

PUTNAM MASTER INTERMEDIATE INCOME TRUST  
Form DEF 14A  
April 16, 2001

SCHEDULE 14A INFORMATION

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

Filed by the Registrant / X /

Filed by a party other than the Registrant / /

Check the appropriate box:

- / / Preliminary Proxy Statement
- / / Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2))
- /x/ Definitive Proxy Statement
- / / Definitive Additional Materials
- / / Soliciting Material Pursuant to Sec. 240.14a-11(c) or Sec. 240.14a-12

PUTNAM MASTER INTERMEDIATE INCOME TRUST

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- / X / No fee required
- / / Fee computed on table below per Exchange Act Rule 14a 6(i) (1) and 0-11
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(3) Filing Party:

(4) Date Filed:

IMPORTANT INFORMATION FOR SHAREHOLDERS IN  
PUTNAM MASTER INTERMEDIATE INCOME TRUST

The document you hold in your hands contains your proxy statement and proxy card. A proxy card is, in essence, a ballot. When you vote your proxy, it tells us how to vote on your behalf on important issues relating to your fund. If you complete and sign the proxy, we'll vote it exactly as you tell us. If you simply sign the proxy, we'll vote it in accordance with the Trustees' recommendations on page 4. We urge you to spend a couple of minutes with the proxy statement, and either fill out your proxy card and return it to us via the mail, or record your voting instructions via the Internet. When shareholders don't return their proxies in sufficient numbers, we have to incur the expense of follow-up solicitations, which can cost your fund money. We want to know how you would like to vote and welcome your comments. Please take a few moments with these materials and return your proxy to us.

[scale graphic]

Table of contents

A Message from the Chairman.....	1
Notice of Shareholder Meeting.....	3
Trustees' Recommendations.....	4
Proxy card enclosed	

If you have any questions, please contact us at the special toll-free number we have set up for you (1-800-225-1581) or call your financial advisor.  
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A Message from the Chairman

Dear Shareholder:

[Photo of John A. Hill]

I am writing to you to ask for your vote on important questions that affect your investment in your fund. While you are, of course, welcome to join us at your fund's meeting, most shareholders cast their vote by either filling out and signing the enclosed proxy card or by voting via the Internet. Instructions are listed at the top of your proxy card. We are asking for your vote on the following matters: (1) fixing the number of Trustees and electing your fund's Trustees; and (2) converting your fund from a closed-end fund to an open-end fund.

Your Trustees unanimously recommend that shareholders vote "For" the first proposal. On the second proposal, whether to convert Putnam Master Intermediate Income Trust to an open-end fund, the Trustees, including the Trustees who are not affiliated with the fund's manager, unanimously recommend that shareholders vote "Against" the conversion. The second proposal is on the agenda as a result of provisions in your fund's governing legal documents that require that shareholders be given the opportunity to consider a conversion in the event the fund's shares trade at a discount from net asset value greater than 10% over a specified period of time.

The Trustees believe that remaining a closed-end fund provides significant investment benefits that are not available to open-end funds. In general, if the fund remains a closed-end fund, the portfolio manager can continue to manage the fund with a steadier, longer term perspective without the short-term pressures from sales and redemptions of fund shares typically experienced by open-end funds. Under some circumstances this flexibility can allow a closed-end fund to out-perform an open-end fund with a similar investment strategy. In addition, a conversion to open-end status is likely to result in a lower yield because of increased fund expenses. This result would be inconsistent with the fund's investment objective of seeking high current income consistent with preservation of capital.

Despite the advantages of maintaining your fund's closed-end status, you would receive a short-term benefit if the fund were

1

converted to open-end status. As of March 23, 2001, shares of your fund were trading at a 5.47% discount to their net asset value. Upon conversion of the fund, your shares would be redeemable at their net asset value with no discount, subject to the imposition by the Trustees of a redemption fee payable to the fund. Of course the size of the discount fluctuates and may be greater or lesser than 5.47% at the time any conversion goes into effect. While it may appear that your shares of the fund would increase in value by approximately 6% upon conversion, transaction costs involved with selling a portion of your fund's portfolio would reduce this gain.

