

SECURITIES AND EXCHANGE COMMISSION

FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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FILER

PUTNAM NEW JERSEY TAX EXEMPT INCOME FUND

CIK: **857463** | IRS No.: **043073948** | State of Incorporation: **MA** | Fiscal Year End: **0630**
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Putnam
 New Jersey
 Tax Exempt
 Income Fund

ANNUAL REPORT
 May 31, 1995

[PUTNAM LOGO]
 B O S T O N * L O N D O N * T O K Y O

Performance highlights

> "The gap is narrowing between Treasury and municipal yields, making munis look increasingly attractive. Among municipal-bond experts, there is little concern that any radical change in the tax system could happen before 1997 and plenty of doubt that any such revolution will happen at all."

- --The Wall Street Journal, May 19, 1995

FISCAL 1995 RESULTS AT A GLANCE

<TABLE>
 <CAPTION>

<S>	<C>	<C>	Class A		Class B	
			<C> NAV	<C> POP	<C> NAV	<C> CDSC
.....						
(change in value during period plus reinvested distributions)						
11 months ended 5/31/95			8.25%	3.07%	7.51%	2.51%

Share value:	Class A		Class B	Class M	
	NAV	POP	NAV	NAV	POP
.....					
6/30/94	\$8.75	\$9.19	\$8.75	--	--
5/1/95	--	--	--	\$8.74	\$9.03
5/31/95	8.98	9.43	8.97	8.98	9.28

Distributions:	No.	Income	Capital gains(1)	Total
.....				
Class A	11	\$0.460401	--	\$0.460401
Class B	11	0.410132	--	0.410132
Class M	1	0.040342	--	0.040342

Current return:	Class A		Class B
	NAV	POP	NAV
.....			
(end of period:)			
Current dividend rate(2)	5.42%	5.16%	4.80%
Taxable equivalent(3)	9.60	9.14	8.51
Current 30-day SEC yield(4)	5.58	5.31	4.86
Taxable equivalent(3)	9.89	9.41	8.61

</TABLE>

Performance data represent past results, are no indication of future results and will differ for each share class. For performance over longer periods, see pages 8 and 9. POP assumes a 4.75% maximum sales charge for class A shares and 3.25% for class M shares. Class B shares assume a 5% maximum CDSC. Effective 1/4/93, the fund began offering class B shares, and on 5/1/95, class M shares. Performance for class M shares not shown due to brevity of reporting period. (1)Capital gains, if any, are taxable for federal and, in most cases, state purposes. (2)Income portion of most recent distribution, annualized and divided by NAV or POP at end of period. (3)Assumes maximum 43.57% federal and state tax rate. Results for investors subject to lower tax rates would not be as advantageous. For some investors, investment income may also be subject to the federal alternative minimum tax. (4)Based only on

investment income, calculated using SEC guidelines.

From the Chairman

[Photo of George Putnam]
(c) Karsh, Ottawa

Dear Shareholder:

You may not have noticed, but this annual report for Putnam New Jersey Tax Exempt Income Fund has arrived somewhat earlier than usual. Putnam Management has decided to realign many of its tax-exempt bond funds' fiscal years so they have common fiscal year ends.

Your fund was among those affected by this change. In the future its fiscal year will end on May 31, instead of June 30, as in the past. Consequently, this report covers a fiscal period of only 11 months, instead of a full fiscal year.

The change should provide considerable savings for your fund in the future. We believe it will allow us to take advantage of economies of scale in financial reporting, accounting, literature production, and the like.

We are also pleased to announce the appointment of Triet Nguyen as your fund's manager. Triet, who has been with Putnam since 1985, has 15 years of investment experience.

In the report that follows, Triet reviews performance during this abbreviated period, then offers some insights on prospects for the months ahead.

Respectfully yours,

[Putnam Signature]
George Putnam

Chairman of the Trustees
July 19, 1995

Report from the Fund Manager
Triet M. Nguyen

Like most fixed-income investments, Putnam New Jersey Tax Exempt Income Fund began its fiscal year in one of the most hostile bond market environments in recent memory. Fortunately, the year ended on a much brighter note. For the 11 months ended May 31, 1995, your fund's total return was 8.25% for class A shares and 7.51% for class B shares, both at net asset value.

Your fund's most important distinguishing factor, however, was the high level of current tax-free income it continued to provide. The fund's 12-month yield for the period ended May 31, 1995 was 5.58%, compared with the 5.15% average yield of the 39 New Jersey funds tracked by Lipper Analytical Services.

Your fund weathered the market's ups and downs well. Initially, our defensive posture focusing on bonds with strong call protection and the use of hedging techniques helped reduce share price volatility. As the economy began to slow, shifts in duration and sector allocation boosted the fund's income stream.

> ECONOMIC SLOWDOWN SPARKS MARKET RALLY

For much of 1994, fixed-income markets were turned upside-down by the Federal Reserve Board's tighter stance on U.S. monetary policy and by bond investors' fears of inflation--all in response to accelerating economic growth. Ultimately, the Fed raised interest rates six times during the calendar year, and finally succeeded in calming inflation fears considerably.

