will fluctuate over time. They will also fluctuate in relation to a fund's net asset value. Closed-end fund shares generally trade at discounts to their net asset value but at times may trade at a premium to net asset value.

Putnam Management has advised the Trustees that discount levels for closed-end funds investing primarily in fixed-income securities — such as your fund — appear to fluctuate in relation to conditions in the broader fixed-income markets, generally increasing during periods of rising interest rates and declining during periods of falling interest rates. Accordingly, these funds may be more suitable for investors who have a longer investment horizon and who will less likely face the need to liquidate their investments under unfavorable market conditions. The existence of discounts at times may also provide attractive opportunities to investors seeking potential additional returns from reductions in discount levels between the time of their purchase and their sale.

As indicated in the table below, while your fund's common shares have traded at a discount to their net asset value over more recent periods, the discount has fluctuated over time, and at times your fund's shares have traded at a premium to net asset value. In order to show the range of discounts and premiums at which your fund's shares have historically traded, the table below presents both the highest market price and the lowest market price at which your fund's shares closed on any trading day over the course each full calendar year since inception, in each case expressed as a percentage discount from, or premium to, net asset value (NAV). Thus, the "Highest Market Price" column presents the lowest discount or, if the fund traded above NAV during the year, the highest premium achieved in a given year; conversely, the "Lowest Market Price" column presents the highest discount or, if the fund only traded above NAV during the year, the lowest premium. In addition, the "Average Discount/Premium" column presents the average daily differential between market price and net asset value over the course of each full calendar year since inception.

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Putnam High Yield Municipal Trust

Calendar Year	Highest Market Price (relative to NAV)	Lowest Market Price (relative to NAV)	Average Discount/Premium
2005	-8.65%	-15.32%	-12.13%
2004	-8.42%	-16.29%	-12.64%
2003	-4.50%	-12.78%	-8.62%
2002	1.01%	-8.91%	-3.06%
2001	6.18%	-8.27%	-0.64%
2000	4.80%	-15.23%	-5.59%
1999	25.00%	-17.02%	10.80%
1998	25.95%	8.37%	17.45%
1997	18.57%	7.34%	13.99%

1996	11.78%	4.05%	7.54%
1995	11.36%	-1.39%	6.31%
1994	13.02%	-4.86%	7.14%
1993	17.75%	3.41%	10.34%
1992	14.99%	4.73%	10.24%
1991	12.36%	-7.82%	5.77%
1990	6.09%	-9.12%	0.18%

*** How do the Trustees monitor and address trading discounts?**

The Trustees carefully monitor the trading prices of your fund's shares, recognizing that trading prices and discounts will fluctuate over time. At times when the fund trades at a material discount for an extended period of time, the Trustees may examine possible factors contributing to the situation and consider a broad range of possible actions in an effort to reduce or eliminate the discount. Such actions that could be implemented consistent with your fund's closed-end structure might include:

* Communications with the marketplace regarding the benefits of investing in the fund in an effort to increase investor demand for the fund's shares;

* Repurchases by the fund of its shares at prevailing market prices; and

* Tender offers by the fund to repurchase its shares at net asset value (or at a price above market and below net asset value).

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It is possible that these actions may have a temporary effect on a fund's trading discount, although there is little industry experience that would suggest a long-term impact. Repurchases of shares, whether in the market or in tender offers, reduce the fund's size and may result in an increase in the fund's expense ratio. To the extent that shares are repurchased at prices below net asset value, however, such repurchases will enhance the net asset value of the fund's shares and the total return for the remaining shareholders. Recognizing this benefit, the Trustees have authorized share repurchases by certain Putnam closed-end funds on past occasions. More recently, in October 2005, the Trustees authorized all of the Putnam closed-end funds, including your fund, to repurchase up to 5% of their outstanding shares at market prices through October 6, 2006. In March 2006, the Trustees increased this repurchase program to permit the funds to repurchase up to 10% of their outstanding shares over the same time period. The Trustees continue to study the results of the repurchase program to determine its impact on trading discounts and on investment performance. To date, the Trustees have not authorized tender offers but may consider that alternative in the future.