The Trustees do not believe that the current level of discounts justifies the fundamental changes that would result from conversion, and are therefore recommending that you vote against the conversion.

Although we would like very much to have each shareholder attend his or her fund's meeting, we realize this is not possible. Whether or not you plan to be

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present, we need your vote. We urge you to vote on the Internet or complete, sign, and return the enclosed proxy card promptly. A postage-paid envelope is enclosed.

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 return 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 that I am sure you will give this important matter. If you have questions about the proposals, contact your financial advisor or call a Putnam customer service representative at 1-800-225-1581.

Sincerely yours,

[Signature of John A. Hill]

John A. Hill, Chairman

2

PUTNAM MASTER INTERMEDIATE INCOME TRUST  
Notice of Annual Meeting of Shareholders

> This is the formal agenda for your fund's shareholder meeting. It tells you what matters will be voted on and the time and place of the meeting, if you can attend in person.

To the Shareholders of Putnam Master Intermediate Income Trust:

The Annual Meeting of Shareholders of your fund will be held on June 14, 2001 at 2:00 p.m., Boston time, on the eighth floor of One Post Office Square, Boston, Massachusetts, to consider the following:

1. Fixing the number of Trustees and electing Trustees. See page 6.
2. Approving or disapproving the conversion of your fund from closed-end to open-end status and authorization of related amendments to your fund's Agreement and Declaration of Trust. See page 21.

By the Trustees  
John A. Hill, Chairman  
George Putnam, III, President

Jameson A. Baxter	John H. Mullin, III
Hans H. Estin	Robert E. Patterson
Ronald J. Jackson	A.J.C. Smith
Paul L. Joskow	W. Thomas Stephens
Elizabeth T. Kennan	W. Nicholas Thorndike
Lawrence J. Lasser	

WE URGE YOU TO MARK, SIGN, DATE, AND MAIL THE ENCLOSED PROXY IN THE POSTAGE-PAID ENVELOPE PROVIDED OR RECORD YOUR VOTING INSTRUCTIONS VIA THE

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INTERNET SO YOU WILL BE REPRESENTED AT THE MEETING.

April 13, 2001

3

### Proxy Statement

> This document will give you the information you need to vote on the matters listed on the previous page. Much of the information in the proxy statement 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 special 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 Master Intermediate Income Trust for use at the Annual Meeting of Shareholders of the fund to be held on June 14, 2001, and, if your fund's meeting is adjourned, at any later meetings, for the purposes stated in the Notice of Annual Meeting (see previous page). The Notice of Meeting, the proxy and the Proxy Statement are being mailed on or about April 16, 2001.

> 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 and the election of all nominees; and
2. Against converting your fund from closed-end to open-end status and authorizing certain related amendments to your fund's Agreement and Declaration of Trust.

4

> Who is eligible to vote?

Shareholders of record at the close of business on March 23, 2001 are entitled to be present and to vote at the meeting or any adjourned meeting.

Each share is entitled to one vote. Shares represented by duly executed proxies will be voted in accordance with your instructions. If you sign the proxy, 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 Trustees' discretion.

5

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## The Proposals

### I. ELECTION OF TRUSTEES

#### > Who are the nominees for Trustees?

The Board Policy and Nominating Committee of the Trustees of your fund makes recommendations concerning the 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) of your fund or of Putnam Investment Management, LLC, your fund's investment manager ("Putnam Management").

The Board Policy and Nominating Committee of the Trustees of your fund has fixed the number of Trustees at twelve and recommends that you vote for the election of the nominees described below. Each nominee is currently a Trustee of your fund and of the other Putnam funds.

