

SECURITIES AND EXCHANGE COMMISSION

FORM N14EL24

Registration statements of open end investment companies (business combinations)

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PUTNAM TEXAS TAX EXEMPT INCOME FUND

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Business Address
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BOSTON MA 02109
6172921000*

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON
FEBRUARY 2, 1994

REGISTRATION NO. 2-57165
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-14

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

PUTNAM TAX EXEMPT INCOME FUND
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

ONE POST OFFICE SQUARE, BOSTON, MASSACHUSETTS 02109
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

617-292-1000
(AREA CODE AND TELEPHONE NUMBER)

JOHN R. VERANI, VICE PRESIDENT
PUTNAM TAX EXEMPT INCOME FUND
ONE POST OFFICE SQUARE
BOSTON, MASSACHUSETTS 02109
(NAME AND ADDRESS OF AGENT FOR SERVICE)

COPY TO:

JOHN W. GERSTMAYR, ESQUIRE
ROPES & GRAY
ONE INTERNATIONAL PLACE
BOSTON, MASSACHUSETTS 02110

APPROXIMATE DATE OF PROPOSED PUBLIC OFFERING: AS SOON AS
PRACTICABLE AFTER THIS REGISTRATION STATEMENT BECOMES EFFECTIVE.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON
SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE
DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH
SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL
THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF
THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT
SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING
PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

AN INDEFINITE AMOUNT OF THE REGISTRANT'S SECURITIES HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 PURSUANT TO RULE 24F-2 UNDER THE INVESTMENT COMPANY ACT OF 1940. IN RELIANCE UPON SUCH RULE, NO FILING FEE IS BEING PAID AT THIS TIME. A RULE 24F-2 NOTICE FOR THE REGISTRANT FOR THE YEAR ENDED SEPTEMBER 30, 1993 WAS FILED ON NOVEMBER 30, 1993.

CROSS-REFERENCE SHEET

FORM N-14 ITEM	CAPTION IN PROSPECTUS/PROXY STATEMENT (PART A)
1	CROSS-REFERENCE SHEET; FRONT COVER
2	FRONT COVER
3	SYNOPSIS; RISK FACTORS
4	INTRODUCTION; PROPOSAL REGARDING APPROVAL OR DISAPPROVAL OF AGREEMENT AND PLAN OF REORGANIZATION; BACKGROUND AND REASONS FOR THE PROPOSED REORGANIZATION; INFORMATION ABOUT THE REORGANIZATION
5, 6	FRONT COVER -- INCORPORATED BY REFERENCE TO SPECIFIED DOCUMENTS
7	INTRODUCTION; PROPOSAL REGARDING APPROVAL OR DISAPPROVAL OF AGREEMENT AND PLAN OF REORGANIZATION; INFORMATION ABOUT THE REORGANIZATION; VOTING INFORMATION
8, 9	NOT APPLICABLE
FORM N-14 ITEM	CAPTION IN STATEMENT OF ADDITIONAL INFORMATION (PART B)
10, 11	COVER PAGE
12	NOT APPLICABLE
13	COVER PAGE -- INCORPORATED BY REFERENCE TO SPECIFIED DOCUMENTS
14	INDEPENDENT ACCOUNTANTS AND FINANCIAL STATEMENTS

PART C

THE INFORMATION REQUIRED TO BE INCLUDED IN PART C IS SET FORTH UNDER THE APPROPRIATE ITEM, SO NUMBERED, IN PART C TO THIS REGISTRATION STATEMENT.

PUTNAM TEXAS TAX EXEMPT INCOME FUND

One Post Office Square

Boston, Massachusetts 02109

, 1994

To the Shareholders:

Enclosed you will find several documents being furnished to you in connection with a meeting of Putnam Texas Tax Exempt Income Fund (the "Texas Fund") shareholders to be held May 5, 1994 at 1:00 p.m. in Boston, Massachusetts. I hope this material will receive your immediate attention and that, if you cannot attend the meeting in person, you will vote your proxy promptly.

The Trustees of the Texas Fund are recommending that shareholders approve a reorganization of the Texas Fund in which the Texas Fund will transfer all of its assets to Putnam Tax Exempt Income Fund (the "Income Fund") in return for Class A shares of the Income Fund and the assumption by the Income Fund of all of the liabilities of the Texas Fund. After the transfer, the Class A shares of the Income Fund will be distributed to holders of the Texas Fund shares, thereby liquidating the Texas Fund. As a result of these transactions, your shares of the Texas Fund would, in effect, be exchanged at net asset value and on a tax-free basis for Class A shares of the Income Fund. Both Funds are managed by Putnam Investment Management, Inc. ("Putnam Management") and have the same Trustees.

Both Funds seek as high level of current income exempt from federal income tax as is consistent with preservation of capital and follow virtually identical investment policies. The principal difference between the Funds is that the Texas Fund normally concentrates its investments in tax exempt securities of Texas issuers while the Income Fund normally invests in Tax Exempt securities of issuers located in several different states. Because of the similarities between the Funds, the proposed reorganization will not affect the strategy or style in which the portfolio manager will manage your investment.

Putnam Management, the investment adviser for both Funds, believes that combining the Texas Fund with the Income Fund offers shareholders of the Texas Fund an opportunity to pursue a similar investment objective with greater economies of scale that will result in a lower operating expense ratio. Putnam Management also believes that the expected lower expense ratio and additional portfolio management flexibility offered by a much larger fund will likely result in improved investment performance for Texas Fund shareholders acquiring Income Fund shares in the reorganization.

YOUR TRUSTEES BELIEVE THAT THE PROPOSED COMBINATION WITH THE INCOME FUND IS IN THE BEST INTERESTS OF SHAREHOLDERS AND RECOMMEND THAT YOU VOTE IN FAVOR OF IT.

The Notice of Meeting of Shareholders and the accompanying Prospectus/Proxy Statement and form of proxy are enclosed. Please read them carefully. If you are unable to attend the meeting in person, we urge you to sign, date, and return the proxy card so that your shares may be voted in accordance with your instructions.

SINCE THE MEETING IS LESS THAN THIRTEEN WEEKS AWAY, I URGE YOU TO GIVE THE ENCLOSED MATERIAL YOUR PROMPT ATTENTION SO THAT YOUR FUND WILL NOT HAVE TO INCUR THE EXPENSE OF ADDITIONAL MAILINGS.

Sincerely yours,

George Putnam, Chairman

PUTNAM TEXAS TAX EXEMPT INCOME FUND

NOTICE OF MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS OF PUTNAM TEXAS TAX EXEMPT INCOME FUND

NOTICE IS HEREBY GIVEN that a Meeting of Shareholders of Putnam Texas Tax Exempt Income Fund (the "Fund" or the "Texas Fund") will be held at One Post Office Square, 8th Floor, Boston, Massachusetts, on May 5, 1994, at 1:00 p.m., Boston time, for the following purposes:

1. To consider and act upon an Agreement and Plan of Reorganization providing for the transfer of all of the assets of the Fund to Putnam Tax Exempt Income Fund

(the "Income Fund") in exchange for shares of the Income Fund and the assumption by the Income Fund of all of the liabilities of the Fund, and the distribution of such shares to the shareholders of the Fund in liquidation of the Fund; and

2. To transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

The Trustees have fixed the close of business on February 11, 1994 as the record date for determination of shareholders entitled to notice of, and to vote at, the Meeting.

Each shareholder who does not expect to attend in person is requested to date, fill in, sign, and return promptly the enclosed form of proxy.

By the Trustees

George Putnam, Chairman	Lawrence J. Lasser
William F. Pounds, Vice Chairman	Robert E. Patterson
Jameson Adkins Baxter	Donald S. Perkins
Hans H. Estin	George Putnam, III
John A. Hill	A.J.C. Smith
Elizabeth T. Kennan	W. Nicholas Thorndike

Boston, Massachusetts
, 1994

Your prompt attention to the enclosed form of proxy will help to avoid the expense of additional mailings.

PROSPECTUS/PROXY STATEMENT

, 1994

Acquisition of the assets of

PUTNAM TEXAS TAX EXEMPT INCOME FUND
One Post Office Square
Boston, Massachusetts 02109
(617) 292-1000

BY AND IN EXCHANGE FOR SHARES OF

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AGREEMENT AND PLAN OF REORGANIZATION Exhibit A

This Prospectus/Proxy Statement relates to the proposed transfer of all of the assets of Putnam Texas Tax Exempt Income Fund (the "Texas Fund") to Putnam Tax Exempt Income Fund (the "Income Fund") in exchange for Class A shares of beneficial interest of the Income Fund (the "Income Fund Shares") and the assumption by the Income Fund of all of the liabilities of the Texas Fund. (The Income Fund and the Texas Fund are collectively referred to herein as the "Funds", and each is referred to individually as a "Fund"). Following the transfer, the Income Fund Shares received by the Texas Fund will be distributed to shareholders of the Texas Fund in liquidation of the Texas Fund. As a result of the proposed transaction, each shareholder of the Texas Fund will receive, on a tax-free basis, a number of full and fractional Income Fund Shares equal in value at the date of the exchange to the aggregate value of the shares of the Texas Fund held by the shareholder.

This Prospectus/Proxy Statement explains concisely what you should know before investing in the Income Fund. Please read it and keep it for future reference. This Prospectus/ Proxy Statement is accompanied by the Prospectus, dated February , 1994, of the Income Fund, which contains information about the Income Fund and is incorporated into this Prospectus/Proxy Statement by reference. The current Statement of Additional Information of the Income Fund, dated February , 1994, has been filed with the Securities and Exchange Commission and is

incorporated into this Prospectus/Proxy Statement by reference. The Report of Independent Accountants and financial statements included in the Income Fund's Annual Report to Shareholders for the 1993 fiscal year are also incorporated by reference into this Prospectus/Proxy Statement. The current Prospectus dated June 1, 1993, and Supplement dated July 12, 1993, and Statement of Additional Information, dated June 1, 1993, as revised July 12, 1993, of the Texas Fund, have been filed with the Securities and Exchange Commission and are incorporated into this Prospectus/Proxy Statement by reference. The Report of Independent Accountants and financial statements included in the Texas Fund's Annual Report to Shareholders for the 1993 fiscal year, and the Report of Independent Accountants and financial statements included in the Texas Fund's Semi-annual Report for the sixth-month period ended July 31, 1993, are incorporated by reference in this Prospectus/Proxy Statement. In addition, a Statement of Additional Information dated February , 1994 relating to the transactions described in this Prospectus/Proxy Statement has been filed with the Securities and Exchange Commission and is also incorporated into this Prospectus/Proxy Statement by reference. For a free copy of any or all of these Prospectuses or Statements of Additional Information or Annual Reports, call Putnam Investor Services at 1-800-225-1581.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

SHARES OF THE INCOME FUND ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY ANY FINANCIAL INSTITUTION AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD OR ANY OTHER AGENCY.

SYNOPSIS

PROPOSED TRANSACTION. The Trustees of the Texas Fund have approved an Agreement and Plan of Reorganization providing for the transfer of all of the assets of the Texas Fund to the Income Fund in exchange for the assumption by the Income Fund of all of the liabilities of the Texas Fund and for a number of Class A Shares of the Income Fund equal in value to the value of the net assets of the Texas Fund transferred to the Income Fund. Following the transfer, the Texas Fund will distribute the Income Fund Shares received by it to its shareholders of record, in complete liquidation of the Texas Fund. No gain or loss will be recognized for federal income tax purposes by the Texas Fund or its shareholders as a result of the reorganization.

For the reasons set forth below under "Background and Reasons for the Proposed Reorganization," the Funds' Trustees, including the Trustees who are not interested persons of either Fund (the "Independent Trustees"), have concluded that the reorganization would be in the best interests of the Funds' shareholders and recommend approval of the reorganization. The Funds' Trustees have also determined that the interests of the Funds' existing shareholders will not be diluted as a result of the transactions contemplated by the reorganization. The Income Fund and the Texas Fund have the same Trustees.