In considering these actions and the current proposal, the Trustees have considered the fact that all shareholders who purchased your fund's shares presumably made their choice from among a broad array of available investment products available in the marketplace, with an understanding of the potential advantages and disadvantages of closed-end funds. Thus, in considering whether to recommend a fundamental change in the structure of the fund and its investment characteristics, the Trustees have considered whether the closed-end structure of the fund continues to offer the investment advantages contemplated when the fund was originally offered to the marketplace.

*** How has your fund performed?**

The following table summarizes the annualized total return of your fund for the periods shown based on the net asset value and the market price of its shares. The table also shows the performance of your fund's primary benchmark index and the average performance of funds in your fund's peer group of closed-end funds as determined by Lipper Inc., an independent fund rating agency. Of course, past performance is no guarantee of future performance. Benchmark index and Lipper peer group results should be compared to your fund's performance at net asset value.

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Total Return (Annualized) for Periods Ended June 30, 2006*

	1 year	3 years	5 years	10 years
Putnam High Yield Municipal Trust Net Asset Value	4.90%	6.30%	5.48%	5.20%
Market Price	0.69	4.03	2.81	3.16
Lehman Municipal Bond Index	0.87	3.24	5.05	5.79
Lipper High Yield Municipal Debt (Leveraged) Funds Average	5.53	7.74	6.50	5.89

* Returns for periods ended June 30, 2006 only partially reflect the impact of a reduction by 0.15% (of average assets) in the management fees payable by Putnam High Yield Municipal Trust that went into effect on January 1, 2006. This fee reduction had a corresponding effect of reducing the fund's total expenses (measured as a percentage of average assets) by 0.15% .

*** What are additional differences between a closed-end and open-end fund?**

In addition to the differences outlined above, shareholders evaluating this proposal may wish to consider the following:

* *Investment flexibility.* Because they are required to maintain the ability to honor redemption requests, open-funds are prohibited by the 1940 Act from investing more than 15% of their assets in securities that are deemed illiquid. Closed-end funds are not subject to this restriction.

* *Annual shareholder meetings.* Your fund is currently required by the rules of the New York Stock Exchange to hold annual meetings of shareholders. Conversion of your fund to open-end status would result in termination of the fund's listing on the New York Stock Exchange, with the result that your fund would no longer be required to hold annual meetings. The open-end Putnam funds have committed to holding shareholder meetings for the purpose of electing their Trustees at least every five years (beginning in 2004).

* *Dividend reinvestment.* Shareholders of your fund currently have the option of participating in the fund's Dividend Reinvestment Plan, under which cash distributions paid by your fund are generally reinvested through the purchase of additional fund shares at market prices, which currently reflect a discount from net asset value. (At times when your fund's shares are trading at a premium over their net asset value, such reinvestments are made at the higher of net asset value or 95% of

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market value.) Shareholders of open-end Putnam funds have the option to reinvest their distributions in additional shares at net asset value at all times. If the fund were to convert to open-end status, shareholders would no longer be able to reinvest dividends at a price below net asset value per share during times when shares are trading at a discount to net asset value.

* *Exchange privileges.* Shareholders of open-end funds in the Putnam family of funds currently have the privilege of exchanging their investment at net asset value and without sales charges for shares of the same class of more than 65 open-end funds in the Putnam group. Shareholders of your fund do not have that privilege.

*** What changes to your fund's Declaration of Trust and other effects would follow if shareholders vote to convert the fund to open-end status?**

Conversion of your fund from a closed-end to an open-end fund would require certain changes to your fund's Declaration of Trust and, therefore, a vote in favor of such conversion would also authorize the Trustees to amend your fund's Declaration of Trust to reflect such changes. These changes would bring your fund's Declaration of Trust more in line with most other Putnam open-end funds.

The Declaration of Trust would be amended to require your fund to purchase all shares offered to it for redemption at a price equal to the net asset value of the shares next determined, less any redemption charge fixed by the Trustees. In addition, to the extent permitted by applicable law, the fund would be authorized, at its option, to redeem shares held in a shareholder's account at net asset value if at any time a shareholder owned shares in an amount either less than or greater than, as the case may be, an amount determined by the Trustees. Notwithstanding this provision, all shares would be redeemable at a shareholder's option.