#### > Jameson Adkins Baxter

[Photo of Jameson Adkins Baxter]

Ms. Baxter, born September 6, 1943, is the President of Baxter Associates, Inc., a management consulting and private investment firm that she founded in 1986. During that time, she was also a Vice President and Principal of the Regency Group, Inc. and a Consultant to First Boston Corporation, both of which are investment banking firms. From 1965 to 1986, Ms. Baxter held various positions in investment banking and corporate finance at First Boston.

Ms. Baxter currently also serves as a Director of Banta Corporation, Ryerson Tull and ASHTA Chemicals, Inc. She is also the Chairman Emeritus of the Board of Trustees of Mount Holyoke College, having previously served as Chairman for five years and as a Board member for thirteen years; an Honorary Trustee and past President of the Board of Trustees of the Emma Willard School; Member of the Board of Governors of Good Shepherd Hospital; and Chair of the

6

## Nominees for Trustees

National Center for Non-profit Boards. Ms. Baxter is a graduate of Mount Holyoke College.

#### > John A. Hill

[Photo of John A. Hill]

Mr. Hill, born January 31, 1942, is Chairman of the Trustees. He is the Vice-Chairman and Managing Director of First Reserve Corporation, a registered investment advisor investing in companies in the world-wide energy industry on behalf of institutional investors.

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Prior to acquiring First Reserve in 1983, Mr. Hill held executive positions with several investment advisory firms and held various positions with the Federal government, including Associate Director of the Office of Management and Budget and Deputy Administrator of the Federal Energy Administration.

Mr. Hill currently also serves as a Director of Devon Energy Corporation, an exploration and production company, TransMontaigne Oil Company, a refined oil product pipeline and distribution company, St. Lukes-Roosevelt, a New York City hospital and various private companies controlled by First Reserve Corporation. He is also a Member of the Board of Advisors of Fund Directions. He is currently active in various business associations, including the Economic Club of New York, and lectures on energy issues in the United States and Europe. Mr. Hill is a graduate of Southern Methodist University.

> Ronald J. Jackson

[Photo of Ronald J. Jackson]

Mr. Jackson, born December 17, 1943, retired as Chairman of the Board, President and Chief Executive Officer of Fisher-Price, Inc., a major toy manufacturer, in 1993, a position which he held since 1990. He previously served as President and Chief Executive Officer of Stride-Rite, Inc., a manufacturer and distributor of footwear, from 1989 to 1990,

7

Nominees for Trustees

and as President and Chief Executive Officer of Kenner Parker Toys, Inc., a major toy and game manufacturer, from 1985 to 1987. Prior to that, he held various financial and marketing positions at General Mills, Inc. from 1966 to 1985, including Vice President, Controller and Vice President of Marketing for Parker Brothers, a toy and game company, and President of Talbots, a retailer and direct marketer of women's apparel. Mr. Jackson is a graduate of Michigan State University Business School.

> Paul L. Joskow

[Photo of Paul L. Joskow]

Dr. Joskow, born June 30, 1947, is Elizabeth and James Killian Professor of Economics and Director of the Center for Energy and Environmental Policy Research at the Massachusetts Institute of Technology. He has published five books and numerous articles on topics in industrial organization, government regulation of industry, and competition policy. Dr. Joskow currently serves as a Director of the National Grid Group, a UK based holding company with interests in electric power and telecommunications networks, State Farm Indemnity Company, an automobile insurance company, and the Whitehead Institute for Biomedical Research, a non-profit research institution. He has been President of the Yale University Council since

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1993.

Dr. Joskow is active on industry restructuring, environmental, energy, competition, and privatization policies and has served as an advisor to governments and corporations around the world.

Dr. Joskow is a graduate of Cornell University and Yale University. He is a Fellow of the Econometric Society and the American Academy of Arts and Sciences.