During the first quarter of 1995, the municipal-bond market, along with most other fixed-income investments, began to rally. Several factors contributed to this welcome change. First, some weakness had begun to emerge in housing sales and consumer spending; at last the U.S. economy appeared to be heading

for a "soft landing," that is, a combination of steady growth and low inflation. Meanwhile, as the impact of the Mexican currency crisis began to fade, central banks around the world have been supporting the weak dollar by purchasing U.S. Treasury bonds. This helped spark a rally in Treasuries, which, in turn, produced a rally in the municipal bond market.

Economic data in April and May continued to support the notion that the U.S. economy was indeed slowing down, and the fixed-income market rally continued. At the same time, however, Congressional lawmakers began to consider proposals for tax reform. Concern about the potential effects of such legislation dampened investor demand for municipal securities somewhat toward the end of the fiscal year, although the market did continue to rally, albeit less vigorously.

> FOCUSED ON INCOME AND AFTER-TAX RETURNS

Your fund's primary goal is to maximize after-tax returns, and our tendency has been to preserve the fund's tax-free income stream through all kinds of market conditions. The prospect of tax reform ahead makes this focus on current income more appropriate than ever. Municipal securities are unlikely to appreciate much until these tax issues are settled, but tax-free income will continue to be highly prized, since few other investment tax shelters remain.

In fact, the recent decline in demand for municipal securities has enhanced your fund's investment strategy. Municipals now offer some of the best values in years. Tax reform--if it occurs at all--

MUNICIPAL BOND PRICES

<TABLE>

<CAPTION>

<S>	<C>	<C>
1994	May	91.160004
	June	90.470001
	July	92.190002
	August	91.910004
	September	89.129997
	October	86.059998
	November	82.940002
	December	85.279999
1995	January	88.190002
	February	90.970001
	March	91.190002
	April	91.089996
	May	94.059998

</TABLE>

Source: Bond Buyer 40 Municipal Index, which represents the average price of 40 actively traded municipal bonds. Data plotted monthly. Not intended to reflect performance of the fund.

will not likely take place until at least 1997, after the next presidential election. In the meantime, although we remain somewhat cautious, Putnam's superior research capabilities are enabling us to uncover some excellent buying opportunities. For example, we recently purchased some bonds issued by the Educational Testing Services, which runs the SAT, GMAT, LSAT, and other national tests. These new issues were available at an excellent value and offer solid current income for the fund.

We have also begun to explore opportunities in the resource-recovery sector, where bonds are now selling at excellent values. Industries in this sector produce power by recycling trash, landfill, and other waste products. Certain legal restrictions just lifted by Congress have hampered companies in this sector, but it now has a very promising outlook.

Health care continues to be a dominant theme in your fund's portfolio. Although the bearish fixed-income market of 1994 and issues of cost control and consolidation depressed health care bond performance for some time, the sector is now on an upward swing.

> ACUTE SUPPLY SHORTAGE STRENGTHENS MARKET

For some time, we have been discussing the prospect of an upcoming supply/demand imbalance that could be favorable for municipal bond funds like yours. At this point, supply of new and outstanding New Jersey municipal issues has reached an extreme low.

In fact, 1995 will be the first year in which both the new and outstanding supply of municipal bonds across the country will shrink relative to the demand for these securities. Higher interest rates and a high debt load incurred by massive financing undertaken in the 1980's have discouraged municipalities from issuing new bonds or refinancing older ones. Already, municipal bond supply in the first quarter of 1995 has dropped 45% compared with new issuances and refinancings in the first quarter of 1994. In July-1995, a huge number of municipal issues will mature and be called out of the market. The resulting surge in demand appears

TOP INDUSTRY SECTORS (5/31/95)*

Health Care	19.5%
Transportation	17.5%
Housing	6.0%
Education	4.5%
Utilities	4.2%

*Based on net assets on 5/31/95. Holdings will vary over time.

likely to exceed the available supply of new municipal securities for the first time in history. While there can be no assurances, this huge inequity between supply and demand could help support stronger municipal bond performance ahead.

> OUTLOOK: ROOM FOR CAUTIOUS OPTIMISM

Along with the Federal Reserve's Board of Governors, we believe it is too early to tell whether the economy is headed for the desired "soft landing" of moderate growth and low inflation or if the slowdown will be more dramatic. Either situation should lead to stable or declining interest rates, which would create a positive environment for fixed-income investments, including municipal securities. The big unknown is how the tax reform proposal now before Congress will affect municipal bond market psychology.

Given this uncertainty, we will continue to emphasize current income by pursuing appropriate investment opportunities as they arise. At the same time, we will protect the fund's net asset value by keeping the portfolio average duration relatively neutral, rather than aggressively long. Although the market will probably remain somewhat volatile over the next few months, fundamentals remain exceptionally strong and we believe investors should continue to find the double tax-free returns of New Jersey municipal securities quite appealing.

The views expressed about the securities mentioned in this report are exclusively those of Putnam Management they are not meant as investment advice. Although the described holdings were viewed favorably as of May 31, 1995, there is no guarantee the fund will continue to hold these securities in the future.

PERFORMANCE SUMMARY

This section provides, at a glance, information about your fund's performance. Total return shows how the value of the fund's shares changed over time, assuming you held the shares through the entire period and reinvested all distributions back into the fund. We show total return in two ways: on a cumulative long-term basis and on average how the fund might have grown each year over varying periods.

Performance should always be considered in light of a fund's investment strategy. Putnam New Jersey Tax Exempt Income Fund is designed for investors seeking a high level of current income free from federal income taxes, and New Jersey personal income tax consistent with capital preservation.