INVESTMENT OBJECTIVES, POLICIES AND RESTRICTIONS. The Texas Fund and the Income Fund are both federally tax-exempt income funds with the same investment objectives and similar investment policies. Each Fund follows the fundamental policy of investing at least 80% of its net assets in longer-term Tax Exempt Securities (as defined below), except when investing during times of adverse market conditions. "Tax Exempt Securities" are debt obligations issued by a state (including the District of Columbia), a territory or a United States possession, or any of their political subdivisions, the interest from which is, in the opinion of bond counsel, exempt from federal tax. Both funds may not invest more than 25% of their assets in non-investment grade bonds, although the Texas Fund may invest in bonds rated B or higher, while the Income Fund may only invest in bonds rated BB or higher. Currently, less than 2% of the total assets of the Texas Fund are invested in B-rated bonds that would need to be disposed of in anticipation of the merger. As of September 30, 1993, the quality composition of the Tax-Exempt Securities in each Fund's portfolio was as follows:

	TEXAS FUND	INCOME FUND
AAA	25.3%	36.0%
AA	8.3%	23.6%
A	13.4%	16.8%
BBB	40.2%	20.0%
BB	11.8%	3.6%
B	1.0%	--

The higher over-all quality, and consequent lower risk profile, of the Income Fund may benefit the shareholders of the Texas Fund.

The principal difference in the Funds' investment policies is that the Texas Fund normally invests at least 65% of its assets in Tax Exempt Securities of Texas issuers, while the Income Fund is not subject to such a requirement and normally invests in Tax Exempt Securities of issuers located in several states. Another significant difference is that the Texas Fund is classified as a "non-diversified" fund under the Investment Company Act of 1940 (the "1940 Act"), permitting it to invest a higher percentage of its assets in the securities of a single issuer than the Income Fund which is classified as a "diversified" Fund.

Despite these differences, the securities currently held by the

Income Fund are substantially similar, but for their broader geographic diversification, to those securities currently held by the Texas Fund. Consequently, the proposed reorganization is not expected to result in a significant amount of portfolio turnover as a result of the Income Fund's disposal of investments.

Because both Funds have identical investment objectives, very similar investment policies and currently invest in certain of the same issues, the reorganization will not affect the strategy or style in which a shareholder's investment will be managed.

MANAGEMENT FEES AND OTHER EXPENSES. Both Funds pay a quarterly fee to Putnam Management based on their respective average net assets, as determined at the close of business each day during the quarter, at an annual rate of .60% of the first \$500 million of average net assets, .50% of the next \$500 million, .45% of the next \$500 million and .40% of any amount over \$1.5 billion. This would result in an effective fee rate of .47% based on the average net assets for Class A shares of the Income Fund of \$2.29 billion for the calendar year ended December 31, 1993. Pursuant to an expense limitation currently in effect through April 30, 1994 Putnam Management has agreed to reduce its compensation and, where necessary, absorb other expenses of the Texas Fund, to the extent that total operating expenses of the Fund (exclusive of brokerage, interest, taxes, deferred organizational and extraordinary expense and payments under the Fund's Distribution Plan) exceed an annual rate of .90% of the Fund's average net assets. The Texas Fund currently pays management fees at the rate of .46% (reflecting the expense limitation). In the absence of the expense limitation, the Texas fund would pay fees at the rate of .60% based upon average net assets of \$15.38 million for the calendar year ended December 31, 1993.

The Funds have adopted identical Distribution Plans pursuant to Rule 12b-1 under the Investment Company Act of 1940 to permit the Funds to compensate Putnam Mutual Funds Corp. ("Putnam Mutual Funds") for services provided and expenses incurred by it in promoting the sale of Class A shares of the Income Fund and shares of the Texas Fund, reducing redemptions, or maintaining or improving services provided to shareholders by Putnam Mutual Funds or dealers. See "Distribution Plans" in the enclosed Income Fund Prospectus for a detailed description of the Plan.

The Income Fund incurred total fund operating expenses for its fiscal year ended September 30, 1993 of .78%. For the fiscal year ended January 31, 1994, Putnam Management projects that the Texas Fund will incur total fund operating expenses of 1.06%, reflecting the expense limitation described above and distribution plan payments less than the maximum permitted by the plan. In the absence of the expense limitation and with full payment of distribution plan payments, such projected expenses would be 1.22%.

Putnam Management has advised the Trustees that it expects, based on the projected relative sizes of the two Funds, that the management fees paid by the Income Fund after the proposed

reorganization would likely be paid at the effective rate of .47%. Putnam Management believes the Income Fund's total expenses following the reorganization would amount to approximately .77% of the Fund's net assets as compared to the Texas Fund's current expense level of 1.06% of net assets (after expense limitation). The above expense projections are based upon average net assets of approximately \$2.29 billion for Class A shares of the Income Fund and \$15.38 million for the Texas Fund for the calendar year ended December 31, 1993.

OPERATING PROCEDURES. The procedures for purchasing and redeeming shares of the Texas Fund and Class A shares of the Income Fund, and for exchanging such shares of each Fund for shares of other Putnam funds, are identical and are described in detail in the enclosed Income Fund Prospectus.

PERFORMANCE. The tax-equivalent yield for the thirty-day period ended December 31, 1993 was 8.43% for Class A shares of the Income Fund and 8.29% (8.06% in the absence of the expense limitation discussed above) for the Texas Fund. The actual yield for this same period was 5.09% for Class A shares of the Income Fund and 5.01% (4.87% in the absence of the expense limitation) for the Texas Fund. The total return for the twelve-month period ended December 31, 1993 was 7.99% for Class A shares of the Income Fund and 7.1% (which would have been lower in the absence of the expense limitation) for the Texas Fund. See "How performance is shown" in the enclosed Tax Exempt Fund Prospectus for a description of tax-equivalent yield, yield and total return.

RISK FACTORS

Because the Income Fund and the Texas Fund share similar investment objectives and policies, the risks of an investment in the Income Fund are similar to the risks of an investment in the Texas Fund, except with respect to concentration and diversification as noted below.

CERTAIN RISKS ASSOCIATED WITH INVESTMENTS IN TAX EXEMPT SECURITIES. The market value of the Funds' investments will change in response to changes in interest rates and other factors. During periods of falling interest rates, the values of long-term fixed-income securities generally rise. Conversely, during periods of rising interest rates, the values of such securities generally decline. Changes by recognized rating services in their ratings of Tax Exempt Securities and in the ability of an issuer to make payments of interest and principal will also affect the value of these investments. Changes in the value of portfolio securities will not affect interest income dividend from those securities but will affect the net asset value of the Funds.

LOWER-RATED SECURITIES. The Funds may invest in both higher-

rated and lower-rated Tax Exempt Securities. The values of lower-rated securities generally fluctuate more than those of higher-rated securities. In addition, the lower rating reflects a greater possibility that the financial condition of the issuer, or adverse changes in general economic conditions, or both, may impair the ability of the issuer to make payments of income and principal. The Income Fund will not purchase a Tax Exempt Security rated Ba by Moody's and BB by Standard & Poor's at the time of purchase, or, if unrated, determined by Putnam Management to be of comparable quality if, as a result, more than 25% of the Fund's total assets would be of that quality. The Texas Fund will not purchase a Tax Exempt Security rated both Ba or B by Moody's and BB or B by Standard & Poor's at the time of purchase, or, if unrated, determined by Putnam Management to be of comparable quality if, as a result, more than 25% of the Fund's total assets would be of that quality. The rating services' descriptions of the six highest grades of debt securities are included in the Fund's Statement of Additional Information. Tax Exempt Securities rated Ba or BB or lower, commonly known as "junk bonds", are considered to have speculative elements, with large uncertainties or major risk exposures to adverse conditions.

OPTIONS AND FUTURES TRANSACTIONS AND OTHER INVESTMENT PRACTICES. The ability of both Funds to engage in options and futures transactions involves certain risks, including the risks that the Fund will be unable at times to close out such positions, that such transactions may not accomplish their purpose because of imperfect market correlations, or that Putnam Management may not forecast market movements correctly.

Finally, to the extent that a Fund exercises its ability to engage in certain investment practices, such as repurchase agreements and securities lending, it may be delayed in recovering or unable to recover its collateral in the event of default by the other party. In purchasing securities for future delivery, a Fund runs the risk of a decline in the value of such securities prior to the settlement date.

CONCENTRATION OF INVESTMENTS IN SECURITIES OF TEXAS ISSUERS. Since the Texas Fund's portfolio investments generally emphasize Tax Exempt Securities of Texas issuers, the value of its shares may be especially affected by factors pertaining to the Texas economy and other factors specifically affecting the ability of Texas issuers of such securities to meet their obligations. The Income Fund, on the other hand, may take full advantage of the entire geographic range of Tax Exempt Securities.

NON-DIVERSIFIED INVESTMENT COMPANY. Because the Texas Fund is a "non-diversified" investment company, it is more likely to invest a higher percentage of its assets in the securities of a single issuer or of a limited number of issuers than the Income Fund, which is a "diversified" investment company investing in a broader range of securities. This practice involves an increased risk of loss to the Texas Fund if the issuers were to be unable

to make interest or principal payments or if the market values of such securities were to decline.

INTRODUCTION

This Prospectus/Proxy Statement is furnished in connection with the proposed reorganization of Putnam Texas Tax Exempt Income Fund (the "Texas Fund") by the transfer of all of its assets and liabilities to Putnam Tax Exempt Income Fund (the "Income Fund") and the solicitation of proxies by and on behalf of the Trustees of the Texas Fund for use at the Meeting of Shareholders (the "Meeting"). The Meeting is to be held on May 5, 1994 at 1:00 p.m. at One Post Office Square, 8th Floor, Boston, Massachusetts. This Prospectus/Proxy Statement and the enclosed form of proxy are being mailed to shareholders on or about _____, 1994.

Any shareholder giving a proxy has the power to revoke it by mail (addressed to the Texas Fund's Clerk at the principal office of the Texas Fund, One Post Office Square, Boston, Massachusetts 02109) or in person at the meeting, by executing a superseding proxy, or by submitting a notice of revocation to the Texas Fund. All properly executed proxies received in time for the Meeting will be voted as specified in the proxy, or, if no specification is made, FOR the proposal (set forth in item (1) of the Notice of Meeting) to implement the reorganization of the Texas Fund by the transfer of all of its assets to the Income Fund in exchange for the Class A Shares of the Income Fund (the "Income Fund Shares") and the assumption by the Income Fund of all of the liabilities of the Texas Fund.

At February 11, 1994 there were outstanding _____ shares of beneficial interest of the Texas Fund. Only shareholders of record on February 11, 1994 will be entitled to notice of and to vote at the Meeting. Each share is entitled to one vote, with fractional shares voting proportionally.

The Texas Fund's Trustees know of no matters other than those set forth herein to be brought before the Meeting. If, however, any other matters properly come before the Meeting, it is the Trustees' intention that proxies will be voted on such matters in accordance with the judgment of the persons named in the enclosed form of proxy.

PROPOSAL REGARDING APPROVAL OR DISAPPROVAL OF AGREEMENT AND PLAN OF REORGANIZATION

The shareholders of the Texas Fund are being asked to approve or disapprove the Agreement and Plan of Reorganization by and between the Income Fund and the Texas Fund, dated as of February _____, 1994 (the "Agreement"), a copy of which is attached to this Prospectus/Proxy Statement as Exhibit A. The Agreement provides, among other things, for the transfer of all of the assets of the Texas Fund to the Income Fund in exchange for the assumption by the Income Fund of all of the liabilities of the Texas Fund and for a number of Income Fund Shares, calculated based on the value

of the net assets of the Texas Fund acquired by the Income Fund and the net asset value per Income Fund Share, all as more fully described below under "Information about the Reorganization". After receipt of the Income Fund Shares, the Texas Fund will cause the Income Fund Shares to be distributed to its shareholders in complete liquidation of the Texas Fund, and the legal existence of the Texas Fund as a separate business trust under Massachusetts law will be terminated. In addition, the Texas Fund will file an application for deregistration under Section 8(f) of the Investment Company Act of 1940.

Prior to the date of the transfer (the "Exchange Date"), the Texas Fund will declare a distribution to shareholders which, together with all previous distributions, will have the effect of distributing to shareholders all of its investment company taxable income (computed without regard to the deduction for dividends paid) and net realized capital gains, if any, through the Exchange Date.