8

Nominees for Trustees

> Elizabeth T. Kennan

[Photo of Elizabeth T. Kennan]

Dr. Kennan, born February 25, 1938, is President Emeritus of Mount Holyoke College. From 1978 through June 1995, she was President of Mount Holyoke College. From 1966 to 1978, she was on the faculty of Catholic University, where she taught history, published numerous articles, and directed the post-doctoral programs in Patristic and Medieval Studies.

Dr. Kennan currently also serves as a director of Northeast Utilities, Talbots and Cambus-Kenneth Bloodstock, a corporation involved in thoroughbred horse breeding and farming. She is a member of The Folger Shakespeare Library Committee and a trustee of Franklin Pierce College. Dr. Kennan previously served as a director of Bell Atlantic Corporation, Chastain Real Estate and Kentucky Home Life Insurance. Active in various educational and civic associations, Dr. Kennan is a graduate of Mount Holyoke College, the University of Washington, and St. Hilda's College, Oxford University. She holds several honorary doctorates.

> Lawrence J. Lasser\*

[Photo of Lawrence J. Lasser]

Mr. Lasser, born November 1, 1942, is a Vice President of your fund and each of the other Putnam funds. He has been the President, Chief Executive Officer and a Director of Putnam Investments, LLC and Putnam Management since 1985, having begun his career there in 1969.

Mr. Lasser currently also serves as a Director of Marsh & McLennan Companies, Inc., the parent company of Putnam Management. He is a Member of the Board of Directors of the United Way of Massachusetts Bay, a Member of the Board of Governors of the Investment Company Institute, a Trustee of the Museum of Fine Arts, Boston, a Trustee and Member of the Finance and Executive Committees of the Beth Israel

9



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### Nominees for Trustees

Deaconess Medical Center, Boston and a Member of the CareGroup Board of Managers Investment Committee, the Council on Foreign Relations, and the Commercial Club of Boston. Mr. Lasser is a graduate of Antioch College and Harvard Business School.

> John H. Mullin, III

[Photo of John H. Mullin, III]

Mr. Mullin, born June 15, 1941, is Chairman and CEO of Ridgeway Farm, a limited liability company engaged in timber activities and farming. Prior to establishing Ridgeway Farm in 1989, Mr. Mullin was a Managing Director of Dillon, Read & Co. Inc., an investment banking firm.

Mr. Mullin currently serves as a Director of Graphic Packaging International Corp., a company engaged in the manufacture of packaging products, Alex. Brown Realty, Inc., a real estate investment company, Progress Energy, Inc., a public utility company, and The Liberty Corporation, a company engaged in the broadcasting industry. Mr. Mullin previously served as a Director of Dillon, Read & Co. Inc., Adolph Coors Company, Crystal Brands, Inc., Fisher-Price, Inc., Mattel, Inc. and The Ryland Group, Inc. Mr. Mullin is a Trustee Emeritus of Washington & Lee University where he served as Chairman of the Investment Committee. Mr. Mullin is a graduate of Washington & Lee University and The Wharton Graduate School at the University of Pennsylvania.

> Robert E. Patterson

[Photo of Robert E. Patterson]

Mr. Patterson, born March 15, 1945, is the President and a 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 advisor which managed real estate investments for institutional

### Nominees for Trustees

investors. Prior to 1990, he was the Executive Vice President of Cabot, Cabot & Forbes Realty Advisors, Inc., the predecessor company of Cabot Partners. Prior to that, he was a Senior Vice President of the Beal Companies, a real estate management, investment and development company. He has also worked as an attorney and held various positions in state government, including the founding Executive Director of the Massachusetts Industrial Finance Agency. Mr. Patterson currently also serves as Chairman of the Joslin Diabetes Center, a Trustee of SEA Education Association and a Director of Brandywine Trust Company. Mr. Patterson is a graduate of Harvard College and Harvard Law School.