TOTAL RETURN FOR PERIODS ENDED 5/31/95

<S>	<C>	<C>	<C>	<C>	<C>	<C>
	Class A		Class B		Lehman Bros. Municipal Bond	
	NAV	POP	NAV	CDSC	Index	CPI
11 months	8.25%	3.07%	7.51%	2.51%	9.75%	2.84%
1 year	7.78	2.67	6.98	1.98	9.11	3.19
5 years	49.01	41.97	--	--	51.33	17.80
Annual average	8.30	7.26	--	--	8.64	3.33
Life of class A (2/20/90)	51.57	44.43	--	--	53.56	18.91
Annual average	8.19	7.21	--	--	8.46	3.33
Life of class B (1/4/93)	--	--	13.43	9.45	17.78	7.26
Annual average	--	--	5.37	3.82	7.03	2.95

TOTAL RETURN FOR PERIODS ENDED 6/30/95
(MOST RECENT CALENDAR QUARTER)

<S>	CLASS A		CLASS B	
	NAV	POP	NAV	CDSC
<S>	<C>	<C>	<C>	<C>
1 year	6.78%	1.67%	6.00%	1.00%
5 years	45.54	38.69	--	--
Annual average	7.79	6.76	--	--
Life of class A (2/20/90)	49.50	42.46	--	--
Annual average	7.79	6.82	--	--
Life of class B (1/4/93)	--	--	11.83	7.92
Annual average	--	--	4.59	3.11

Fund performance data do not take into account any adjustment for taxes payable on reinvested distributions. The fund began offering what are now known as Class A shares on 2/20/90. Effective 1/4/93 the fund began offering Class B shares. Performance of share classes will differ. Performance data represent past results. Investment returns and principal value will fluctuate so an investor's shares, when sold, may be worth more or less than their original cost. Performance for Class M shares, which were first offered on May 1, 1995 is not shown because of the brevity of the reporting period.

GROWTH OF A \$10,000 INVESTMENT

<S>	PUTNAM N.J. TAX EXEMPT INCOME FUND A	LEHMAN BROS. MUNICIPAL BOND INDEX	COST OF LIVING INDEX
<S>	<C>	<C>	<C>
9525	10000	10000	
9693	10147	10094	
10699	11170	10594	
11710	12267	10914	
13194	13735	11266	
13400	14074	11523	
14443	15356	11891	

Past performance is no assurance of future results. A \$10,000 investment in the fund's class B shares at inception on 1/4/93 would have been valued at \$11,343 on 5/31/95 (\$10,945 with a redemption at the end of the period).

TERMS AND DEFINITIONS

Class A shares are generally subject to an initial sales charge.

Class B shares may be subject to a sales charge upon redemption.

Class M shares have a lower initial sales charge and a higher 12b-1 fee than class A shares and no sales charge on redemption.

Net asset value (NAV) is the value of all your fund's assets, minus any liabilities, divided by the number of outstanding shares, not including any initial or contingent deferred sales charge.

Public offering price (POP) is the price of a mutual fund share plus the maximum sales charge levied at the time of purchase. POP performance figures assume the maximum 4.75% sales charge for class A shares and 3.25% for class M shares.

Contingent deferred sales charge (CDSC) is a charge applied at the time of the redemption of class B shares and assumes redemption at the end of the period. Your fund's CDSC declines from a 5% maximum during the first year to 1% during the sixth year. After the sixth year, the CDSC no longer applies.

COMPARATIVE BENCHMARKS

Lehman Brothers Municipal Bond Index is an unmanaged list of long-term fixed-rate investment-grade tax-exempt bonds representative of the municipal bond market. The index does not take into account brokerage commissions or other costs, may include bonds different from those in the fund, and may pose different risks than the fund.

Consumer Price Index (CPI) is a commonly used measure of inflation; it does not represent an investment return.

A Putnam perspective on risk and reward

You've probably been told how important it is to understand the relationship between an investment's potential rewards and its accompanying risks. Given the cautionary nature of such instructions, it may take most investors a while to realize that risk has a positive side.

Every risk signals a potential reward. Selecting only those investments that offer the greatest degree of security generally leads to only modest rewards. Furthermore, even insured or guaranteed investments may be subject to changes in their rates of return or, in some cases, in their principal values. Experienced investors know that no investment is truly risk free and are therefore willing to take on some measure of risk in order to increase their potential gains.

The greater the risk, the greater the potential reward. Accepting an appropriate level of investment risk can give you a better chance of outpacing inflation over time and seeking to maximize your investment's return. How much risk? Your financial

> A RUNDOWN OF RISK TYPES

MARKET RISK

Most important for stock funds, but relevant to all funds, this is a measure of how sensitive a fund's holdings are to changes in general market conditions. Remember, though, that securities that lose value quickly in market declines may also show the strongest gains in more favorable environments.

INTEREST-RATE RISK Since bond prices fall as interest rates rise, this type of risk is a particular concern for fixed-income investors. However, interest-rate increases can also have a substantial negative effect on the stock market.

INFLATION RISK If your investments cannot keep pace with inflation, your money will begin to lose its purchasing power. Stock investments are generally considered among the best ways of addressing inflation risk over the long term.

advisor's feedback and your time horizon can make all the difference in determining how much risk is compatible with your investment goals and your

peace of mind.