The Trustees of the Texas Fund have voted unanimously to approve the proposed transaction and to recommend that shareholders also approve the transaction. The affirmative vote of two-thirds (66 2/3%) of the outstanding shares of beneficial interest of the Texas Fund that are entitled to be voted at the Meeting is necessary for the consummation of the proposed transactions. The Income Fund and the Texas Fund have the same Trustees.

A shareholder of the Texas Fund objecting to the proposed transaction is not entitled under either Massachusetts law or the Agreement and Declaration of Trust to demand payment for and an appraisal of his or her Texas Fund shares if the transaction is consummated over his or her objection. Like shares of the Texas Fund, shares of the Income Fund are redeemable for cash at their net asset value on any day on which the New York Stock Exchange is open.

In the event that this proposal is not approved by the shareholders of the Texas Fund, the Texas Fund will continue to be managed as a separate fund in accordance with its current investment objectives and policies, and the Trustees may consider alternatives in the best interests of the shareholders.

BACKGROUND AND REASONS FOR THE PROPOSED REORGANIZATION

The Trustees of each of the Income Fund and the Texas Fund have determined that the reorganization would be in the best interests of each Fund's shareholders, and that the interests of existing shareholders of each of the Funds would not be diluted as a result of effecting the reorganization. The Trustees, including all Trustees who are not "interested persons" of the Income Fund and the Texas Fund, have unanimously approved the proposed reorganization and have recommended its approval by shareholders.

The principal reasons why the Trustees are recommending the

reorganization are:

(1) ECONOMIES OF SCALE. The proposed reorganization would achieve economies of scale for the shareholders of the Texas Fund by permitting them to invest in a substantially larger Fund with an identical investment objective and very similar investment policies. Such economies of scale will have an immediate positive impact on the Texas Fund, given its small size.

Based upon the projections of Putnam Management, the Trustees believe that following the combination of the Funds, the expense ratio of the Income Fund will be lower than the expenses the Texas Fund would likely incur if the combination were not effected. Putnam Management has advised the Trustees that it expects, based on the projected relative sizes of the two Funds, that the management fees paid by the Income Fund after the proposed reorganization would likely be paid at the effective rate of .47%. Putnam Management also believes that the projected total annual expense rate of 1.06% (after expense limitation) of net assets currently paid by shareholders of the Texas Fund would decline to .77% of net assets after the contemplated reorganization, assuming average net assets of \$2,289,750,000 for Class A shares of the Income Fund and \$15,376,000 for the Texas Fund.

(2) PERFORMANCE BENEFITS. Putnam Management believes that the projected economies of scale achieved by the reorganization and other factors relating to the small size of the Texas Fund will result in performance benefits for Texas Fund shareholders acquiring Income Fund Shares pursuant to the reorganization. The Texas Fund had a tax-equivalent yield of 8.24% (8.06% in the absence of the expense limitation) for the thirty-day period ended December 31, 1993 as compared to a tax-equivalent yield for the same period of 8.43% for Class A shares of the Income Fund. The actual yield for the Texas Fund and the Class A shares of the Income Fund for the same period was 5.01% (4.87% in the absence of the expense limitation) and 5.09%, respectively. The total return for the twelve-month period ended December 31, 1993 was 7.26% (which would have been lower in the absence of the expense limitation) for the Texas Fund and 8.01% for Class A Shares of the Income Fund. Putnam Management expects that over time the relative performance advantages of the Income Fund over the Texas Fund would increase if the reorganization were not implemented as a result of the projected higher operating expenses of the Texas Fund and the investment management limitations inherent in a portfolio as small as the Texas Fund. Putnam Management does not believe that the Texas Fund has reached (or is likely to reach in the future) a sufficient net asset level to achieve competitive investment returns over the long-term.

(3) ABILITY TO EXCHANGE AN INVESTMENT IN THE TEXAS FUND FOR AN INVESTMENT IN THE INCOME FUND WITHOUT RECOGNITION OF GAIN OR LOSS FOR FEDERAL INCOME TAX PURPOSES. If a shareholder in the Texas Fund were to redeem an investment in the Texas Fund in order to invest in the Income Fund or another investment product, gain or

loss would be recognized by that shareholder for federal income tax purposes upon the redemption of those shares. If the Texas Fund were liquidated or were reorganized in a taxable reorganization, the transaction would likely result in a taxable event for shareholders. By contrast, the proposed reorganization will permit the Texas Fund's shareholders to exchange their investment in the Texas Fund for an investment in the Income Fund without recognition of gain or loss for federal income tax purposes. After the reorganization, as shareholders of an open-end fund, shareholders will be free to redeem any or all of their the Income Fund Shares at net asset value at any time, at which point a taxable gain or loss would be recognized.

INFORMATION ABOUT THE REORGANIZATION

AGREEMENT AND PLAN OF REORGANIZATION. The proposed Agreement and Plan of Reorganization (the "Agreement") provides that the Income Fund will acquire all of the assets of the Texas Fund in exchange for the assumption by the Income Fund of all of the liabilities of the Texas Fund and for the issuance of Income Fund Shares, all as of the Exchange Date (defined in the Agreement to be the next full business day following the Valuation Time, defined in the Plan as 4:00 p.m. Boston time on May 9, 1994 or such other date as may be agreed upon by the parties). The following discussion of the Agreement is qualified in its entirety by the full text of the Agreement, which is attached as Exhibit A to this Prospectus/Proxy Statement.

The Texas Fund will transfer all of its assets to the Income Fund, and in exchange, the Income Fund will assume all of the liabilities of the Texas Fund and deliver to the Texas Fund a number of full and fractional Income Fund Shares having an aggregate net asset value equal to the value of the assets of the Texas Fund transferred to the Texas Fund, less the value of the liabilities of the Texas Fund assumed by the Income Fund.

As a result of the proposed transaction, each shareholder of the Texas Fund will receive that number of full and fractional Income Fund Shares equal in aggregate value at the Exchange Date to the value of the shares of the Texas Fund held by the shareholder. Portfolio securities of the Income Fund and the Texas Fund will be valued in accordance with the valuation practices which are described under "How the Fund values its shares" in the enclosed Income Fund Prospectus. The reorganization is being accounted for as a tax-free business combination. The Trustees of the Texas Fund have determined that the interests of the Texas Fund's shareholders will not be diluted as a result of the transactions contemplated by the reorganization, and the Trustees of both Funds have determined that the proposed reorganization is in the best interests of each Fund.

Immediately following the Exchange Date, the Texas Fund will distribute pro rata to its shareholders of record as of the close of business on the Exchange Date the full and fractional Income Fund Shares received by the Texas Fund. Such liquidation and

distribution will be accomplished by the establishment of accounts on the share records of the Income Fund in the name of such Texas Fund's shareholders, each account representing the respective number of full and fractional the Income Fund Shares due such shareholder. New certificates for Income Fund Shares will be issued only upon written request.

The consummation of the reorganization is subject to the conditions set forth in the Agreement. The Agreement may be terminated and the reorganization abandoned at any time, before or after approval by the shareholders, prior to the Exchange Date by mutual consent of the Income Fund and the Texas Fund or, if any condition set forth in the Agreement has not been fulfilled and has not been waived by the party entitled to its benefits, by such party.

The Income Fund will not permit any Texas Fund shareholder holding certificates for Texas Fund shares at the Exchange Date to receive cash dividends or other distributions, receive certificates for Income Fund Shares, exchange Income Fund Shares for shares of other investment companies managed by Putnam Management or pledge or redeem Income Fund Shares until those certificates for Texas Fund shares have been surrendered, or, in the case of lost certificates, an adequate surety bond has been posted. If a shareholder is not for that reason permitted to receive cash dividends or other distributions on Income Fund Shares, the Income Fund will pay all such dividends and distributions in additional Income Fund Shares, notwithstanding any election the shareholder may have made previously to receive dividends and distributions on Texas Fund shares in cash.

All fees and expenses, including legal and accounting expenses, portfolio transfer taxes (if any) or other similar expenses incurred in connection with the consummation of the transactions contemplated by the Agreement will be allocated ratably between the two Funds in proportion to their net assets as of the day of the transfer, except that the costs of proxy materials and proxy solicitations will be borne by the Texas Fund. However, to the extent that any payment by the Income Fund of such fees or expenses would result in the disqualification of the Income Fund or the Texas Fund as a "regulated investment company" within the meaning of Section 851 of the Internal Revenue Code of 1986, as amended (the "Code"), such fees and expenses will be paid directly by the party incurring them.

Full and fractional Income Fund Shares will be issued to the Texas Fund's shareholders in accordance with the procedure under the Agreement as described above. Income Fund Shares (as defined above) are Class A shares of the Income Fund. Class A shares are normally sold pursuant to sales charges in different forms and amounts. Investors purchasing Class A shares pay a sales charge at the time of purchase. Class A shares of the Income Fund are not subject to redemption fees and such shares are subject to a 12b-1 fee at the annual rate of .20% of the Fund's average daily net assets attributable to Class A shares. Shareholders holding

shares of the Texas Fund will receive Class A shares of the Income Fund as described above, and will not pay the sales charge otherwise attributable to Class A Income Fund shares. Each Income Fund Share will be fully paid and nonassessable when issued, will be transferable without restriction, and will have no preemptive or conversion rights. Like that of the Texas Fund, the Income Fund's Agreement and Declaration of Trust permits the Fund to divide its shares, without shareholder approval, into two or more series of shares representing separate investment portfolios and to further divide any such series, without shareholder approval, into two or more classes of shares having such preferences and special or relative rights and privileges as the Trustees may determine. The Income Fund's shares are currently divided into Class A and Class B. As indicated above, only Class A shares will be distributed by the Income Fund in connection with the proposed reorganization. Class B shares of the Income Fund are described in detail in the enclosed Income Fund Prospectus.

Under Massachusetts law, shareholders could, under certain circumstances, be held personally liable for the obligations of the Income Fund. However, the Agreement and Declaration of Trust disclaims shareholder liability for acts or obligations of the Income Fund and requires that notice of such disclaimer be given in each agreement, obligation, or instrument entered into or executed by the Income Fund or the Trustees. The Agreement and Declaration of Trust provides for indemnification out of Fund property for all loss and expense of any shareholder held personally liable for the obligations of the Income Fund. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Income Fund would be unable to meet its obligations. The likelihood of such circumstances is remote. The shareholders of the Texas Fund are currently subject to this same risk of shareholder liability.

FEDERAL INCOME TAX CONSEQUENCES. As a condition to the Income Fund's obligations to consummate the reorganization, the Texas Fund will receive an opinion from Ropes & Gray, counsel to the Funds, to the effect that, on the basis of the existing provisions of the Code, current administrative rules, and court decisions, for federal income tax purposes: (i) under Section 361 of the Code, no gain or loss will be recognized by the Texas Fund as a result of the reorganization, (ii) under Section 354 of the Code, no gain or loss will be recognized by the shareholders of the Texas Fund on the distribution of the Income Fund Shares to them in exchange for their shares of the Texas Fund, (iii) under Section 358 of the Code, the basis of the Income Fund Shares that the Texas Fund shareholders receive in place of their Texas Fund Shares will be the same as the basis of Texas Fund Shares exchanged, and (iv) under Section 1223(1) of the Code, a shareholder's holding period for Income Fund Shares received pursuant to the Agreement will be determined by including the

holding period for the Texas Fund Shares exchanged for Income Fund Shares, provided that the shareholder held the Texas Fund shares as a capital asset.