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> George Putnam, III\*

[Photo of George Putnam, III]

Mr. Putnam, born August 10, 1951, is the President of your Fund and each of the other Putnam Funds. He is also President of New Generation Research, Inc., a publisher of financial advisory and other research services relating to bankrupt and distressed companies, and New Generation Advisers, Inc., a registered investment advisor which provides advice to private funds specializing in investments in such companies. Prior to founding New Generation in 1985, Mr. Putnam was an attorney with the Philadelphia law firm Dechert Price & Rhoads.

Mr. Putnam currently also serves as a Director of The Boston Family Office, L.L.C., a registered investment advisor that provides financial advice to individuals and families. He is also a Trustee of the SEA Education Association and St. Mark's School. Mr. Putnam is a graduate of Harvard College, Harvard Business School and Harvard Law School.

11

Nominees for Trustees

> A.J.C. Smith\*

[Photo of A.J.C. Smith]

Mr. Smith, born April 13, 1934, is a Director of Marsh & McLennan Companies, Inc. From May 1992 to November 1999, he served as the company's Chairman and Chief Executive Officer and from November 1999 to May 2000, he served as Chairman. He has been employed by Marsh & McLennan and related companies in various capacities since 1961. Mr. Smith is a Director of the Trident Corp.; a Trustee of the Carnegie Hall Society, the Central Park Conservancy, the Educational Broadcasting Corporation, the Economic Club of New York, and the U.S. Chamber of Commerce; a Member of the Board of Overseers of the Joan and Sanford I. Weill Graduate School of Medical Sciences of Cornell University; and a Founder of the Museum of Scotland Society. He was educated in Scotland and is a Fellow of the Faculty of Actuaries in Edinburgh, a Fellow of the Canadian Institute of Actuaries, a Fellow of the Conference of Actuaries, an Associate of the Society of Actuaries, a Member of the American Academy of Actuaries, the International Actuarial Association and the International Association of Consulting Actuaries.

> W. Thomas Stephens

[Photo of W. Thomas Stephens]

Mr. Stephens, born September 2, 1942, was, until 1999, the President and Chief Executive Officer of MacMillan Bloedel Limited, a forest products and building materials company. In 1996, Mr. Stephens retired as Chairman of the Board of Directors, President and Chief Executive Officer of Johns Manville Corporation.

Mr. Stephens serves as Chairman of Mail-Well, a printing and envelope

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company, a Director for Qwest Communications, a communications company, Xeel, a public utility company,

Nominees for Trustees

TransCanada Pipelines, and Norske Skog Canada, a paper manufacturer. Mr. Stephens has B.S. and M.S. degrees from the University of Arkansas.

> W. Nicholas Thorndike

[Photo of W. Nicholas Thorndike]

Mr. Thorndike, born March 28, 1933, serves as a Director of various corporations and charitable organizations, including Providence Journal Co., a newspaper publisher, and Courier Corporation, a book binding and printing company. He is also a Trustee of Cabot Industrial Trust and Northeastern University, a member of the Advisory Board of National Grid USA, an electric company, and an Honorary Trustee of Massachusetts General Hospital, where he previously served as chairman and president. Prior to December 1988, Mr. Thorndike was the Chairman of the Board and Managing Partner of Wellington Management Company/Thorndike, Doran, Paine & Lewis, a registered investment advisor that manages mutual funds and institutional assets. He also previously served as a Trustee of the Wellington Group of Funds (now The Vanguard Group) and was the Chairman and a Director of Invest Fund, Inc. Mr. Thorndike is a graduate of Harvard College.

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\*Nominees who are or may be deemed to be "interested persons" (as defined in the Investment Company Act of 1940) of your fund, Putnam Management, and Putnam Retail Management, L.P. ("Putnam Retail Management"), the principal underwriter for all the open-end Putnam funds and an affiliate of Putnam Management. Messrs. Lasser, Putnam III and Smith are deemed "interested persons" by virtue of their positions as officers or affiliates of your fund, or directors of Putnam Management, Putnam Retail Management, or Marsh & McLennan Companies, Inc., the parent company of Putnam Management and Putnam Retail Management.