> FITTING YOUR FUND SELECTION TO YOUR
RISK TOLERANCE

How do you find the right balance between investment risks and their potential rewards. It's helpful to understand the types of risks that can apply to different types of investments, and to look at your own portfolio with this perspective.

For short-term goals, your first priority may be managing market risk. Longer-term investors may be more concerned with inflation risk. And all income-oriented investors should consider interest-rate, credit, and prepayment risks carefully. Within each of Putnam's four investment categories, you can select funds with differing levels of risk and reward potential to customize your portfolio.

CREDIT AND PREPAYMENT RISK Credit risk is the concern that the security's issuer will not be able to meet its payment, while prepayment risk involves the premature payoff of a loan, with a resulting loss of interest income. Professional management and in-depth research are invaluable in managing both these risks.

LIQUIDITY RISK Not all investments can be readily converted into cash at their perceived market values. Liquidity risk can affect the price of securities held in the fund's portfolio and, thus, the fund's share prices.

This list covers only the most general types of risks; however, each investment will also have its own specific risks. You will find a more detailed discussion of these risk considerations in each fund's prospectus.

Relative risk/reward potential of Putnam funds

These illustrations provide a simplified guide to the risk/reward potential for funds within each category of the Putnam Family of Funds and are not intended as investment advice. Your investment advisor can help you evaluate your risk tolerance.

These rankings are relative only to Putnam funds and should not be compared to other investments. There is no guarantee that one Putnam fund will be less volatile than another, since each fund has its own investment risks. That's why it is essential to read the fund's prospectus before investing.

PUTNAM GROWTH FUNDS

Lower Risk Lower Reward Potential

Investors Diversified Equity(1) Global Growth(1) Vista Natural
Resources Health Sciences Voyager Overseas Growth(1) Europe Growth(1)
New Opportunities(2) OTC Emerging Growth(2) Asia Pacific Growth(1)

Higher Risk Higher Reward Potential

PUTNAM GROWTH AND INCOME FUNDS

Lower Risk Lower Reward Potential

Balanced Retirement Utilities Growth and Income
George Putnam Convertible Income-Growth Equity Income
Fund for Growth and Income Putnam Growth and Income Fund II

Higher Risk Higher Reward Potential

(1) Foreign investments are subject to certain risks, such as currency fluctuations and political developments, that are not present with domestic investments.

(2) This fund invests all or a portion of its assets in small to medium-sized companies, which increases the risk of price fluctuations.

(3) While U.S. government backing of individual securities does not insure

your principal, which will fluctuate, it does guarantee that the fund's government-backed holdings will make timely payments of interest and principal.

PUTNAM INCOME FUNDS

Lower Risk Lower Reward Potential

Money Market(4) Adjustable Rate U.S. Gov't.(3) Intermediate U.S. Gov't.(3) U.S. Gov't. Income(3) American Gov't. Income(3) Federal Income (3) Diversified Income (1, 3, 5) Income Preferred Income Global Gov't. (1.5) High Yield(5) High Yield Advantage(5)

Higher Risk Higher Reward Potential

PUTNAM TAX-FREE FUNDS(6)

Lower Risk Lower Reward Potential

Tax Exempt Money Market(4) Intermediate Tax Exempt Tax-Free Insured(7) Tax Exempt Income Single-state tax-free funds* Municipal Income Tax-Free High Yield (5)

Higher Risk Higher Reward Potential

*State tax-free funds available for Arizona, California, Florida, Massachusetts, Michigan, Minnesota, New Jersey, New York, Ohio, and Pennsylvania. Not available in all states.

LIFESTAGE(SM) FUNDS

Putnam Asset Allocation Funds--three investment portfolios that spread your money across a variety of stocks, bonds, and money market investments. The three portfolios are:

- > Putnam Asset Allocation: Balanced Portfolio
- > Putnam Asset Allocation: Conservative Portfolio
- > Putnam Asset Allocation: Growth Portfolio

Please call your financial advisor -- or Putnam at 1-800-225-1581 -- to obtain a prospectus for any Putnam fund. The prospectus contains more complete information, including risk considerations, charges, and expenses. Read it carefully before you invest or send money.

(4)The fund is managed to maintain a steady price of \$1.00 per share, although there is no assurance this price can be maintained in the future.

(5)The lower credit ratings of high-yield corporate and municipal bonds reflect a greater possibility that adverse changes in the economy or their issuers may affect their ability to pay principal and interest on the bonds.

(6)Income may be subject to state and local taxes. Capital gains, if any, are taxable for federal and, in most cases, state purposes.

(7)Bond insurance does not guarantee principal or protect against changes in market price.