CAPITALIZATION. The following tables show the capitalization of the Income Fund and the Texas Fund as of December 31, 1993:

(UNAUDITED)

The Income Fund			
CLASS A	CLASS B	TEXAS FUND	
Net assets.....			
(000's omitted)			
\$ 2,459,676		\$173,307	\$18,403
Shares			
outstanding ..			
(000's omitted)			
	259,025	18,262	1,946
Net asset value			
per share.....			
\$ 9.50	\$ 9.49	\$ 9.46	

VOTING INFORMATION

Proxies are being solicited from the Texas Fund's shareholders by the Trustees for the Meeting of Shareholders to be held on May 5, 1994 at 1:00 p.m., at One Post Office Square, 8th Floor, Boston, Massachusetts, or at such later time made necessary by adjournment. A proxy may be revoked at any time at or before the meeting by oral or written notice to Beverly Marcus, Clerk of the Fund, c/o Putnam Texas Fund Trust, One Post Office Square, Boston, Massachusetts 02109 or as otherwise described in the "Introduction", above. Unless revoked, all valid proxies will be voted in accordance with the specification thereon or, in the absence of specifications, FOR approval of the Agreement and Plan of Reorganization. The transactions contemplated by the Agreement will be consummated only if approved by the affirmative vote of the holders of at least two-thirds (66 2/3%) of the outstanding shares of the Texas Fund that are entitled to vote thereon at the Meeting. In the event the shareholders do not approve the reorganization, the Texas Fund's Trustees will consider possible alternative arrangements in the best interests of the Texas Fund and its shareholders.

Proxies are being solicited by mail. Additional solicitations may be made by telephone, telegraph, or personal contact by officers or employees of Putnam Management and its

affiliates or by proxy soliciting firms retained by the Texas Fund or the Income Fund. The Texas Fund may also arrange to have votes recorded by telephone. If this procedure were subject to a successful legal challenge, such votes would not be wanted at the meeting. The Texas Fund has retained at its expense Tritech Services, Four Corporate Place, Corporate Park 287, Piscataway, New Jersey 08854, to aid in the solicitation of proxies for a fee not to exceed \$ _____ plus reasonable out-of-pocket expenses.

Shareholders of record of the Texas Fund at the close of business on February 11, 1994 (the "record date") will be entitled to vote at the Meeting or any adjournment thereof. The holders of 30% of the shares of the Texas Fund outstanding at the close of business on the record date present in person or represented by proxy will constitute a quorum for the meeting; however, as noted above, the affirmative vote of at least two-thirds (66 2/3%) of the shares outstanding at the close of business on the record date is necessary to approve the reorganization. Shareholders are entitled to one vote for each share held, with fractional shares voting proportionally.

Votes cast by proxy or in person at the meeting will be counted by persons appointed by the Texas Fund as tellers for the meeting. The tellers will count the total number of votes cast "for" approval of the proposal for purposes of determining whether sufficient affirmative votes have been cast. The tellers will count shares represented by proxies that reflect abstentions and "broker non-votes" (i.e., shares held by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or the persons entitled to vote and (ii) the broker or nominee does not have the discretionary voting power on a particular matter) as shares that are present and entitled to vote on the matter for purposes of determining the presence of a quorum. Abstentions and broker non-votes have the effect of a negative vote on the proposal.

As of February 11, 1994 as shown on the books of the Texas Fund, there were issued and outstanding _____ shares of beneficial interest of the Texas Fund. As of _____, 199____, the officers and Trustees of the Texas Fund as a group beneficially owned less than 1% of the outstanding shares of the Texas Fund. At _____, 1994, to the best of the knowledge of the Texas Fund, no person owned beneficially 5% or more of the outstanding shares of the Texas Fund.

The votes of the shareholders of the Income Fund are not being solicited, since their approval or consent is not necessary for this transaction. As of _____, 1994, the officers and Trustees of the Income Fund as a group beneficially owned less than 1% of the outstanding shares of the Income Fund. At _____, 1994, to the best of the knowledge of the Income Fund, no person beneficially owned 5% or more of the outstanding shares of the Income Fund.

THE BOARD OF TRUSTEES OF PUTNAM TEXAS FUND TRUST, INCLUDING THE INDEPENDENT TRUSTEES, UNANIMOUSLY RECOMMEND APPROVAL OF THE PLAN.

PUTNAM TEXAS TAX EXEMPT INCOME FUND

PROXY FOR A MEETING OF
SHAREHOLDERS, MAY 5, 1994

THIS PROXY IS SOLICITED ON BEHALF OF THE TRUSTEES OF THE FUND.

The undersigned hereby appoints George Putnam, Hans H. Estin and William F. Pounds, and each of them separately, proxies, with power of substitution, and hereby authorizes them to represent and to vote, as designated below, at the Meeting of Shareholders of Putnam Texas Tax Exempt Income Fund on May 5, 1994, at 1:00 p.m., Boston time, and at any adjournments thereof, all of the shares of the Fund which the undersigned would be entitled to vote if personally present.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSAL 1. IN THEIR DISCRETION, THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING. THE TRUSTEES RECOMMEND A VOTE FOR THE PROPOSAL ON THE REVERSE SIDE.

PLEASE VOTE AND SIGN ON OTHER SIDE AND RETURN PROMPTLY IN ENCLOSED ENVELOPE.

NOTE: Please sign exactly as name appears on this card. All joint owners should sign. When signing as executor, administrator, attorney, trustee or guardian or as custodian for a minor, please give full title as such, if a corporation, please sign in full corporate name and indicate the signer's office. If a partner, sign in the partnership name.

CHANGE OF ADDRESS NOTIFICATION. Please use this form to inform us of any change in address or telephone number or to provide us with your comments. Detach this form from the Proxy Ballot and return it with your executed proxy in the enclosed envelope.

Has your address changed?

Do you have any comments?

1. Approval of the Agreement and Plan of Reorganization providing for the transfer of all of the assets of Putnam Texas Tax Exempt Income Fund (the "Fund") to Putnam Tax Exempt Income Fund (the "Income Fund") in exchange for Class A shares of the Income Fund and the assumption by the Income Fund of all of the liabilities of the Fund, and the distribution of such Class A shares to the shareholders of the Fund in liquidation of the Fund.

FOR

AGAINST

ABSTAIN

Please be sure to sign and date this Proxy.

Shareholder sign here

Co-owner sign here

Dated: , 199

PUTNAM TAX EXEMPT INCOME FUND

Statement of Additional Information

February , 1994

This Statement of Additional Information contains material which may be of interest to investors but which is not included in the Prospectus/Proxy Statement (the "Prospectus") of Putnam Tax Exempt Income Fund ("Income Fund") dated February , 1994 relating to the sale of all or substantially all of the assets of Putnam Texas Tax Exempt Income Fund ("Texas Fund") to Income Fund. The Texas Fund's Statement of Additional Information dated March , 1994 and The Income Fund's Statement of Additional Information dated February , 1994 respectively, have been filed with the Securities and Exchange Commission and are incorporated herein by reference. This Statement is not a Prospectus and is authorized for distribution only when it accompanies or follows delivery of the Prospectus. This Statement should be read in conjunction with the Prospectus. Investors may obtain a free copy of the Prospectus or either or both of the Statements of Additional Information by writing Putnam Investor Services, One Post Office Square, Boston, MA 02109 or by calling 1-800-225-1581.

INDEPENDENT ACCOUNTANTS AND FINANCIAL STATEMENTS

Coopers & Lybrand are each Fund's independent accountants, providing audit services, tax return review and other tax consulting services and assistance, and consultation in connection with the review of various Securities and Exchange Commission filings. The Report of Independent Accountants and financial statements included in the Income Fund's Annual Report

for the fiscal year ended September 30, 1993, filed electronically on December 2, 1993 (811-2675) are incorporated by reference into this Statement of Additional Information. The Report of Independent Accountants and financial statements included in the Texas Fund's Annual Report for the fiscal year ended January 31, 1993 filed electronically on April 1, 1993 (811-6228) are incorporated by reference into this Statement of Additional Information. The Report of Independent Accountants and financial statements included in the Texas Fund's semi-annual report for the six-month period ended July 31, 1993, filed electronically on October 1, 1993, are incorporated by reference into this Statement of Additional Information. The financial statements referred to above, and the financial highlights or selected per share data and ratios, as appropriate, of each Fund incorporated by reference into the Prospectus/Proxy Statements and the Statement of Additional Information have been so incorporated in reliance upon the report of Coopers & Lybrand, given on the authority of that firm as experts in auditing and accounting.

AGREEMENT AND PLAN OF REORGANIZATION

This Agreement and Plan of Reorganization (the "Agreement") is made as of February , 1994 in Boston, Massachusetts, by and between Putnam Tax Exempt Income Fund, a Massachusetts business trust (the "Income Fund"), and Putnam Texas Tax Exempt Income Fund, a Massachusetts business trust (the "Texas Fund").

PLAN OF REORGANIZATION

(a) The Texas Fund will sell, assign, convey, transfer and deliver to the Income Fund on the Exchange Date (as defined in Section 7) all of its properties and assets existing at the Valuation Time. In consideration therefor, the Income Fund shall, on the Exchange Date, assume all of the liabilities of the Texas Fund existing at the Valuation Time and deliver to the Texas Fund, a number of full and fractional Class A shares of beneficial interest of the Income Fund ("Income Fund Shares") having an aggregate net asset value equal to the value of the assets of the Texas Fund transferred to the Income Fund on such date less the value of the liabilities of the Texas Fund assumed by the Income Fund on that date. It is intended that the reorganization described in this Plan shall be a tax-free reorganization under the Internal Revenue Code of 1986, as amended (the "Code").

(b) Upon consummation of the transactions described in paragraph (a) of this Plan, the Texas Fund shall distribute in complete liquidation to its shareholders of record as of the Exchange Date the Income Fund Shares, each shareholder being entitled to receive that proportion of such Income Fund Shares which the number of shares of beneficial interest of the Texas Fund held by such shareholder bears to the number of shares of the Texas Fund outstanding on such date. Certificates representing the Income Fund Shares will be issued only if the shareholder so requests.

(c) As promptly as practicable after the liquidation of the Texas Fund as aforesaid, the Texas Fund shall be dissolved pursuant to the provisions of its Agreement and Declaration of Trust, as amended, and applicable law, and its legal existence terminated.

AGREEMENT

The Income Fund and the Texas Fund agree as follows:

1. REPRESENTATIONS AND WARRANTIES OF THE INCOME FUND. The Income Fund represents and warrants to and agrees with the Texas Fund that:

(a) The Income Fund is a business trust duly established and validly existing under the laws of The Commonwealth of Massachusetts and has power to own all of its properties and assets and to carry out its obligations under this Agreement. The Income Fund is not required to qualify as a foreign association in any jurisdiction. The Income Fund has all necessary federal, state and local authorizations to carry on its business as now being conducted and to carry out this Agreement.

(b) The Income Fund is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company, and such registration has not been revoked or rescinded and is in full force and effect.

(c) A statement of assets and liabilities, statements of operations, and statements of changes in net assets and schedules of investments (indicating their market values) of the Income Fund for the year ended September 30, 1993, such statements and schedules having been audited by Coopers & Lybrand, independent accountants, have been furnished to the Texas Fund. Such statements of assets and liabilities and schedules fairly present the financial position of the Income Fund as of their dates and said statements of operations and changes in net assets fairly reflect the results of its operations and changes in net assets for the periods covered thereby in conformity with generally accepted accounting principles.

(d) Post-Effective Amendment No. 25 (File No. 811-2675) to the Registration Statement of the Income Fund under the 1940 Act, as filed with the Securities and Exchange Commission (the "Commission") on February , 1994, previously furnished to the Texas Fund, did not as of such date and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(e) There are no material legal, administrative or other proceedings pending or, to the knowledge of the Income Fund, threatened against the Income Fund which assert liability on the part of the Income Fund.

(f) There are no material contracts outstanding to which the Income Fund is a party, other than as will be disclosed in the Proxy Statement.

(g) The Income Fund has no known liabilities of a material nature, contingent or otherwise, other than those shown as belonging to it on its statement of assets and liabilities as of September 30, 1993 and those incurred in the ordinary course of the Income Fund's business as an investment company since September 30, 1993.

(h) No consent, approval, authorization or order of any court or governmental authority is required for the consummation by the Income Fund of the transactions contemplated by this Agreement, except such as may be required under the 1933 Act, the Securities Exchange Act of 1934, as amended (the "1934 Act"), the 1940 Act, state securities or blue sky laws (which term as used herein shall include the laws of the District of Columbia and of Puerto Rico) or the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "H-S-R Act").