The balance of the nominees are not "interested persons."

Nominees for Trustees

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Except as indicated above, the principal occupations and business experience of the nominees for the last five years have been with the employers indicated, although in some cases they have held different positions with those employers.

All the nominees were elected by the shareholders in June, 2000. The 12

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nominees for election as Trustees at the shareholder meeting of your fund who receive the greatest number of votes will be elected as Trustees of your fund. The Trustees serve until their successors are elected and qualified. Each of the nominees has agreed to serve as a Trustee if elected. If any of the nominees is unavailable for election at the time of the meeting, which is not anticipated, the Trustees may vote for other nominees at their discretion, or the Trustees may fix the number of Trustees at less than 12 for your fund.

The address for each of the current Trustees and each of the nominees is One Post Office Square, Boston, Massachusetts 02109.

> What are the Trustees' responsibilities?

Your fund's Trustees are responsible for the general oversight of your fund's affairs and for assuring that your fund is managed in the best interests of its shareholders. The Trustees regularly review your fund's investment performance as well as the quality of other services provided to your fund and its shareholders by Putnam 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, counsel and other experts as appropriate, selected by and responsible to the Trustees.

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

14

committees (the Executive Committee, Distributions Committee and Audit 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 chairman of each committee are appointed by the Trustees upon recommendation of the Board Policy and Nominating Committee.

The Investment Company Act of 1940 requires that your fund have a minimum proportion of trustees who are not affiliated in any way with your fund's investment manager, principal underwriter from time to time or any broker-dealer. These 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. The Trustees of your fund believe that independent trustees should represent at least two-thirds of the members of the board. Your fund's independent trustees meet regularly as a group in executive session.

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> How large a stake do the Trustees have in the Putnam family of funds?

The Trustees believe each Trustee should have a significant investment in the Putnam funds. This table shows the value of their holdings in the Putnam funds.

Each Trustee                      over \$100,000  
Trustees as a group              over \$27,000,000

The Trustees allocate their investments among more than 120 Putnam funds based on their own investment needs. The table below shows each Trustee's current investment in your fund.

15

Trustees	Year first elected as Trustee of the Putnam funds	Putnam Master Intermediate Income Trust (# of shares) (1)
Jameson A. Baxter	1994	257
Hans H. Estin	1972	587
John A. Hill	1985	196
Ronald J. Jackson	1996	391 (2)
Paul L. Joskow	1997	100
Elizabeth T. Kennan	1992	345 (3)
Lawrence J. Lasser	1992	196
John H. Mullin, III	1997	100
Robert E. Patterson	1984	587
George Putnam, III	1984	978
A.J.C. Smith	1986	391 (2)
W. Thomas Stephens	1997	100
W. Nicholas Thorndike	1992	433

(1) Except as otherwise noted, each Trustee has sole voting power and sole investment power with respect to his or her shares of your fund.

(2) Includes shares over which the Trustee has shared investment and shared voting power.

(3) Includes shares held in a trust over which the Trustee has investment and voting power.

The Trustees' ownership is based on beneficial ownership as of February 28, 2001. The value of shares owned by the Trustees has been determined as of that same date.

The Trustees and officers of your fund owned a total of 4,660 shares of the fund as of that date, comprising less than 1% of the outstanding shares of the fund.

16

- > What are some of the ways in which the Trustees represent shareholder interests?