Report of Independent Accountants
eleven months ended May 31, 1995

To the Trustees and Shareholders of
Putnam New Jersey Tax Exempt Income Fund

We have audited the accompanying statement of assets and liabilities of Putnam New Jersey Tax Exempt Income Fund, including the portfolio of investments owned, as of May 31, 1995, and the related statement of operations for the eleven months then ended, the statement of changes in net assets for the eleven months then ended and the year ended June 30, 1994, and the "Financial Highlights" for each of the periods indicated therein. These

financial statements and "Financial Highlights" are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and "Financial Highlights" are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of May 31, 1995 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and "Financial Highlights" referred to above present fairly, in all material respects, the financial position of Putnam New Jersey Tax Exempt Income Fund as of May 31, 1995, the results of its operations for the eleven months then ended, the changes in its net assets for the eleven months then ended and for the year ended June 30, 1994, and the "Financial Highlights" for each of the periods indicated therein, in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Boston, Massachusetts
July 14, 1995

Portfolio of investments owned
May 31, 1995

MUNICIPAL BONDS AND NOTES (97.6%)*

<TABLE>
<CAPTION>
<S>

PRINCIPAL AMOUNT	<C> RATINGS**	<C> VALUE
------------------	------------------	--------------

Key to Abbreviations

AMBAC	-- American Municipal Bond Assurance Corporation
COP	-- Certificate of Participation
GNMA Coll.	-- Government National Mortgage Association Collateralized
G.O. Bonds	-- General Obligation Bonds
FGIC	-- Federal Guarantee Insurance Corporation
FHA	-- Federal Housing Administration Insured
FSA	-- Financial Security Assurance
IFB	-- Inverse Floating Bond
MBIA	-- Municipal Bond Assurance Corporation

</TABLE>

<TABLE>
<CAPTION>
<S>

<C>	<C>	<C>	<C>
New Jersey (83.4%)			
\$ 1,000,000	Atlantic City, Muni. Utils. Auth. Wtr. Rev. Bonds, 7-3/4s, 5/1/17	A	\$ 1,147,500
2,000,000	Atlantic Cnty. COP FGIC, 7.4s, 3/1/10	AAA	2,392,500
1,000,000	(Pub. Facs. Lease Agreement), FGIC, 7.4s, 3/1/09	AAA	1,192,500
4,250,000	Camden Cnty., Impt. Auth. Rev. Bonds (acquired 4/12/94 cost \$4,250,000), 8.4s, 4/1/24++	BB/P	4,441,250
1,200,000	Middle Township Sch. Dist. Rev. Bonds, FGIC, 7s, 7/15/06	AAA	1,383,000
2,000,000	Middlesex Cnty., Poll. Control Auth. Rev. Bonds, 6-7/8s, 12/1/22	BBB/P	2,087,500
3,000,000	Middlesex Cnty., Utils. Auth. Swr. Rev. IFB, Ser. A, MBIA, 7.95s, 8/15/10#	AAA	3,225,000
1,338,000	Morris Cnty., G.O. Bonds, 5-1/8s, 5/13/11 NJ Bldg. Auth. State Bldg. Rev. Bonds	AAA	1,287,825
3,750,000	5s, 6/15/18	AA	3,407,813
7,000,000	MBIA, 5s, 6/15/17	AAA	6,396,250
1,000,000	NJ Econ. Dev. Auth. 1st Mtge. Gross Rev. Bonds (Stone Arch Nursing Home Project), 8-3/4s, 12/1/10	BB/P	1,077,500

11,105,000	NJ Econ. Dev. Auth. Elec. Energy Fac. Rev. Bonds (Vineland Cogeneration L.P. Project), 7-7/8s, 6/1/19	BB/P	11,993,400
5,000,000	NJ Econ. Dev. Auth. Hlth. Care Fac. Rev. Bonds (Ocean Nursing Pavilion), Ser. A, 7-3/8s, 12/1/25	BB/P	4,956,250
2,500,000	NJ Econ. Dev. Auth. Natural Gas Fac. Rev. Bonds (NJ Natural Gas Co. Project)		
2,500,000	9s, 12/1/17	A	2,800,000
2,500,000	Ser. 84A, 7.05s, 3/1/16	A	2,665,625
2,800,000	NJ Econ. Dev. Auth. Rev. Bonds (Stolt Terminals Project), 10-1/2s, 1/15/18	BB/P	3,174,500
4,550,000	(Holt Hauling Co.), Ser. D, 10-1/4s, 9/15/14	Aaa	4,902,625
5,000,000	(Tevco Inc. Project), 8-1/8s, 10/1/09	A/P	5,618,750
3,260,000	(Cadbury Corp.), 8s, 7/1/15	BB/P	3,337,425
1,200,000	(Ninette Group L P Project), 7-3/4s, 8/1/11	A	1,290,000
2,000,000	(Hartz Mountain Industries, Inc.), 7s, 2/1/14	A	2,207,500
3,185,000	(Lakewood School), Ser. R, 6.9s, 12/1/11	Aa	3,435,819
1,500,000	(NJ Performing Arts Ctr.), 6-3/4s, 6/15/12	A	1,597,500
3,040,000	(Insd. Edl. Testing Svcs.), Ser. A, 5.9s, 5/15/15	AAA	3,066,600
1,635,000	(American Wtr. Co. Project), FGIC, Ser. A, 5.35s, 6/1/23	AAA	1,547,119
4,500,000	NJ Econ. Dev. Auth. St. Contract Rev. Bonds, zero %, Ser. A, 9/15/13	AAA	1,591,875

New Jersey (continued)