(i) The registration statement (the "Registration Statement") filed with the Commission by the Income Fund on Form N-14 relating to the Income Fund Shares issuable hereunder, and the proxy statement of the Texas Fund included therein (the "Proxy Statement"), on the effective date of the Registration Statement (i) will comply in all material respects with the provisions of the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder and (ii) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and at the time of the shareholders' meeting referred to in Section 8(a) and at the Exchange Date, the prospectus contained in the Registration Statement of which the Proxy Statement is a part (the "Prospectus"), as amended or supplemented by any amendments or supplements filed with the Commission by the Texas Fund, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that none of the representations and warranties in this subsection shall apply to statements in or omissions from the Registration Statement, the Prospectus or the Proxy Statement made in reliance upon and in conformity with information furnished by the Texas Fund for use in the Registration Statement, the Prospectus or the Proxy Statement.

(j) All of the issued and outstanding shares of beneficial interest of the Income Fund have been offered for sale and sold in conformity with all applicable federal securities laws.

(k) The Income Fund is and will at all times through the Exchange Date qualify for taxation as a "regulated investment company" under Sections 851 and 852 of the Code.

(l) The issuance of the Income Fund Shares pursuant to this Agreement will be in compliance with all applicable federal securities laws.

(m) The Income Fund shares to be issued to the Texas Fund have been duly authorized and, when issued and delivered pursuant to this Agreement, will be legally and validly issued and will be fully paid and nonassessable by the Income Fund, and no shareholder of the Income Fund will have any preemptive right of subscription or purchase in respect thereof.

2. REPRESENTATIONS AND WARRANTIES OF THE TEXAS FUND. The Texas Fund represents and warrants to and agrees with the Income Fund that:

(a) The Texas Fund is a business trust duly established and validly existing under the laws of The Commonwealth of Massachusetts and has power to carry on its business as it is now being conducted and to carry out this Agreement. The Texas Fund is not required to qualify as a foreign association in any jurisdiction. The Texas Fund has all necessary federal, state and local authorizations to own all of its properties and assets and to carry on its business as now being conducted and to carry out this Agreement.

(b) The Texas Fund is registered under the 1940 Act as an open-end management investment company and such registration has not been revoked or rescinded and is in full force and effect.

(c) A statement of assets and liabilities, statements of operations, and statements of changes in net assets and schedules of investments (indicating their market values) of the Texas Fund for the year ended January 31, 1994, such statements and schedules having been audited by Coopers & Lybrand, independent accountants, have been furnished to the Income Fund. Such statements of assets and liabilities and schedules fairly present the financial position of the Texas Fund as of their dates, and said statements of operations and changes in net assets fairly reflect the results of its operations and changes in financial position for the periods covered thereby in conformity with generally accepted accounting principles.

(d) Post-Effective Amendment No. 2 (File No. P11-6228) to the Registration Statement of the Texas Fund under the 1940 Act, to be as filed with the Commission on or about April , 1994.

(e) There are no material legal, administrative or other proceedings pending or, to the knowledge of the Texas Fund, threatened against the Texas Fund which assert liability or may, if successfully prosecuted to their conclusion, result in

liability on the part of the Texas Fund, other than as have been disclosed in the Prospectus.

(f) There are no material contracts outstanding to which the Texas Fund is a party, other than as will be disclosed in the Proxy Statement.

(g) The Texas Fund has no known liabilities of a material nature, contingent or otherwise, other than those shown on the Texas Fund's statement of assets and liabilities as of February , 1993 referred to above and those incurred in the ordinary course of the business of the Texas Fund as an investment company since such date. Prior to the Exchange Date, the Texas Fund will advise the Income Fund of all material liabilities, contingent or otherwise, incurred by it subsequent to February , 1994, whether or not incurred in the ordinary course of business.

(h) As used in this Agreement, the term "Investments" shall mean the Texas Fund's investments shown on the schedule of its investments as of February , 1994 referred to in Section 2(c) hereof, as supplemented with such changes as the Texas Fund shall make after advising the Income Fund of such proposed changes, and changes resulting from stock dividends, stock split-ups, mergers and similar corporate actions.

(i) The Texas Fund has filed or will file all federal and state tax returns which, to the knowledge of the Texas Fund's officers, are required to be filed by the Texas Fund and has paid or will pay all federal and state taxes shown to be due on said returns or on any assessments received by the Texas Fund. All tax liabilities of the Texas Fund have been adequately provided for on its books, and no tax deficiency or liability of the Texas Fund has been asserted, and no question with respect thereto has been raised, by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid.

(j) At both the Valuation Time (as defined in Section 3(c)) and the Exchange Date, the Texas Fund will have full right, power and authority to sell, assign, transfer and deliver the Investments and any other assets and liabilities of the Income Fund to be transferred to the Texas Fund pursuant to this Agreement. At the Exchange Date, subject only to the delivery of the Investments and any such other assets and liabilities as contemplated by this Agreement, the Income Fund will acquire the Investments and any such other assets subject to no encumbrances, liens or security interests whatsoever and without any restrictions upon the transfer thereof.

(k) No registration under the Securities Act of 1933, as amended (the "1933 Act"), of any of the Investments would be required if they were, as of the time of such transfer,

the subject of a public distribution by either of the Income Fund or the Texas Fund, except as previously disclosed to the Income Fund by the Texas Fund.

(l) No consent, approval, authorization or order of any court or governmental authority is required for the consummation by the Texas Fund of the transactions contemplated by this Agreement, except such as may be required under the 1933 Act, the 1934 Act, the 1940 Act, state securities laws or the H-S-R Act.

(m) The Registration Statement, the Prospectus and the Proxy Statement, on the Effective Date of the Registration Statement and insofar as they do not relate to the Income Fund (i) will comply in all material respects with the provisions of the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder and (ii) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and at the time of the shareholders' meeting referred to in Section 8(a) below and on the Exchange Date, the Prospectus, as amended or supplemented by any amendments or supplements filed with the Commission by the Income Fund, insofar as it does not relate to the Income Fund, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the representations and warranties in this subsection shall apply only to statements of fact relating to the Texas Fund contained in the Registration Statement, the Prospectus or the Proxy Statement, or omissions to state in any thereof a material fact relating to the Texas Fund, as such Registration Statement, Prospectus and Proxy Statement shall be furnished to the Texas Fund in definitive form as soon as practicable following effectiveness of the Registration Statement and before any public distribution of the Prospectus or Proxy Statement.

(n) The Texas Fund is and will at all times through the Exchange Date qualify for taxation as a "regulated investment company" under Sections 851 and 852 of the Code.

(o) At the Exchange Date, the Texas Fund will have sold such of its assets, if any, as necessary to assure that, after giving effect to the acquisition of the assets of the Texas Fund pursuant to this Agreement, the Income Fund will remain a "diversified company" within the meaning of Section 5(b)(1) of the 1940 Act and in compliance with such other mandatory investment restrictions as are set forth in the prospectus and statement of additional information of the Income Fund dated February , 1994 (collectively, the "Income Fund Prospectus"), previously furnished to the Texas Fund. The Income Fund Shares to be issued to the Texas Fund have been duly authorized and,

when issued and delivered pursuant to this Agreement, will be legally and validly issued and will be fully paid and nonassessable by the Texas Fund, and no shareholder of the Income Fund will have any preemptive right of subscription or purchase in respect thereof.

3. REORGANIZATION. (a) Subject to the requisite approval of the shareholders of the Texas Fund and to the other terms and conditions contained herein (including the Texas Fund's obligation to distribute to its shareholders all of its investment company taxable income and net capital gain as described in Section 9(m) hereof), the Texas Fund agrees to sell, assign, convey, transfer and deliver to the Income Fund, and the Income Fund agrees to acquire from the Texas Fund, on the Exchange Date all of the Investments and all of the cash and other properties and assets of the Texas Fund, whether accrued or contingent, in exchange for that number of shares of beneficial interest of the Income Fund provided for in Section 4 and the assumption by the Income Fund of all of the liabilities of the Texas Fund. Pursuant to this Agreement, the Texas Fund will, as soon as practicable after the Exchange Date, distribute all of the Income Fund Shares received by it to the shareholders of the Texas Fund in exchange for their shares of beneficial interest of the Texas Fund.

(b) The Texas Fund will pay or cause to be paid to the Income Fund any interest, cash dividends and other payments received by it on or after the Exchange Date with respect to the Investments and other properties and assets of the Texas Fund, whether accrued or contingent, transferred to the Income Fund hereunder received by it on or after the Exchange Date. The Texas Fund will transfer to the Income Fund any rights, stock dividends or other securities received by the Texas Fund after the Exchange Date as stock dividends or other distributions on or with respect to the Investments transferred, which rights, stock dividends and other securities shall be deemed included in the assets transferred to the Income Fund at the Exchange Date and shall not be separately valued unless the securities in respect of which such distribution is made shall have gone "ex" such distribution prior to the Valuation Time, in which case any such distribution which remains unpaid at the Exchange Date shall be included in the determination of the value of the assets of the Texas Fund acquired by the Income Fund.

(c) The Valuation Time shall be 4:00 p.m. Boston time on May 6, 1994 or such earlier or later day as may be mutually agreed upon in writing by the parties hereto (the "Valuation Time").

4. EXCHANGE DATE; VALUATION TIME. On the Exchange Date, the Income Fund will deliver to the Texas Fund, a number of full

and fractional Income Fund Shares having an aggregate net asset value equal to the value of assets of the Texas Fund transferred to the Income Fund on such date less the value of the liabilities of the Texas Fund attributable to shares of the Texas Fund assumed by the Income Fund on that date, determined as hereafter provided in this Section 4.

(a) The net asset value of the Income Fund Shares to be delivered to the Texas Fund, the value of the assets of the Texas Fund and the value of the liabilities of the Texas Fund to be assumed by the Income Fund shall in each case be determined as of the Valuation Time.

(b) The net asset value of the Income Fund Shares shall be computed in the manner set forth in the current Income Fund Prospectus. The value of the assets and liabilities of the Texas Fund shall be determined by the Income Fund, in cooperation with the Texas Fund, pursuant to procedures customarily used by the Income Fund in valuing the Income Fund's assets.

(c) No formula will be used to adjust the net asset value of either the Texas Fund or the Income Fund to take into account differences in realized and unrealized gains and losses.

(d) The Income Fund shall issue the Income Fund Shares to the Texas Fund in one certificate (excluding any fractional share) registered in the name of the Texas Fund. The Texas Fund shall distribute the Income Fund Shares to the shareholders of the Texas Fund by redelivering such certificate to the Income Fund's transfer agent which will as soon as practicable set up open accounts for each Texas Fund shareholder in accordance with written instructions furnished by the Texas Fund. With respect to any Texas Fund shareholder holding the Texas Fund share certificates as of the Exchange Date, the Income Fund will not permit such shareholder to receive dividends and other distributions on the Income Fund Shares (although such dividends and other distributions shall be credited to the account of such shareholder), receive certificates representing the Income Fund Shares, exchange the Income Fund Shares credited to such shareholder's account for shares of other investment companies managed by Putnam, or pledge or redeem such Shares until notified by the Texas Fund or the shareholder's agent that such shareholder has surrendered his or her outstanding Texas Fund certificates or, in the event of lost, stolen or destroyed certificates, posted adequate bond. In the event that a shareholder shall not be permitted to receive dividends and other distributions on the Income Fund Shares as provided in the preceding sentence, the Income Fund shall pay any such dividends or distributions in additional Income Fund Shares, notwithstanding any election such shareholder shall have made previously with respect to the payment, in cash or otherwise, of

dividends and distributions on shares of the Texas Fund. The Texas Fund will, at its expense, request the shareholders of the Texas Fund to surrender their outstanding Texas Fund certificates, or post adequate bond, as the case may be.

(e) The Income Fund shall assume all liabilities of the Texas Fund, whether accrued or contingent, in connection with the acquisition of assets and subsequent dissolution of the Texas Fund or otherwise.

5. EXPENSES, FEES, ETC. (a) All fees and expenses, including legal and accounting expenses, portfolio transfer taxes (if any) or other similar expenses incurred in connection with the consummation by the Texas Fund and the Income Fund of the transactions contemplated by this Agreement will be allocated ratably between the two Funds in proportion to their net assets as of the Valuation Time, except that the costs of proxy materials and proxy solicitation will be borne by the Texas Fund; PROVIDED, HOWEVER, that such expenses will in any event be paid by the party directly incurring such expenses if and to the extent that the payment by the other party of such expenses would result in the disqualification of the Income Fund or the Texas Fund, as the case may be, as a "regulated investment company" within the meaning of Section 851 of the Code.