The Declaration of Trust would also be amended to eliminate certain provisions that relate specifically to the fund's closed-end status, such as the conversion provision that has necessitated this proposal. In addition, if shareholders were to vote to convert your fund to open-end status, the provision in your fund's Declaration of Trust requiring that Trustees be elected annually at the annual shareholder meeting or at a special meeting in lieu thereof would be eliminated. The Trustees

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would also make certain necessary technical and non-material changes to the Declaration of Trust.

Certain legal, accounting and other costs would be incurred in connection with the conversion of your fund to open-end status. These costs are not expected to exceed an amount equal to 0.5% of your fund's current net assets.

*** What is the voting requirement for approving the conversion?**

Approval of the conversion of your fund to open-end status and of the related amendments to each fund's Declaration of Trust requires the "yes" vote of a majority of the fund's outstanding common shares.

Although the Declaration of Trust would technically also require the "yes" vote of a majority of the fund's outstanding preferred shares entitled to vote, if the proposal receives the threshold vote from common shareholders the Trustees will nevertheless act to redeem all of the outstanding preferred shares and to effect the conversion of your fund to open-end status.

If such conversion is approved, the conversion would become effective following compliance with all necessary regulatory requirements under federal and state law. Your fund would seek to complete this process as soon as reasonably practicable. Prior to the conversion, the common shares of your fund would continue to be listed and traded on the New York Stock Exchange.

*** If the conversion is not approved, will your fund continue in its current form?**

Yes. In the event that shareholders do not approve the conversion of your fund to open-end status, your fund would continue to operate as a closed-end fund. Shareholders would be given the opportunity to vote on a proposed conversion to open-end status in future years if your fund's shares again trade at discounts sufficient to meet the requirement of the Declaration of Trust described above.

The Trustees believe that the continued operation of your fund as a closed-end fund is in the best long-term interests of your fund's shareholders, and unanimously recommend a vote against the conversion of your fund to open-end status at this time.

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3. SHAREHOLDER PROPOSAL REQUESTING THE TRUSTEES TO TAKE THE STEPS NECESSARY TO MERGE YOUR FUND INTO PUTNAM CALIFORNIA TAXEXEMPT 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*).

*** What is this proposal?**

A shareholder of your fund (the "proponent") has informed the fund that he intends to present a proposal for action at the Annual Meeting of Shareholders. The proposal submitted by the proponent and the accompanying supporting statement read as follows:

RESOLVED: The shareholders ask the Trustees to take the steps necessary to merge the Putnam California Investment Grade Municipal Trust (PCA) into the Putnam California Tax Exempt Income Fund, an open-end fund, or otherwise permit shareholders to realize net asset value (NAV) for their shares.

Supporting Statement

In March, the Trustees of the Putnam Managed High Yield Trust (PTM) did the right thing by recommending its merger into a Putnam open-end fund pursuing similar investment objectives and strategies. The Trustees of PCA, who are the same people as the PTM Trustees, should once again do the right thing by recommending the merger of PCA into the open-end California fund which pursues similar investment objectives and strategies.

The reasons for merging PCA are basically the same as those for merging PTM: high discount, small size, high expenses, poor liquidity, and performance that has lagged its closed-end peers for the last ten years.

* Like PTM before the merger announcement, PCA has persistently traded at a double digit discount from NAV. As of the date of this proposal (April 28, 2006), PCA's discount is more than 11%. No other California muni fund is saddled with such gross under-valuation.

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* PCA and the Putnam California Tax Exempt Income Fund have similar investment objectives, the same Trustees, the same Investment Manager, and the same individuals overseeing the bond portfolios. But due to PCA's small size, its operating expense ratio (even with a recent 0.1% fee reduction) is nearly 50% higher than that for the Class A shares of the much larger open-end fund.

* PCA is illiquid. Daily trading volume averages less than 5500 shares. Even a modest order to buy or sell can move the market.

* PCA's performance has lagged the Lipper average for California closed-end muni funds over the past 1 year, 5 years and 10 years ending 10/31/05. Its performance has lagged the Lipper average for general leveraged muni funds over the past 1 year, 5 years and 10 years ending 3/31/06. Morningstar gives PCA a below-average two stars; the Putnam open-end California fund gets three stars.