\$ 2,925,000	NJ Econ. Dev. Auth. Waste Paper Recycling Rev. Bonds (Marcal Paper Mills Inc. Project), 8-1/2s, 2/1/10	BB/P	\$ 3,334,500
	NJ Hlth. Care Fac. Fin. Auth. Rev. Bonds		
1,300,000	(Gen. Hosp. Ctr.-Passaic Inc.), Ser. B, 10-3/8s, 7/1/14	BBB	1,345,747
4,300,000	(Dover Gen. Hosp. & Med. Ctr.), Issue C, 9s, 7/1/12	A	4,403,759
4,250,000	(St. Elizabeth Hosp.), Ser. B, 8-1/4s, 7/1/20	Baa	4,563,438
3,095,000	(Jersey Shore Med. Ctr.), AMBAC, 8s, 7/1/18	AAA	3,466,400
2,000,000	(Kimball Med. Ctr.), Ser. C, 8s, 7/1/13	Baa	2,125,000
1,000,000	(East Orange Gen. Hosp.), Ser. B, 7-3/4s, 7/1/20	BBB	1,062,500
4,720,000	(Kimball Med. Ctr.), 7.3s, 7/1/99	Baa	4,820,300
9,000,000	(Raritan Bay Med. Ctr.) 7-1/4s, 7/1/27	BB/P	8,943,750
3,300,000	(Christ Hosp. Group) 7s, 7/1/06	AAA	3,729,000
5,000,000	(Gen. Hosp. Ctr.-Passaic Inc.), FSA, 6-3/4s, 7/1/19	AAA	5,437,500
1,070,000	(Union Hosp./Mega Care Inc.), 5-7/8s, 7/1/14	Baa	988,413
4,400,000	(St. Mary's Hosp.), 5-7/8s, 7/1/12	Baa	4,075,500
5,325,000	(Union Hosp./Mega Care Inc.), 5-7/8s, 7/1/07	Baa	5,098,688
7,285,000	(Somerset Med. Ctr.), Ser. A, FGIC, 5.2s, 7/1/24	AAA	6,665,775
3,500,000	(St. Peters Med. Ctr.), Ser. F, MBIA, 5s, 7/1/21	AAA	3,119,375
3,425,000	NJ Sports & Exposition Auth. Convention Ctr. Luxury Tax Rev. Bonds, Ser. A, MBIA, 5-1/2s, 7/1/22	AAA	3,369,344
	NJ State G.O. Bonds		
12,800,000	FGIC, 6s, 2/15/11	AAA	13,600,000
5,000,000	FGIC, zero %, 2/15/07	AAA	2,693,750
	NJ State Hsg. & Mtge. Fin. Agcy. Rev. Bonds		
3,000,000	IFB, Ser. I, (acquired \$2,000,000 par 2/11/93 cost \$2,068,074, acquired \$1,000,000 par 6/14/93 cost \$1,061,250) 7.717s, 11/1/07++	A	3,318,750
1,745,000	(Home Buyer Project), Ser. D, MBIA, 7.7s, 10/1/29	AAA	1,845,338
	NJ State Hwy. Auth. Gen. Rev. Bonds		
1,500,000	(Garden State Pkwy. Project), 6.2s, 1/1/10	AA	1,608,750
2,370,000	(Garden State Pkwy. Project), 6s, 1/1/19	Aaa	2,541,825
	NJ State Tpk. Auth. Rev. Bonds,		
1,800,000	(acquired 3/27/92, cost \$1,817,856) 8.22921s, 1/1/16++	AAA	2,184,750
20,000,000	Ser. C, 6-1/2s, 1/1/16	AAA	22,200,000
5,000,000	NJ State Trans. Trust Fund Auth. Trans. Syst. Rev. Bonds, Ser. A, MBIA, 6-1/4s, 12/15/03	AAA	5,462,500
10,870,000	NJ Wastewater Treatment Trust Rev. Bonds, zero %, Ser. A, 9/1/07	AAA	5,747,513
1,800,000	Passaic Valley, Cmnty. Wtr. Supply Rev. Bonds, Ser. A., FGIC, 6.4s, 12/15/22	AAA	2,018,250
4,500,000	Rutgers State U. Rev. Bonds, Ser. A, 6.4s, 5/1/13	AA	4,927,500
13,000,000	Salem Cnty., Indl. Poll. Control Fin. Auth. Rev. Bonds (Pub. Svc. Elec. & Gas Co. Project), Ser. C, MBIA, 5.55s, 11/1/33	AAA	12,642,500
1,985,000	Sayreville, Hsg. Dev. Corp. Mtge. Rev. Bonds (Lakeview Section 8), FHA, 7-3/4s, 8/1/24#	AAA	2,195,906
1,000,000	Stony Brook, Regional Swr. Rev. Bonds, Ser. B, 5.45s, 12/1/12	AA	988,750
4,695,000	U. of Medicine & Dentistry G.O. Bonds, Ser. E, 6-1/2s, 12/1/12	AA	5,281,875
1,300,000	Union Cnty., Indl. Poll. Ctrl. Fin. Auth. Rev. Bonds (American Cynamid Co.) 5.8s, 9/1/09	A	1,337,375
	Union Cnty., Util. Auth. Solid Waste Rev. Bonds		

