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December 8, 1994

Arthur Levitt, Jr., Esq.
Chairman, Securities and Exchange Commission
450 - 5th St., N.W.
Washington, D. C. 20549

Re: Putnam's Services, a major fund issue
called the "American Government Bond Fund"

Dear Arthur:

You may recall that I was a very good friend of your father's when he was the Comptroller of the State of New York so many years, and I can tell you that on a dozen occasions he appointed me as Special Counsel to deal with new first mortgages for large sums for FHA insurance projects that were given out on behalf of the Comptroller of the State of New York.

In any event, sometime ago the media suggested that you might initiate, if it has not already been done, an investigation into the operation of mutual funds of municipalities.

For some time past I had purchased mutual funds from various organizations, such as Nuveen, Franklin Funds, Dreyfus, Rochester Fund, and various types of Putnam Services.

The only fund that was not fully tax exempt was the American Government Bond Fund, and for some unknown reasons to me at this point, I invested on behalf of my daughter and myself over one million dollars in that Fund, too hastily, and did not realize at the time that the income from that fund was taxable by the IRS, but not by the City and State, which was comparatively minor because the IRS taxation is more than 3 times the State and City taxation, from which it was exempt.

At any rate, my accountants unfortunately did not furnish me with the current values from time to time, every six months or annually, and this past spring, having reached the age of 90 and in good health, I did some checking along those lines. I discovered, to my amazement, that both I and my daughter's 1983 Trust had suffered a capital loss of about 1/3 and inexplicably my loss was a little over 31%, and her loss was almost exactly 1/3.

How that came about, I do not know, because I asked Putnam to exchange the bond shares I held which were in excess of 32,000 shares, and my daughter held a large number of shares, which on a percentage

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calculation should have resulted in a similar deduction from its face value for each of us in our case, which was a little larger.

We sent the shares to Putnam at their Providence office, to have these shares exchanged for one of their New York State Tax Exempt Funds, which is fully tax exempt, Federal, State and City, which was accomplished after about 3 months in my case.

In my daughter's case, because it was a trust, that I had set up for her on December 13, 1983, and used some of its capital to buy this miserable, so-called, Hi-Income Government Bond Issue, it has been held up for several months.

There has never been an explanation of how this projected 1/3 drop in loss of capital in her case, and in my case somewhere between 31% and 32% came about. How it was maneuvered, I do not know, and I am trying to find out. I have written at length to Mr. George Putnam, President of the Putnam firm.

To this day, some 3 months, I have not received her exchange certificate correctly.

I had asked for an exchange, and what they did, I am sorry, was to sell these bonds and use the net cash capital received, to buy an issue of stock to us respectively, in one of PUTNAM New York Tax Exempt Funds at current values in each case. We got no explanation as to the rate of interest or the return from the new fund, which is totally tax exempt.

The so-called Hi-Income Government Bond was a total mistake, in purchasing it. I even saw a good friend of mine this past week, Jerome Zoffer, Dean of the Business School of the University of Pittsburgh, from which I graduated back in 1923, and he told me he had also suffered a 1/3 capital loss on this American Government Bond Issue, which had been recommended to him by his broker, and also by mine in 1990, as far as I am concerned, when he bought his, I believe.

This American Hi-Government Bond Issue must be investigated. No statement at any time was given to me annually, showing me the losses, nor any explanation sent to this day.

I have just received an outline from Nuveen and from Franklin, of their annual reports, and basically they have stood up very well, but this is a debacle with Putnam, and their failure to give adequate statements as to what this fund held, - Treasuries, I suppose. Whether it is a 30 year bond or a 10 year bond, or whatever, it was badly mismanaged obviously, and when I waited so long finally to get a new certificate for myself in Putnam New York Tax Exempt, I did not get simultaneously my daughter's.

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I had a bureaucrat named Paul O'Donnell write me letters suddenly, since I bought these bonds in 1990, asking for copies of the Trust instrument, and amendments thereto, the authority to buy, and a lot of other nonsensical demands, without returning to me the certificate due her Trust.

I wrote back, through my Bank, Sterling National Bank and Trust Company, asking why the reason for this sudden inquiry that they did not make when we bought in the name of the Trust, and wanting not only my signature guaranteed, but also the signature of the Bank Officer to be guaranteed by a separate officer of the Bank, which was really an insult,- instead of being somewhat thoughtful, considering the large amount of money we have invested? - for myself and then for my daughter's Trust, giving some explanation why there was a sudden tremendous loss in 4 years, and I got no explanation at all.

Then they sent me a certificate for her, as I had discharged the original broker who was co-Trustee with me, and whom I have known for many years, last July. She was acting as co-Trustee and they wanted proof from her.

Now some other officers demanded a Bank Guarantee of her signature, meanwhile holding up the return of the new Certificate, as lately as this past week.

This was someone I did not know and when I called Mr. Daniel J. Feeley, he knew nothing about it, but had apparently signed the letter and was one of hundreds of employees.

Then when I got her Certificate finally, the new Trustee being Harold H. Silverman, was listed as "Howard" Silverman, and my Bank had to return that Certificate last Friday, December 2, 1994, and we may get a new Certificate by Monday, December 11, 1994, I am told, for my daughter's Trust.

This is an outrageous situation, and one that needs to be quickly investigated, considering that between my daughter and myself, we invested over \$1,100,000, of which we have lost \$361,000.

I have never had such a loss in all my life and it is only deductible from the IRS Income Tax Bureau at about \$3,000 per annum, unless I or she have a capital gain somewhere, which we don't expect to have, even though this is not a fully tax-exempt fund by any means, as the major income taxes are payable to the IRS on these bonds, and the tax exemption only affects the New York State and City taxes, which are much lower.

This letter is long enough and I would appreciate, even though the vacation time is coming up, some response from you or one of your assistants, to this letter.

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I have a letter going off to George Putnam, President of Putnam Services over-all, which goes into much more detail than this letter, and will only go off when I receive in hand, through my Bank, the proper Certificate for my daughter's Trust, the names of the Trustees being correct.

Sincerely yours,


David Berg

DB:ew

P.S. As of this moment - 2:45 PM, Monday, December 12, 1994, things have not changed a bit. I received last week a second wrong certificate, giving the name of David Berg and "Howard" Silverman, instead of Harold Silverman, which was as clear as daylight. Another mistake had been made.

We sent the certificate back to be corrected and it was supposed to be in our hands this morning. That has not occurred.

These people are just plain irresponsible, and they should be put out of business, frankly, by keeping such stupid employees, who said it was only a "typographical mistake". What good is a certificate with the wrong name of the Trustee?

I would appreciate your having this situation thoroughly investigated and those involved thoroughly punished, because any dividend checks I would have received would have the wrong name, which checks could not be deposited.