The Trustees believe that, as substantial investors in the Putnam funds, their interests are closely aligned with those of individual shareholders. Among other ways, the Trustees seek to represent shareholder interests:

- o by carefully reviewing your fund's investment performance on an individual basis with your fund's managers;
- o by also carefully reviewing the quality of the various other services provided to the funds and their shareholders by Putnam Management and its affiliates;
- o by discussing with senior management of Putnam Management steps being taken to address any performance deficiencies;
- o by conducting an in-depth review of the fees paid by each fund and by negotiating with Putnam Management to ensure that such fees remain reasonable and competitive with those of other mutual funds, while at the same time providing Putnam Management sufficient resources to continue to provide high quality services in the future;
- o by reviewing brokerage costs and fees, allocations among brokers, soft dollar expenditures and similar expenses of each fund;
- o by monitoring potential conflicts 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
- o by also monitoring potential conflicts among funds to ensure that shareholders continue to realize the benefits of participation in a large and diverse family of funds.

17

- > 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 which focus on particular matters. These currently include: the Contract Committee, which reviews all the contractual arrangements with Putnam Management and its affiliates; the Communication, Service and Marketing Committee, which reviews the quality of services provided by your fund's investor servicing agent and custodian; the Brokerage and Custody

Committee, which reviews matters relating to custody of securities, best execution, brokerage costs and allocations and new investment techniques; the Audit Committee, which reviews procedures for the valuation of securities, the fund's accounting policies and the adequacy of internal controls and supervises the engagement of the fund's auditors; the Board Policy and Nominating Committee, which reviews the compensation of the Trustees and their administrative staff, reviews the conduct of the fund's legal affairs, evaluates and recommends candidates for election as Trustees and recommends the appointment of members and chairs each board committee; the Distributions and Closed-End Funds Committee, which is responsible for reviewing special issues applicable to closed-end funds and the Pricing Committee, which reviews procedures for the valuation of securities.

Each Trustee generally attends at least two formal committee meetings during each regular meeting of the Trustees. During 2000, the average Trustee participated in approximately 40 committee and board meetings. In addition, the Trustees meet in small groups with Chief Investment Officers and Portfolio Managers 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 Contract Committee typically meets on

18

several additional occasions during the year to carry out its responsibilities. Other committees, including an Executive Committee, may also meet on special occasions as the need arises.

> What are the Trustees paid for their services?

Each Trustee of your fund receives a fee for his or her services. Each Trustee also receives fees for serving as Trustee of the other Putnam funds. The Trustees periodically review their fees to assure 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 Trustees not affiliated with Putnam Management, 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 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 2000:

19

PUTNAM MASTER INTERMEDIATE INCOME TRUST

Compensation Table

Estimated

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Trustee/Year	Aggregate compensation from the fund(1)	Pension or retirement benefits accrued as part of fund expenses	annual benefits from all Putnam funds upon retirement (2)	Total compensation from all Putnam funds(3)
Jameson A. Baxter/1994(4)	\$1,086	\$244	\$100,000	\$200,000
Hans H. Estin/1972	1,089	549	100,000	200,500
John A. Hill/1985(4) (5) (8)	1,249	278	200,000	269,000
Ronald J. Jackson/1996(4)	1,086	336	100,000	200,000
Paul L. Joskow/1997(4)	1,086	135	100,000	200,000
Elizabeth T. Kennan/1992	1,084	361	100,000	199,500
Lawrence J. Lasser/1992(7)	597	275	92,500	107,000
John H. Mullin, III/1997(4)	1,081	202	100,000	199,000
Robert E. Patterson/1984	1,086	187	100,000	200,000
William F. Pounds/1971(5) (6)	647	633	111,000	127,000
George Putnam/1957(6)	597	537	91,834	107,000
George Putnam, III/1984(8)	1,148	127	150,000	225,000
A.J.C. Smith/1986(7)	592	401	91,833	106,000
W. Thomas Stephens/1997(4)	1,078	189	100,000	198,500
W. Nicholas Thorndike/1992	1,070	506	100,000	197,000