It's not a pretty picture.

I believe the Trustees should act in the interest of PCA shareholders as they have done for PTM shareholders, by recommending a merger that will reduce operating expenses, improve liquidity, and increase share value. Merging PCA into the Putnam California Tax Exempt Income Fund is simply the right thing to do. I call on the Trustees to put such a measure before shareholders AND to recommend that shareholders vote in favor of the merger proposal.

The proponent's name and address and the number of shares he owns in your fund will be furnished by the Clerk of your fund upon request. At your fund's 2005 annual meeting, shareholders defeated a substantially similar shareholder proposal, with fewer than 12% of your fund's outstanding shares (30% of the shares voted) voting in favor of the proposal.

*** What would happen if the proposal passes?**

The shareholder proposal does not call for a shareholder vote to approve a merger of your fund with Putnam California Tax Exempt Income Fund at this time, but rather proposes that the shareholders ask the Trustees to take action to effect such a merger. If the proposal passes at the Annual

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Meeting of Shareholders, the Trustees would continue to exercise their fiduciary duty to act in the interests of shareholders in investigating the details and potential benefits of such a merger transaction, but would not be obligated at any future meeting to recommend that the fund be merged into Putnam California Tax Exempt Income Fund or any other fund. In order to approve a merger, the Trustees would be required by SEC rules to determine that the merger would be in the best interests of shareholders of both funds and that the merger would not dilute the interests of either fund's shareholders.

In any event, even if the Trustees decide, following any approval of the shareholder proposal (or otherwise), to recommend such a merger, an additional proxy statement and approval by the shareholders of your fund would be required. Such a proxy statement would describe in more detail the merger terms, together with certain legal, accounting, proxy and other costs that your fund might incur in connection with a merger.

Though it primarily addresses a potential merger, the shareholder's proposal alternatively requests that the Trustees take other steps enabling shareholders to realize the net asset value of their shares —this might entail such measures as converting the fund into an open-end fund, liquidating the fund and distributing its assets, or engaging in a tender offer to repurchase fund shares. It is important to note, however, that the only way to ensure that all shareholders realize the net asset value for their shares would be to eliminate the closed-end structure of your fund, whether it is by merger, open-ending, liquidation or otherwise. Thus, although the discussion below focuses on a merger, many of the considerations apply equally to other measures that would enable shareholders to realize the net asset value for their shares.

*** What do the Trustees recommend?**

The Trustees believe that the continued operation of your fund as a closed-end fund is in the best long-term interests of your fund's shareholders. Accordingly, the Trustees of your fund unanimously recommend that shareholders vote AGAINST this proposal.

*** Why are the Trustees recommending a vote against the proposal?**

In recommending a vote against the shareholder proposal, the Trustees considered the following factors:

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** Performance.* Your fund's annualized total returns, based on net asset value (NAV), are higher than those of the open-end Putnam California Tax Exempt Income Fund for each of the most recent 3-, 5- and 10-year periods, though 1-year performance has lagged somewhat. While your fund's returns at market price have lagged the open-end fund's returns for most periods, the Trustees consider market-price returns to be less indicative of

long-term investment opportunity than returns at NAV. More details on performance are provided below.

* *Yield.* Your fund's yield has historically been higher than that of Putnam California Tax Exempt Income Fund, although currently your fund's 30-day yield calculated in accordance with SEC guidelines is somewhat lower than that of the open-end fund. More details on yields and dividend rates are provided below.

* *Potential investment advantages.* The Trustees believe that your fund's closed-end status provides potential investment advantages not available to open-end fund investors. Because your fund's shares are not redeemable, your fund is not required to maintain short-term, lower-yielding investments in anticipation of possible redemptions, and generally can be more fully invested in higher-yielding securities. As a closed-end fund, your fund does not experience the cash flows associated with sales and redemptions of open-end fund shares, which create transaction costs that are borne by long-term shareholders. Such cash flows may at times also require temporary investment in short-term, lower-yielding securities, pending investment in longer-term, higher-yielding securities.