(b) In the event the transactions contemplated by this Agreement are not consummated by reason of the Income Fund's being either unwilling or unable to go forward (other than by reason of the nonfulfillment or failure of any condition to the Income Fund's obligations referred to in Section 8(a) or Section 9) the Income Fund shall pay directly all reasonable fees and expenses incurred by the Texas Fund in connection with such transactions, including, without limitation, legal, accounting and filing fees.

(c) In the event the transactions contemplated by this Agreement are not consummated by reason of the Texas Fund's being either unwilling or unable to go forward (other than by reason of the nonfulfillment or failure of any condition to the Texas Fund's obligations referred to in Section 8(a) or Section 10), the Texas Fund shall pay directly all reasonable fees and expenses incurred by the Income Fund in connection with such transactions, including without limitation legal, accounting and filing fees.

(d) In the event the transactions contemplated by this Agreement are not consummated for any reason other than (i) the Income Fund's or the Texas Fund's being either unwilling or unable to go forward or (ii) the nonfulfillment or failure of any condition to the Income Fund's or the Texas Fund's obligations referred to in Section 8(a), Section 9 or Section 10 of this

Agreement, then each of the Income Fund and the Texas Fund shall bear all of its own expenses incurred in connection with such transactions.

(e) Notwithstanding any other provisions of this Agreement, if for any reason the transactions contemplated by this Agreement are not consummated, no party shall be liable to the other party for any damages resulting therefrom, including without limitation consequential damages, except as specifically set forth above.

6. PERMITTED ASSETS. The Income Fund agrees to advise the Texas Fund promptly if at any time prior to the Exchange Date the assets of the Texas Fund include any assets that the Income Fund is not permitted, or reasonably believes to be unsuitable for it, to acquire, including without limitation any security that, prior to its acquisition by the Texas Fund, the Income Fund has informed the Texas Fund is unsuitable for the Income Fund to acquire.

7. EXCHANGE DATE. Delivery of the assets of the Texas Fund to be transferred, assumption of the liabilities of the Texas Fund to be assumed and the delivery of the Income Fund Shares to be issued shall be made at the offices of Ropes & Gray, One International Place, Boston, Massachusetts, at 10:00 A.M. on the next full business day following the Valuation Time, or at such other time and date agreed to by the Income Fund and the Texas Fund, the date and time upon which such delivery is to take place being referred to herein as the "Exchange Date."

8. MEETING OF SHAREHOLDERS; DISSOLUTION. (a) The Texas Fund agrees to call a meeting of its shareholders as soon as is practicable after the effective date of the Registration Statement for the purpose of considering the sale of all of its assets to and the assumption of all of its liabilities by the Income Fund as herein provided, adopting this Agreement, and authorizing the liquidation and dissolution of the Texas Fund, and it shall be a condition to the obligations of each of the parties hereto that the holders of at least two-thirds (66 2/3%) of the shares of beneficial interest of the Texas Fund shall have approved such vote at such a meeting on or before the Valuation Time.

(b) The Texas Fund agrees that the liquidation and dissolution of the Texas Fund will be effected in the manner provided in the Texas Fund's Agreement and Declaration of Trust in accordance with applicable law, and that on and after the Exchange Date, the Texas Fund shall not conduct any business except in connection with its liquidation and dissolution.

(c) The Income Fund will, as promptly as practicable after the preparation and delivery to the Income Fund by the Texas Fund

of a preliminary version of the Proxy Statement which is satisfactory to the Income Fund and to Ropes & Gray for inclusion in the Registration Statement, file the Registration Statement with the Commission. Each of the Texas Fund and the Income Fund will cooperate with the other, and each will furnish to the other the information relating to itself required by the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder to be set forth in the Registration Statement, including the Prospectus and the Proxy Statement.

9. CONDITIONS TO THE INCOME FUND'S OBLIGATIONS. The obligations of the Income Fund hereunder shall be subject to the following conditions:

(a) That this Agreement shall have been adopted and the transactions contemplated hereby shall have been approved by the affirmative vote of the holders of at least two-thirds (66 2/3%) of the outstanding shares of beneficial interest of the Texas Fund.

(b) That the Texas Fund shall have furnished to the Income Fund a statement of the Texas Fund's assets and liabilities, with values determined as provided in Section 4 of this Agreement, together with a list of Investments and all other properties and assets of the Texas Fund, whether accrued or contingent, with their respective tax costs (if applicable), all as of the Valuation Time, certified on the Texas Fund's behalf by its President (or any Vice President) and Treasurer, and a certificate of both such officers, dated the Exchange Date, that there has been no material adverse change in the financial position of the Texas Fund since February , 1994 other than changes in the Investments and other properties and assets of the Texas Fund since that date or changes in the market value of the Investments and other properties and assets of the Texas Fund, or changes due to net redemptions of shares of the Texas Fund, dividends paid or losses from operations.

(c) That the Texas Fund shall have furnished to the Income Fund a statement, dated the Exchange Date, signed by the Texas Fund's President (or any Vice President) and Treasurer certifying that as of the Valuation Time and as of the Exchange Date all representations and warranties of the Texas Fund made in this Agreement are true and correct in all material respects as if made at and as of such dates and the Texas Fund has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to such dates.

(d) That the Texas Fund shall have delivered to the Income Fund a letter from Coopers & Lybrand dated the Exchange Date stating that such firm reviewed the federal and state income tax returns of the Texas Fund for the year ended January 31, 1994,

and for the period from February , 1994 to the Exchange Date, and that, in the course of such review, nothing came to their attention which caused them to believe that such returns did not properly reflect, in all material respects, the federal and state income taxes of the Texas Fund for the periods covered thereby, or that the Texas Fund would not qualify as a regulated investment company for federal income tax purposes.

(e) That there shall not be any material litigation pending with respect to the matters contemplated by this Agreement.

(f) That the Income Fund shall have received an opinion of Ropes & Gray, in form satisfactory to the Income Fund and dated the Exchange Date, to the effect that (i) the Texas Fund is a business trust duly established and validly existing under the laws of The Commonwealth of Massachusetts, and the Texas Fund is not, to the knowledge of such counsel, required to qualify to do business as a foreign association in any jurisdiction, (ii) this Agreement has been duly authorized, executed, and delivered by the Texas Fund and, assuming that the Registration Statement, the Prospectus and the Proxy Statement comply with the 1933 Act, the 1934 Act and the 1940 Act and assuming due authorization, execution and delivery of this Agreement by the Income Fund, is a valid and binding obligation of the Texas Fund, (iii) the Texas Fund has power to sell, assign, convey, transfer and deliver the assets contemplated hereby and, upon consummation of the transactions contemplated hereby in accordance with the terms of this Agreement, the Texas Fund will have duly sold, assigned, conveyed, transferred and delivered such assets to the Income Fund, (iv) the execution and delivery of this Agreement did not, and the consummation of the transactions contemplated hereby will not, violate the Texas Fund's Agreement and Declaration of Trust, as amended, or any provision of any agreement known to such counsel to which the Texas Fund is a party or by which it is bound, and (v) no consent, approval, authorization or order of any court or governmental authority is required for the consummation by the Texas Fund of the transactions contemplated hereby, except such as have been obtained under the 1933 Act, the 1934 Act and the 1940 Act and such as may be required under state securities or blue sky laws and the H-S-R Act, it being understood that with respect to investment restrictions as contained in the Texas Fund's Agreement and Declaration of Trust, Bylaws or then-current prospectus or statement of additional information, such counsel may rely upon a certificate of an officer of the Texas Fund whose responsibility it is to advise the Texas Fund with respect to such matters.

(g) That the Income Fund shall have received an opinion of Ropes & Gray, in form satisfactory to the Income Fund, with respect to the matters specified in Section 10(f) of this Agreement, and such other matters as the Income Fund may

reasonably deem necessary or desirable.

(h) That the Income Fund shall have received an opinion of Ropes & Gray to the effect that for federal income tax purposes (i) no gain or loss will be recognized by the Income Fund upon receipt of the Investments and other assets transferred to the Income Fund pursuant to this Agreement in exchange for the Income Fund Shares, (ii) the basis to the Income Fund of the Investments and such other assets will be the same as the basis of the assets in the hands of the Texas Fund immediately prior to such exchange, and (iii) the Income Fund's holding periods with respect to the Investments and such other assets will include the respective periods for which the Investments and such other assets were held by the Texas Fund.

(i) That the assets of the Texas Fund to be acquired by the Income Fund will include no assets which the Income Fund, by reason of charter limitations or of investment restrictions disclosed in the Income Fund Prospectus in effect on the Exchange Date, may not properly acquire.

(j) That the Registration Statement shall have become effective under the 1933 Act, and no stop order suspending such effectiveness shall have been instituted or, to the knowledge of the Income Fund, contemplated by the Commission.

(k) That the Income Fund shall have received from the Commission, any relevant state securities administrator, the Federal Trade Commission (the "FTC") and the Department of Justice (the "Department") such order or orders as Ropes & Gray deems reasonably necessary or desirable under the 1933 Act, the 1934 Act, the 1940 Act, any applicable state securities or blue sky laws and the H-S-R Act in connection with the transactions contemplated hereby, and that all such orders shall be in full force and effect.

(l) That all proceedings taken by the Texas Fund in connection with the transactions contemplated by this Agreement and all documents incidental thereto shall be satisfactory in form and substance to the Income Fund and Ropes & Gray.

(m) That, prior to the Exchange Date, the Texas Fund shall have declared a dividend or dividends which, together with all previous such dividends, shall have the effect of distributing to the shareholders of the Texas Fund all of the Texas Fund's investment company taxable income for its taxable years ending on or after February , 1994 and on or prior to the Exchange Date (computed without regard to any deduction for dividends paid), and all of its net capital gain realized in each of its taxable years ending on or after February , 1994 and on or prior to the Exchange Date.

(n) That the Texas Fund shall have furnished to the Income Fund a certificate, signed by the President (or any Vice President) and the Treasurer of the Texas Fund, as to the tax cost to the Texas Fund of the securities delivered to the Income Fund pursuant to this Agreement, together with any such other evidence as to such tax cost as the Income Fund may reasonably request.

(o) That the Texas Fund's custodian shall have delivered to the Income Fund a certificate identifying all of the assets of the Texas Fund held by such custodian as of the Valuation Time.

(p) That the Texas Fund's transfer agent shall have provided to the Income Fund (i) the originals or true copies of all of the records of the Texas Fund in the possession of such transfer agent as of the Exchange Date, (ii) a certificate setting forth the number of shares of the Texas Fund outstanding as of the Valuation Time and (iii) the name and address of each holder of record of any such shares and the number of shares held of record by each such shareholder.

(q) That all of the issued and outstanding shares of beneficial interest of the Texas Fund shall have been offered for sale and sold in conformity with all applicable state securities or blue sky laws and, to the extent that any audit of the records of the Texas Fund or its transfer agent by the Income Fund or its agents shall have revealed otherwise, the Texas Fund shall have taken all actions that in the opinion of the Income Fund or its counsel are necessary to remedy any prior failure on the part of the Texas Fund to have offered for sale and sold such shares in conformity with such laws.

(r) That the Income Fund shall have received from Coopers & Lybrand a letter addressed to the Income Fund dated as of the Exchange Date satisfactory in form and substance to the Income Fund to the effect that, on the basis of limited procedures agreed upon by the Income Fund and described in such letter (but not an examination in accordance with generally accepted auditing standards), as of the Valuation Time the value of the assets of the Texas Fund to be exchanged for the Income Fund Shares has been determined in accordance with the provisions of the Income Fund's Agreement and Declaration of Trust, pursuant to the procedures customarily utilized by the Income Fund in valuing its assets and issuing its shares.

10. CONDITIONS TO THE TEXAS FUND'S OBLIGATIONS. The obligations of the Texas Fund hereunder shall be subject to the following conditions:

(a) That this Agreement shall have been adopted and the

transactions contemplated hereby shall have been approved by the affirmative vote of the holders of at least two-thirds (66 2/3%) of the outstanding shares of beneficial interest of the Texas Fund.