- (1) Includes an annual retainer and an attendance fee for each meeting attended.
- (2) Assumes that each Trustee retires at the normal retirement date. For Trustees who are not within three years of retirement, estimated benefits for each Trustee are based on Trustee fee rates in effect during calendar 2000.
- (3) As of December 31, 2000, there were 124 funds in the Putnam family.
- (4) Includes compensation deferred pursuant to a Trustee Compensation Deferral Plan. The total amounts of deferred compensation payable by the fund to Mr. Hill, Mr. Jackson, Mr. Joskow, Mr. Mullin, and Mr. Stephens as of September 30, 2000 were \$11,033, \$5,330, \$1,040, \$3,356, and \$2,344, respectively, including income earned on such amounts.
- (5) Includes additional compensation for services through June 30, 2000.
- (6) Reflects retirement from the Board of Trustees of the Putnam funds on June 30, 2000.
- (7) Commencing July 1, 2000, Marsh & McLennan Companies, Inc., compensates Mr. Lasser and Mr. Smith for their services as Trustees. The estimated annual retirement benefits and related fund expenses shown in this table for Messrs. Lasser and Smith reflect benefits earned under the Funds' retirement plan prior to that date.
- (8) Includes additional compensation for services commencing July 1, 2000.



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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 compensation paid to such Trustee by the funds for the last three years of service prior to retirement. This retirement benefit is payable during a Trustee's lifetime, beginning the year following retirement, for a number of years equal to such Trustee's years of service compensated by the funds. A death benefit is also available under the Plan which assures 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 (a committee comprised of Trustees that are not "interested persons" of the fund, as defined in the Investment Company Act of 1940) 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.

For additional information about your fund, including further information about its Trustees and officers, please see "Fund Information," on page 37.

### 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

> What is being considered under this item?

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. The Trustees, as

21

discussed in more detail below, unanimously recommend that shareholders vote against converting your fund to an open-end fund. This recommendation is based on the Trustees' view that, as a closed-end fund, your fund is afforded significant investment advantages.

If approved, the conversion would result in the "delisting" of your fund's shares from the New York Stock Exchange where they currently may be bought or sold at prevailing market prices. Your shares would then become redeemable directly from your fund at net asset value, eliminating any discount of market price to net asset value. Other differences between closed-end and open-end investment companies are described below.

A conversion from closed-end to open-end status would also require a number of changes in the Agreement and Declaration of Trust (the "Declaration of Trust") under which your fund was established. Accordingly, approval of this proposal would also authorize your fund's Trustees to make such amendments as they may deem necessary to operate your fund in open-end form if this proposal is approved. These changes are described in greater detail below.

> Why is this question being submitted to shareholders now?

Your fund's governing legal documents require 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 shares have traded at an average discount of more than 10% from their net asset value 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-week period ended September 29, 2000, your fund's shares traded at an average discount of 10.93%, requiring that this proposal be submitted to shareholders. A similar vote was held at the July 11, 1996 and July 10, 1997 annual meetings of shareholders. At those meetings shareholders voted to retain closed-end status as follows:

22

July 11, 1996 Annual Meeting Percentage of Shares Voted		July 10, 1997 Annual Meeting Percentage of Shares Voted	
For Open-ending	22.73%	For Open-ending	13.55%
Against Open-ending	68.40%	Against Open-ending	77.16%
Abstain	8.87%	Abstain	9.29%

> What is the recommendation of the Trustees?

The Trustees regularly review the overall performance and trading information for your fund and all of the Putnam closed-end funds. At meetings held in February and March of this year, the Trustees of your fund carefully evaluated the fund's investment performance, the trading history of its shares since its inception in April 1988, and information about the possible advantages and disadvantages of converting to an open-end fund. For the reasons described below, the Trustees of your fund have unanimously concluded that the conversion of your fund to open-end status would not be in the best long-term interests of shareholders. Accordingly, the Trustees of your fund unanimously recommend that shareholders vote "AGAINST" this proposal.

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

The Trustees of your fund are recommending a vote against converting your fund to open-end status for the following reasons:

- o The Trustees believe that your fund's closed-end status provides investment benefits not available to open-end fund inve