* *Effects of leverage.* The Trustees believe that your fund's historically higher performance and yields compared to the open-end fund are, in significant part, attributable to the fund's leveraged capital structure, which is designed to enable the common shareholders to realize higher current tax-exempt income on their shares that would be obtained without leverage. The Trustees recognize, however, that the use of leverage involves greater risk, and may increase volatility in investment returns for common shareholders. The potential advantages of using investment leverage are highly dependent on the prevailing interest rate environment; when long-term interest rates are not substantially higher than the short-term interest rates that serve as the basis for dividend payments to your fund's preferred shareholders, the use of investment leverage may not be advantageous to common shareholders. In particular, Putnam Management has advised the Trustees that your fund's recent underperformance relative to the open-end fund is due, at least

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in part, to market conditions that make leverage currently a less effective means of increasing returns. If your fund were to cease to be closed-end, it would have to redeem all of its outstanding preferred shares. Although as an open-end fund your fund could leverage through borrowing, it would likely incur higher costs in doing so.

* *Trading discounts.* In reviewing the trading information for your fund, the Trustees took into account the fact that its shares have consistently traded at a discount to net asset value over the past few years. The Trustees recognized that shareholders would be able to redeem their shares for a greater amount following a merger than is currently possible through sales on the open market. They reviewed the possible causes and effects of discounts, which are discussed at more length below, and noted that discount levels for your fund have fluctuated over the years and that, for some periods, fund shares have traded at substantially lower discounts or at premiums.

* *Recent actions enhancing shareholder value.* The Trustees have over the past year reviewed various measures to increase shareholder value for each of the Putnam closed-end funds. In October 2005, the Trustees authorized a share repurchase program for all of the Putnam closed-end funds, which is discussed below. Furthermore, the Trustees initiated changes to your fund's management contract, which went into effect in January 2006, resulting in a reduction of the effective management fee rate from 0.65% to 0.55%, measured as a percentage of average assets of the fund (including assets attributable to preferred shares). The Trustees believe that these recent steps have the potential to enhance shareholder returns, which in turn may support increased demand for your fund's shares.

* **What is Putnam California Tax Exempt Income Fund?**

Putnam California Tax Exempt Income Fund is the open-end fund into which the shareholder proposal suggests that your fund merge. The open-end fund, which is registered with the SEC as a diversified fund, commenced operations on December 17, 1982. Like your fund, this fund seeks as high a level of current income exempt from federal income tax and California personal income tax as Putnam Management believes to be consistent with preservation of capital.

Your fund and Putnam California Tax Exempt Income Fund are managed by the same management team at Putnam Management and are also overseen by the same Board of Trustees. As described in further detail

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below, the two funds also have similar investment policies and restrictions and employ similar investment strategies. As of June 30, 2006, Putnam California Tax Exempt Income Fund had net assets of approximately \$2.09 billion. As of that same date, your fund's net assets (exclusive of the liquidation preference of your fund's preferred shares, which is \$16 million) were approximately \$66 million.

Included in **Appendix A** are the Financial Highlights of your fund and Putnam California Tax Exempt Income Fund from each fund's most recent shareholder report. These financial highlights contain information about each fund's assets, expenses, performance and distributions.

*** How does the investment performance of the funds compare?**

The following table summarizes the annualized total return of your fund for the periods shown based on the net asset value and the market price of its shares. The table also shows the performance of the open-end Putnam California Tax Exempt Income Fund, the performance of your fund's primary benchmark index and the average performance of funds in its peer group of closed-end funds as determined by Lipper Inc., an independent fund rating agency. Of course, past performance is no guarantee of future returns.

Annualized Total Returns as of June 30, 2006

	1 year	3 years	5 years	10 years
Your Fund (Net Asset Value)	0.72%	4.76%	5.76%	6.08%
Your Fund (Market Price)	(0.16)	3.84	3.84	4.90
Putnam California Tax Exempt Income Fund (Open-End) Class A Shares (Net Asset Value)	1.11	3.09	4.47	5.19
Lehman Municipal Bond Index	0.87	3.24	5.05	5.79
Lipper California Municipal Debt Funds (Closed-End) Average	1.53	5.64	6.57	6.41
Lipper California Municipal Debt Funds Average	0.84	3.20	4.60	5.20

As the foregoing table makes clear, your fund's returns at NAV for the 3, 5-and 10-year quoted periods are higher than those of the open-end fund. In addition, at NAV your fund has outperformed the Lehman Municipal Bond Index, which is the benchmark index for both funds, over those periods. Annualized total returns are calculated net of expenses, so the comparative performance figures above already adjust for the higher

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expense ratio of your fund relative the open-end fund. The Trustees were informed by Putnam Management that the outperformance at NAV for these periods is due, in part, to the fund's leveraged capital structure (which is described in more detail below), and that the leverage taken on by your fund involves increased risk and tends to amplify fluctuations in the total return of the fund, depending on market conditions.