(b) That the Income Fund shall have furnished to the Texas Fund a statement of the Income Fund's net assets, together with a list of portfolio holdings with values determined as provided in Section 4, all as of the Valuation Time, certified on the Income Fund's behalf by its President (or any Vice President) and Treasurer (or any Assistant Treasurer), and a certificate of both such officers, dated the Exchange Date, to the effect that as of the Valuation Time and as of the Exchange Date there has been no material adverse change in the financial position of the Income Fund since September 30, 1993, other than changes in its portfolio securities since that date, changes in the market value of its portfolio securities, changes due to net redemptions, dividends paid or losses from operations.

(c) That the Income Fund shall have executed and delivered to the Texas Fund an Assumption of Liabilities dated as of the Exchange Date pursuant to which the Income Fund will assume all of the liabilities of the Texas Fund existing at the Valuation Time in connection with the transactions contemplated by this Agreement.

(d) That the Income Fund shall have furnished to the Texas Fund a statement, dated the Exchange Date, signed by the Income Fund's President (or any Vice President) and Treasurer (or any Assistant Treasurer) certifying that as of the Valuation Time and as of the Exchange Date all representations and warranties of the Income Fund made in this Agreement are true and correct in all material respects as if made at and as of such dates, and that the Income Fund has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied at or prior to each of such dates.

(e) That there shall not be any material litigation pending with respect to the matters contemplated by this Agreement.

(f) That the Texas Fund shall have received an opinion of Ropes & Gray, in form satisfactory to the Texas Fund and dated the Exchange Date, to the effect that (i) the Income Fund is an unincorporated voluntary association duly established and validly existing in conformity with the laws of The Commonwealth of Massachusetts, and, to the knowledge of such counsel, is not required to qualify to do business as a foreign association in any jurisdiction except as may be required by state securities or blue sky laws, (ii) the Income Fund Shares to be delivered to the Texas Fund as provided for by this Agreement are duly authorized

and upon such delivery will be validly issued and will be fully paid and nonassessable by the Income Fund and no shareholder of the Income Fund has any preemptive right to subscription or purchase in respect thereof, (iii) this Agreement has been duly authorized, executed and delivered by the Income Fund and, assuming that the Prospectus, the Registration Statement and the Proxy Statement comply with the 1933 Act, the 1934 Act and the 1940 Act and assuming due authorization, execution and delivery of this Agreement by the Texas Fund, is a valid and binding obligation of the Income Fund, (iv) the execution and delivery of this Agreement did not, and the consummation of the transactions contemplated hereby will not, violate the Income Fund's Agreement and Declaration of Trust, as amended, or By-laws, or any provision of any agreement known to such counsel to which the Income Fund is a party or by which it is bound, it being understood that with respect to investment restrictions as contained in the Income Fund's Agreement and Declaration of Trust, as amended, By-Laws or then-current prospectus or statement of additional information, such counsel may rely upon a certificate of an officer of the Income Fund whose responsibility it is to advise the Income Fund with respect to such matters, (v) no consent, approval, authorization or order of any court or governmental authority is required for the consummation by the Income Fund of the transactions contemplated herein, except such as have been obtained under the 1933 Act, the 1934 Act and the 1940 Act and such as may be required under state securities or blue sky laws, and (vi) the Registration Statement has become effective under the 1933 Act, and to the best of the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the 1933 Act.

(g) That the Texas Fund shall have received an opinion of Ropes & Gray dated the Exchange Date to the effect that (i) no gain or loss will be recognized by the Texas Fund as a result of the transaction contemplated by this Agreement, (ii) no gain or loss will be recognized by the shareholders of the Texas Fund on the distribution to them by the Texas Fund of the Income Fund Shares in exchange for their shares of the Texas Fund as contemplated by this Agreement, (iii) the basis of the Income Fund Shares a shareholder receives in place of his or her Texas Fund shares will be the same as the basis of his or her Texas Fund shares exchanged, and (iv) a shareholder's holding period for the Income Fund Shares received by him or her will be determined by including the period for which he or she held the Texas Fund shares exchanged therefor, provided that he or she held such the Texas Fund shares as a capital asset.

(h) That all proceedings taken by the Income Fund in connection with the transactions contemplated by this Agreement

and all documents incidental thereto shall be satisfactory in form and substance to the Texas Fund and Ropes & Gray.

(i) That the Registration Statement shall have become effective under the 1933 Act, and no stop order suspending such effectiveness shall have been instituted or, to the knowledge of the Income Fund, contemplated by the Commission.

(j) That the Texas Fund shall have received from the Commission, any relevant state securities administrator, the FTC and the Department such order or orders as Ropes & Gray deems reasonably necessary or desirable under the 1933 Act, the 1934 Act, the 1940 Act, any applicable state securities or blue sky laws and the H-S-R Act in connection with the transactions contemplated hereby, and that all such orders shall be in full force and effect.

11. INDEMNIFICATION. (a) The Texas Fund will indemnify and hold harmless the Income Fund, its trustees and its officers (for purposes of this subparagraph, the "Indemnified Parties") against any and all expenses, losses, claims, damages and liabilities at any time imposed upon or reasonably incurred by any one or more of the Indemnified Parties in connection with, arising out of, or resulting from any claim, action, suit or proceeding in which any one or more of the Indemnified Parties may be involved or with which any one or more of the Indemnified Parties may be threatened by reason of any untrue statement or alleged untrue statement of a material fact relating to the Texas Fund contained in the Registration Statement, the Prospectus or the Proxy Statement or any amendment or supplement to any of the foregoing, or arising out of or based upon the omission or alleged omission to state in any of the foregoing a material fact relating to the Texas Fund required to be stated therein or necessary to make the statements relating to the Texas Fund therein not misleading, including, without limitation, any amounts paid by any one or more of the Indemnified Parties in a reasonable compromise or settlement of any such claim, action, suit or proceeding, or threatened claim, action, suit or proceeding made with the consent of the Texas Fund. The Indemnified Parties will notify the Texas Fund in writing within ten days after the receipt by any one or more of the Indemnified Parties of any notice of legal process or any suit brought against or claim made against such Indemnified Party as to any matters covered by this Section 11(a). The Texas Fund shall be entitled to participate at its own expense in the defense of any claim, action, suit or proceeding covered by this Section 11(a), or, if it so elects, to assume at its expense by counsel satisfactory to the Indemnified Parties the defense of any such claim, action, suit or proceeding, and if the Texas Fund elects to assume such defense, the Indemnified Parties shall be entitled to participate in the defense of any such claim, action, suit or proceeding at their

expense. The Texas Fund's obligation under this Section 11(a) to indemnify and hold harmless the Indemnified Parties shall constitute a guarantee of payment so that the Texas Fund will pay in the first instance any expenses, losses, claims, damages and liabilities required to be paid by it under this Section 11(a) without the necessity of the Indemnified Parties' first paying the same.

(b) The Income Fund will indemnify and hold harmless, out of the assets of the Income Fund but no other assets, the Texas Fund, its trustees and its officers (for purposes of this subparagraph, the "Indemnified Parties") against any and all expenses, losses, claims, damages and liabilities at any time imposed upon or reasonably incurred by any one or more of the Indemnified Parties in connection with, arising out of, or resulting from any claim, action, suit or proceeding in which any one or more of the Indemnified Parties may be involved or with which any one or more of the Indemnified Parties may be threatened by reason of any untrue statement or alleged untrue statement of a material fact relating to the Income Fund contained in the Registration Statement, the Prospectus or the Proxy Statement, or any amendment or supplement to any thereof, or arising out of, or based upon, the omission or alleged omission to state in any of the foregoing a material fact relating to the Income Fund required to be stated therein or necessary to make the statements relating to the Income Fund therein not misleading, including without limitation any amounts paid by any one or more of the Indemnified Parties in a reasonable compromise or settlement of any such claim, action, suit or proceeding, or threatened claim, action, suit or proceeding made with the consent of the Income Fund. The Indemnified Parties will notify the Income Fund in writing within ten days after the receipt by any one or more of the Indemnified Parties of any notice of legal process or any suit brought against or claim made against such Indemnified Party as to any matters covered by this Section 11(b). The Income Fund shall be entitled to participate at its own expense in the defense of any claim, action, suit or proceeding covered by this Section 11(b), or, if it so elects, to assume at its expense by counsel satisfactory to the Indemnified Parties the defense of any such claim, action, suit or proceeding, and, if the Income Fund elects to assume such defense, the Indemnified Parties shall be entitled to participate in the defense of any such claim, action, suit or proceeding at their own expense. The Income Fund's obligation under this Section 11(b) to indemnify and hold harmless the Indemnified Parties shall constitute a guarantee of payment so that the Income Fund will pay in the first instance any expenses, losses, claims, damages and liabilities required to be paid by it under this Section 11(b) without the necessity of the Indemnified Parties' first paying the same.

12. NO BROKER, ETC. Each of the Texas Fund and the Income Fund represents that there is no person who has dealt with it who by reason of such dealings is entitled to any broker's or finder's or other similar fee or commission arising out of the transactions contemplated by this Agreement.

13. TERMINATION. The Texas Fund and the Income Fund may, by mutual consent of their respective trustees, terminate this Agreement, and the Texas Fund or the Income Fund, after consultation with counsel and by consent of their respective trustees or an officer authorized by such trustees, may waive any condition to their respective obligations hereunder. If the transactions contemplated by this Agreement have not been substantially completed by December 31, 1994, this Agreement shall automatically terminate on that date unless a later date is agreed to by the Texas Fund and the Income Fund.

14. RULE 145. Pursuant to Rule 145 under the 1933 Act, the Income Fund will, in connection with the issuance of any Income Fund Shares to any person who at the time of the transaction contemplated hereby is deemed to be an affiliate of a party to the transaction pursuant to Rule 145(c), cause to be affixed upon the certificates issued to such person (if any) a legend as follows:

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT TO PUTNAM TAX EXEMPT INCOME FUND OR ITS PRINCIPAL UNDERWRITER UNLESS (i) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (ii) IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO PUTNAM TEXAS TAX EXEMPT INCOME FUND SUCH REGISTRATION IS NOT REQUIRED."

and, further, the Income Fund will issue stop transfer instructions to the Income Fund's transfer agent with respect to such shares. the Texas Fund will provide the Income Fund on the Exchange Date with the name of any Texas Fund shareholder who is to the knowledge of the Texas Fund an affiliate of the Texas Fund on such date.

15. COVENANTS, ETC. DEEMED MATERIAL. All covenants, agreements, representations and warranties made under this Agreement and any certificates delivered pursuant to this Agreement shall be deemed to have been material and relied upon by each of the parties, notwithstanding any investigation made by them or on their behalf.

16. SOLE AGREEMENT; AMENDMENTS. This Agreement supersedes all previous correspondence and oral communications between the

parties regarding the subject matter hereof, constitutes the only understanding with respect to such subject matter, may not be changed except by a letter of agreement signed by each party hereto, and shall be construed in accordance with and governed by the laws of The Commonwealth of Massachusetts.

17. AGREEMENTS AND DECLARATIONS OF TRUST. Copies of the Agreements and Declarations of Trust of the Texas Fund and the Income Fund, respectively, are on file with the Secretary of State of The Commonwealth of Massachusetts, and notice is hereby given that this instrument is executed on behalf of the trustees of the Texas Fund and the Income Fund, respectively, as trustees and not individually and that the obligations of this instrument are not binding upon any of the trustees, officers or shareholders of the Texas Fund or the Income Fund individually but are binding only upon the assets and property of the Texas Fund and the Income Fund, respectively.

This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original.

PUTNAM TAX EXEMPT INCOME FUND

By: /S/ GORDON H. SILVER
Vice President

PUTNAM TEXAS TAX EXEMPT INCOME FUND

By: /S/ GORDON H. SILVER
Vice President

Part C. OTHER INFORMATION

Item 15. INDEMNIFICATION

The information required by this item is incorporated herein by reference to the Registrant's initial Registration Statement on Form N-1A (File No. 2-57165) under the Securities Act of 1933 and the Investment Company Act of 1940 (File No. 811-2675).