7,400,000	Ser. A, 7.2s, 6/15/14	A	7,705,250
New Jersey (continued)			
\$4,000,000	Ser. A, 7.15s, 6/15/09	A	\$ 4,180,000
			251,253,197
New York (5.5%)			
5,000,000	Port Auth. NY & NJ Cons. IFB (acquired 8/29/91, cost \$5,164,940)	8.90895s, 8/1/26++	AA 5,725,000
2,100,000	(acquired 2/9/94, cost \$2,107,875)	5.65808s, 11/15/15++	AA 1,693,125
7,500,000	Port Auth. NY & NJ Cons. Rev. Bonds, 93rd Ser. 6-1/8s, 6/1/94		AA 7,734,375
1,500,000	5.2s, 11/15/15		A 1,413,750
			16,566,250
Puerto Rico (8.7%)			
1,000,000	Cmnwlth. of PR, Hwy. & Trans. Auth. Rev. Bonds Ser. W, 5-1/2s, 7/1/15		A 962,500
2,000,000	Ser. X, 5-1/4s, 7/1/21		A 1,810,000
1,500,000	Ser. X, 2.2s, 7/1/99		VMIG 1,500,000
1,500,000	Cmnwlth. of PR, Hwy. Auth. Rev. Bonds Ser. Q, 7-3/4s, 7/1/16		AAA 1,749,375
4,000,000	Cmnwlth. of PR, Pub. Impt. G.O. Bonds 6.8s, 7/1/21		AAA 4,595,000
2,250,000	Ser. A, MBIA, 5-3/8s, 7/1/22		AAA 2,148,750
2,500,000	PR, Hsg. Fin. Corp. Single Fam. Mtge. IFB GNMA Coll., 8.585s, 8/4/25		AAA 2,693,750
1,765,000	Ser. B, GNMA Coll., 7.65s, 10/15/22		AAA 1,877,515
2,000,000	PR, Incl. Med. & Env. Poll. Control Fac. Fin. Auth. Rev. Bonds (American Airlines), Ser. A, 8-3/4s, 12/1/25		Baa 2,077,500
1,250,000	PR, Pub. Bldgs. Auth. Gtd. Edl. & Hlth. Fac. Rev. Bonds Ser. G, 7-7/8s, 7/1/16		AAA 1,368,750
1,000,000	Ser. H, 7-7/8s, 7/1/16		AAA 1,095,000
3,750,000	PR, Pub. Bldgs. Auth. Rev. Bonds, Ser. K, 6-7/8s, 7/1/21		AAA 4,326,563
			26,204,703
			\$294,024,150
	Total Investments (cost \$282,179,370)***		

</TABLE>

*Percentages indicated are based on net assets of \$301,160,552, which correspond to a net asset value per class A, class B and class M shares of \$8.98, \$8.97 and \$8.98, respectively.

**The Moody's or Standard & Poor's ratings indicated are believed to be the most recent ratings available at May 31, 1995 for the securities listed. Ratings are generally ascribed to securities at the time of issuance. While the agencies may from time to time revise such ratings, they undertake no obligation to do so, and the ratings do not necessarily represent what the agencies would ascribe to these securities at May 31, 1995. Securities rated by Putnam are indicated by "/P" and are not publicly rated. Ratings are not covered by the Report of Independent Accountants.

++Restricted, excluding 144A securities, as to public resale. At the date of acquisition these securities were valued at cost. There were no outstanding unrestricted securities of the same class held. Total market value of restricted securities owned at May 31, 1995 was \$17,362,875 or 5.8% of net assets.

#These securities was pledged to cover margin requirements for futures contracts at May 31, 1995. The market value segregated with the custodian for transactions in futures contracts was \$5,420,906, or 1.8% of net assets.

***The aggregate identified cost for federal income tax purposes is \$282,188,091, resulting in gross unrealized appreciation and depreciation of \$14,308,267 and \$2,472,208, respectively, or net unrealized appreciation of \$11,836,059.

The rates shown on VRDN's and IFB's which are securities paying variable interest rates that vary inversely to changes in the market rates are the current interest rates at May 31, 1995, which are subject to change based on

the terms of the security.

The fund had the following industry group concentrations greater than 10% on May 31, 1995 (as a percentage of net assets):

Health Care 19.5%
 Transportation 17.5

U.S. Treasury Bond Futures Outstanding

<TABLE>

<CAPTION>

	Total Value	Aggregate Face Value	Expiration Date	Unrealized Depreciation
<S>		<C>	<C>	<C>
U.S. Treasury Bond Futures (Sell)	\$10,511,906	\$9,875,437	June 95	\$636,469

</TABLE>

The accompanying notes are an integral part of these financial statements

Statement of assets and liabilities

May 31, 1995

<TABLE>

<CAPTION>

<S>	<C>	<C>
Assets		
Investments in securities at value (identified cost \$282,179,370) (Note 1)		\$294,024,150
Cash		229,821
Interest receivable		6,785,631
Unamortized organization expenses (Note 1)		1,285
Receivable for shares of the fund sold		686,951
Receivable for securities sold		1,025,213
Total assets		302,753,051
Liabilities		
Payable for shares of the fund repurchased	\$ 677,959	
Distributions payable to shareholders	433,450	
Payable for compensation of Manager (Note 2)	296,017	
Payable for administrative services (Note 2)	1,562	
Payable for compensation of Trustees (Note 2)	212	
Payable for investor servicing and custodian fees (Note 2)	1,201	
Payable for distribution fees (Note 2)	121,023	
Payable for variation margin on futures contracts	8,719	
Other accrued expenses	52,356	
Total liabilities	1,592,499	
Net assets		\$301,160,552
Represented by		
Paid-in capital (Notes 1 and 4)		\$300,090,590
Distributions in excess of net investment income (Note 1)		(18,267)
Accumulated net realized loss on investment transactions (Note 1)		(10,120,082)
Net unrealized appreciation of investments, written options and futures contracts (Notes 1 and 3)		11,208,311
Total--Representing net assets applicable to capital shares outstanding		\$301,160,552
Computation of net asset value and offering price		
Net asset value and redemption price of class A shares (\$242,568,828 divided by 27,009,966 shares)		\$8.98
Offering price per class A share (100/95.25 of \$8.98)*		\$9.43
Net asset value and offering price of class B shares (\$58,590,691 divided by 6,530,449 shares)+		\$8.97