The table above also shows that your fund's returns at market price exceed those of the open-end fund for the 3-year period, though they lag for the 1-, 5- and 10-year periods. Because performance at market price reflects the impact of market forces, which are inherently unpredictable, the Trustees consider performance at net asset value to be more indicative of the long-term investment opportunity offered by your fund.

Your fund's returns, as indicated in the table, have been lower than the average for the fund's Lipper peer group of leveraged closed-end California municipal debt funds. Putnam Management has informed the Trustees that it believes this is likely due to your fund's relatively lesser use of leverage. In previous market conditions, when long-term interest rates were significantly higher than short-term rates, this limited the fund's performance relative to more highly-leveraged closed-end funds. However, Putnam Management believes that this under-leverage relative to the peer group could be advantageous to your fund's relative performance in different market conditions.

The Trustees believe that shareholders should evaluate your fund's investment performance, both at net asset value and at market price, in light of the fund's stated investment goal:

To seek as high a level of current income exempt from federal income tax and California personal income tax as Putnam Management believes is consistent with preservation of capital.

Putnam Management has advised the Trustees that, consistent with this goal, it manages your fund's portfolio in a way that seeks to balance the pursuit of investment yield against the risks to principal that might result from an undue focus on yield alone. This means that your fund will not necessarily invest in the highest yielding securities available in the marketplace or engage in maximum permitted leverage if doing so would involve undue risk of loss of principal due to possible credit defaults or interest rate changes. Thus, there may be times when your fund's portfolio will generate an investment yield that is lower than that of some competing investment products that are willing to accept

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greater risk. Since investment yields appear to be an important factor in influencing market prices, this emphasis on total return may at times contribute to discount levels that are higher than those of competing products. Over longer periods of time, however, Putnam Management believes that this approach to managing risk should produce less principal volatility and higher overall investment returns. There is, of course, no guarantee that this will be the case.

*** How do the two funds' dividend rates and yields compare?**

As of June 30, 2006, your fund's yield, calculated as your fund's established dividend rate as a percentage of the market price of its common shares, was 4.92% . When calculated as a percentage of net asset value, your fund's yield on that same date was 4.35% . By contrast, as of June 30, 2006, the dividend rate for class A shares of Putnam California Tax Exempt Income Fund was 4.27% of the net asset value of such shares. Putnam Management has advised the Trustees that your fund has over time consistently had a higher yield than the open-end fund.

The 30-day yield on your fund's shares as calculated in accordance with SEC guidelines (the "SEC yield") was 3.52% as of June 15, 2006. The SEC yield for class A shares of Putnam California Tax Exempt Income Fund was 3.71% of the net asset value of such shares as of June 30, 2006.

The Trustees and Putnam Management believe that your fund's yield has historically been higher than that of Putnam California Tax Exempt Income Fund primarily because of your fund's closed-end structure, which affords the fund greater flexibility for investment and leveraging, which in turn has allowed the fund to generate higher current income for distribution to common shareholders. Putnam Management has advised the Trustees that the current higher SEC yield of the open-end Putnam California Tax Exempt Income Fund reflects current market conditions that make leverage a less effective means of increasing investment income.

*** How do the two funds' expenses compare?**

The following table shows each fund's annual operating expenses as of the end of its last fiscal year, showing expenses that are deducted from fund assets, calculated as a percentage of net assets attributable to common shares.

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Annual Fund Operating Expenses

	California Investment Grade Municipal Trust (fiscal year ended April 30, 2006)	California Tax Exempt Income Fund (class A shares) (fiscal year ended September 30, 2005)
Management Fees	0.76%	0