Item 16. EXHIBITS

- (1) Agreement and Declaration of Trust, as amended through November 9, 1992 -- Incorporated by reference to Post-Effective Amendment No. 25 to the Registrant's Registration Statement on Form N-1A (File No. 2-57165).
- (2) By-Laws, as amended through September 9, 1993 -- Incorporated by reference to Post-Effective Amendment No. 25 to the Registrant's Registration Statement on Form N-1A (File No. 2-57165).
- (3) a. Copy of Class A specimen share certificate -- Incorporated by reference to Post-Effective Amendment No. 25 to the Registrant's Registration Statement on Form N-1A (File No. 2-57165).
b. Copy of Class B specimen share certificate -- Incorporated by reference to Post-Effective Amendment No. 25 to the Registrant's Registration Statement on Form N-1A (File No. 2-57165).
- (4) Agreement and Plan of Reorganization constitutes Exhibit A included in Part A hereof.
- (5) Portions of By-Laws Relating to Shareholders' Rights Incorporated by reference to Post-Effective Amendment No. 25 to the Registrant's Registration Statement on Form N-1A (File No. 2-57165).
- (6) Copy of Management Contract dated July 11, 1991 -- Incorporated by reference to Post-Effective Amendment No. 23 to the Registrant's Registration Statement on Form N-1A (File No. 2-57165).
- (7) Form of Distributor's Contract dated January 1, 1993 -- Incorporated by reference to Post-Effective Amendment No. 25 to the Registrant's

Registration Statement on Form N-1A (File No. 2-57165).

- (8) Not Applicable.
- (9) Copy of Custodian Agreement with Putnam Fiduciary Trust Company dated May 3, 1991, as amended July 13, 1992 -- Incorporated by reference to Post-Effective Amendment No. 25 to the Registrant's Registration Statement on Form N-1A (File No. 2-57165).
- (10) a. Copy of Class A Distribution Plan and Agreement dated January 1, 1993 -- Incorporated by reference to Post-Effective Amendment No. 25 to the Registrant's Registration Statement on Form N-1A (File No. 2-57165).
b. Form of Class B Distribution Plan and Agreement dated January 1, 1993 -- Incorporated by reference to Post-Effective Amendment No. 25 to the Registrant's Registration Statement on Form N-14 (File No. 33-49721).
- (11) Opinion of Ropes & Gray, including consent -- filed herewith.
- (12) Opinion of Ropes & Gray as to Tax Matters -- to be filed by Pre-Effective Amendment to Registrant's Registration Statement on Form N-14.
- (13) a. Specimen Dealer Sales Contract -- Incorporated by reference to Post-Effective Amendment No. 23 to the Registrant's Registration Statement on Form N-1A (File No. 2-57165).
b. Specimen Financial Institution Sales Contract -- Incorporated by reference to Post-Effective Amendment No. 23 to the Registrant's Registration Statement on Form N-1A (File No. 2-57165).
c. Copy of Investor Servicing Agreement dated June 3, 1991 -- Incorporated by reference to Post-Effective Amendment No. 23 to the Registrant's Registration Statement on Form N-1A (File No. 2-57165).
- (14) Consent of Independent Accountants -- Filed herewith.
- (15) a. Financial Schedules in support of most recent

balance sheet incorporated by reference to Post-Effective Amendment No. 23 to the Registrant's Registration Statement on Form N-1A (File No. 2-57165)

- (16) Power of Attorney -- Filed herewith.
- (17) Copy of Registrant's Declaration under Rule 24f-2 -- Incorporated by reference to the Registrant's initial Registration Statement on Form N-1A (File No. 2-57165).

Item 17. UNDERTAKINGS

- (1) The undersigned Registrant agrees that prior to any public reoffering of the securities registered through the use of a prospectus which is a part of this Registration Statement by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c) under the Act, the reoffering prospectus will contain the information called for by the applicable registration form for reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.
- (2) The undersigned Registrant agrees that every prospectus that is filed under paragraph (1) above will be filed as a part of an amendment to this Registration Statement and will not be used until the amendment is effective, and that, in determining any liability under the Act, each post-effective amendment shall be deemed to be a new Registration Statement for the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering of them.

NOTICE

A copy of the Agreement and Declaration of Trust, as amended, of Putnam Tax Exempt Income Trust (the "Fund"), is on file with the Secretary of State of The Commonwealth of Massachusetts, and notice is hereby given that this Registration Statement has been executed on behalf of the Fund by officers of the Fund as officers and by its Trustees as trustees and not individually, and the obligations of or arising out of this Registration Statement are not binding upon any of the Trustees, officers, or shareholders of the Fund individually, but are binding only upon the assets and property of the Fund.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, in the City of Boston and The Commonwealth of Massachusetts on the day of February, 1994.

PUTNAM TAX EXEMPT INCOME TRUST

/S/GORDON H. SILVER

Gordon H. Silver
Vice President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
* George Putnam	President and Chairman of the Trustees; Principal Executive Officer; Trustee	February 1, 1994
* William F. Pounds	Vice Chairman and Trustee	February 1, 1994
* John D. Hughes	Principal Financial Officer; Vice President; Treasurer	February 1, 1994
* Paul G. Bucuvalas	Principal Accounting Officer; Assistant Treasurer	February 1, 1994
SIGNATURE	TITLE	DATE
* Jameson Adkins Baxter	Trustee	February 1, 1994

* Hans H. Estin	Trustee	February 1, 1994
* John A. Hill	Trustee	February 1, 1994
* Elizabeth T. Kennan	Trustee	February 1, 1994
* Lawrence J. Lasser	Trustee	February 1, 1994
* Robert E. Patterson	Trustee	February 1, 1994
* Donald S. Perkins	Trustee	February 1, 1994
* George Putnam, III	Trustee	February 1, 1994
* A.J.C. Smith	Trustee	February 1, 1994
* W. Nicholas Thorndike	Trustee	February 1, 1994

*By /S/GORDON H. SILVER
Gordon H. Silver
Attorney-in-fact

EXHIBIT INDEX

EXHIBIT

11	Opinion of Ropes & Gray, including consent
14	Consent of Independent Accountants
16	Power of Attorney

February 1, 1994

Putnam Tax-Exempt Income Fund
One Post Office Square
Boston, Massachusetts 02109

Ladies and Gentlemen:

We have acted as counsel to Putnam Tax-Exempt Income Fund (the "Fund") in connection with the Registration Statement of the Fund on Form N-14 (File Nos. 2-57165 and 811-2675) (the "Registration Statement"), under the Securities Act of 1933, as amended (the "Act"), relating to the proposed combination of the Fund with the Putnam Texas Tax-Exempt Income Fund (the "Texas Fund"), and the issuance of shares of the Fund in connection therewith (the "Shares"), all in accordance with the terms of the Agreement and Plan of Reorganization between the Fund and the Texas Fund dated on or about February 1, 1994 (the "Agreement").

We have examined the Fund's Agreement and Declaration of Trust on file in the office of the Secretary of State of The Commonwealth of Massachusetts and the Clerk of the City of Boston and the Fund's By-Laws, as amended, and are familiar with the actions taken by the Fund's Trustees in connection with the issuance and sale of the Shares. We have also examined such other documents and records as we have deemed necessary for the purpose of this opinion.

Based upon the foregoing, we are of the opinion that:

1. The Fund is a duly organized and validly existing unincorporated association under the laws of The Commonwealth of Massachusetts and is authorized to issue an unlimited number of its shares of beneficial interest.

2. The Shares have been duly authorized and, when issued in accordance with the Agreement, will be validly issued, fully paid, and nonassessable by the Fund.

The Fund is an entity of the type commonly known as a

"Massachusetts business trust." Under Massachusetts law, shareholders could, under certain circumstances, be held personally liable for the

Putnam Tax Exempt Income Fund

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February 1, 1994

obligations of the Fund. However, the Agreement and Declaration of Trust disclaims shareholder liability for acts or obligations of the Fund and requires that notice of such disclaimer be given in each note, bond, contract, instrument, certificate, or undertaking entered into or executed by the Fund or its Trustees. The Agreement and Declaration of Trust provides for indemnification out of the property of the Fund for all loss and expense of any shareholder of the Fund held personally liable solely by reason of his being or having been a shareholder. Thus, the risk of a shareholder's incurring financial loss on account of being a shareholder is limited to circumstances in which the Fund itself would be unable to meet its obligations.

We understand that this opinion is to be used in connection with the registration of the Shares for offering and sale pursuant to the Act. We consent to the filing of this opinion with and as part of the Registration Statement and to the references to our firm in the related prospectus under the captions "Taxation" and "Legal Matters."

Very truly yours,

/s/ Ropes & Gray

ROPES & GRAY

CONSENT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees of
Putnam Tax Exempt Income Fund:

We consent to the Incorporation by reference in the Registration Statement of Putnam Tax Exempt Income Fund on Form N-14 (File No. 2-57165) of our report dated November 17, 1993, on our audit of the financial statements and "Financial highlights" of Putnam Tax Exempt Income Fund, which report is included in the Annual Report to Shareholders, for the year ended September 30, 1993, which is incorporated by reference in the Registration Statement, our report

dated March 18, 1993, on our audit of the financial statements and "Selected per share data and ratios" of Putnam Texas Tax Exempt Income Fund, which report is included in the Annual Report to Shareholders, for the year ended January 31, 1993, which is Incorporated by reference in the Registration Statement, and our report dated September 15, 1993, on our audit of the financial statements and "Financial highlights" of Putnam Texas Tax Exempt Income Fund, which report is included in the Semi-annual Report to Shareholders, for the six months ended July 31, 1993, which is incorporated by reference in the Registration Statement. We also consent to the reference to our Firm under the caption "Independent Accountants and financial statements" in the Statement of Additional Information.

COOPERS & LYBRAND

Boston, Massachusetts
February 1, 1994

POWER OF ATTORNEY

We, the undersigned Officers and Trustees of Putnam Tax Exempt Income Fund, hereby severally constitute and appoint George Putnam, Charles E. Porter, Gordon H. Silver, Edward A. Benjamin, Timothy W. Diggins and John W. Gerstmayr, and each of them singly, our true and lawful attorneys, with full power to them and each of them, to sign for us, and in our names and in the capacities indicated below, the Registration Statement on Form N-14 of Putnam Tax Exempt Income Fund and any and all amendments (including post-effective amendments) to said Registration Statement and to file the same with all exhibits thereto, and other documents in connection thereunder, with the Securities and Exchange Commission, granting unto our said attorneys, and each of them acting alone, full power and authority to do and perform each and every act and thing requisite or necessary to be done in the premises, as fully to all intents and purposes as he or she might or could do in person, and hereby ratify and confirm all that said attorneys or any of them may lawfully do or cause to be done by virtue thereof.

WITNESS our hands and common seal on the date set forth below.

SIGNATURE

TITLE

DATE

/s/George Putnam

GEORGE PUTNAM	Principal Executive Officer; President and Chairman of the Trustees	January 6, 1994
/s/ William F. Pounds WILLIAM F. POUNDS	Trustee; Vice Chairman	January 6, 1994
/s/ John D. Hughes JOHN D. HUGHES	Principal Financial Officer; Treasurer	January 6, 1994
/s/ Paul G. Bucuvalas PAUL G. BUCUVALAS	Principal Accounting Officer; Assistant Treasurer	January 6, 1994
/s/ Jameson A Baxter JAMESON A. BAXTER	Trustee	January 6, 1994
/s/ Hans H. Estin HANS H. ESTIN	Trustee	January 6, 1994
/s/ John A. Hill JOHN A. HILL	Trustee	January 6, 1994
/s/ Elizabeth T. Kennan ELIZABETH T. KENNAN	Trustee	January 6, 1994
/s/ Lawrence J. Lasser LAWRENCE J. LASSER	Trustee	January 6, 1994
/s/ Robert E. Patterson ROBERT E. PATTERSON	Trustee	January 6, 1994
/s/ Donald S. Perkins DONALD S. PERKINS	Trustee	January 6, 1994

/s/ George Putnam, III Trustee January 6, 1994
GEORGE PUTNAM, III

/s/ A.J.C. Smith Trustee January 6, 1994
A.J.C. SMITH

/s/ W. Nicholas Thorndike Trustee January 6, 1994
W. NICHOLAS THORNDIKE