Net asset value and redemption price of class M shares(\$1,033 divided by 115 shares)	\$8.98
Offering price per share (100/96.75 of \$8.98)**	\$9.28

</TABLE>

*On single retail sales of less than \$25,000. On sales of \$25,000 or more and on group sales the offering price is reduced.

**On single retail sales of less than \$50,000. On sales of \$50,000 or more and on group sales the offering price is reduced.

+Redemption price per share is equal to net asset value less any applicable contingent deferred sales charge.

The accompanying notes are an integral part of these financial statements.

Statement of operations
Eleven months ended May 31, 1995

<TABLE>	
<CAPTION>	
<S>	<C>
Tax exempt interest income	\$17,853,607
Expenses:	
Compensation of Manager (Note 2)	1,588,880
Investor servicing and custodian fees (Note 2)	211,127
Compensation of Trustees (Note 2)	10,151
Auditing	21,324
Legal	31,200
Reports to shareholders	45,095
Administrative services (Note 2)	5,133
Distribution fees--Class A (Note 2)	431,012
Distribution fees--Class B (Note 2)	394,057
Other expenses	67,083
Total expenses	2,805,062
Net investment income	15,048,545
Net realized loss on investments and options (Notes 1 and 3)	(6,565,473)
Net realized loss on written options (Notes 1 and 3)	(129,643)
Net realized loss on futures contracts (Note 1)	(1,758,627)
Net unrealized appreciation of investments, written options and future contracts during the eleven months	15,717,027
Net gain on investment transactions	7,263,284
Net increase in net assets resulting from operations	\$22,311,829

</TABLE>

The accompanying notes are an integral part of these financial statements.

Statement of changes in net assets

<TABLE>		
<CAPTION>		
	Eleven months ended	Year ended
	May 31	June 30
	1995	1994
<S>	<C>	<C>
Increase in net assets		
Operations:		
Net investment income	\$ 15,048,545	\$ 15,328,319
Net realized loss on investments, written options and futures contracts	(8,453,743)	(38,889)
Net unrealized appreciation (depreciation) of investments, written options and futures contracts	15,717,027	(19,449,337)
Net increase (decrease) in net assets		

resulting from operations	22,311,829	(4,159,907)
Distributions to shareholders from:		
Net investment income		
Class A	(12,600,443)	(13,734,969)
Class B	(2,404,816)	(1,545,308)
Net realized gain on investments:		
Class A	--	(2,166,642)
Class B	--	(78,061)
In excess of realized gain on investments:		
Class A	--	(1,336,885)
Class B	--	(369,008)
Increase from capital share transactions (Note 4)	2,601,270	64,287,614
Total increase in net assets	9,907,840	40,896,834
Net assets		
Beginning of period	291,252,712	250,355,878
End of period (including undistributed and distributions in excess of net investment income of \$21,490 and \$21,796 respectively)	\$301,160,552	\$291,252,712

The accompanying notes are an integral part of these financial statements.

Financial Highlights

(For a share outstanding throughout the year)

	For the period May 1, 1995 (commencement of operations) to May 31, 1995 Class M <C>	For the eleven months ended May 31 1995+ <C>	Year ended June 30 1994 Class B <C>	For the period January 4, 1993 (commencement of operations) to June 30 1993 <C>
Net asset value, beginning of period	\$8.74	\$8.75	\$9.46	\$9.02
Investment operations				
Net investment income	.04	.41	.45	.21
Net realized and unrealized gain (loss) on investments	.28	.22	(.58)	.43
Total from investment operations	.32	.63	(.13)	.64
Less distributions:				
From net investment income	(.08)	(.41)	(.45)	(.20)
Net realized gain on investments	--	--	(.02)	--
In excess of realized gain on investments	--	--	(.11)	--
Total distributions	(.08)	(.41)	(.58)	(.20)
Net asset value, end of period	\$8.98	\$8.97	\$8.75	\$9.46
Total investment return at net asset value (%) (a)	3.21 (b)	7.51 (b)	(1.59)	7.21 (b)
Net assets, end of period (in thousands)	\$ 1	\$58,591	\$44,916	\$15,113
Ratio of expenses to average net assets (%)	.09 (b)	1.46 (b)	1.59	.77 (b)
Ratio of net investment income to average net assets (%)	.42 (b)	4.72 (b)	4.77	2.42 (b)
Portfolio turnover (%)	51.86 (b)	51.86 (b)	51.74	44.58 (b)

<TABLE>
<CAPTION>

For the period

	For the eleven months ended May 31 1995+	1994	Year ended June 30		1991	February 20, 1990 (commencement of operations) to June 30 1990
			1993	1992		
			Class A			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	\$ 8.75	\$ 9.46	\$ 8.97	\$ 8.64	\$ 8.50	\$ 8.50
Investment operations						
Net investment income	.46	.51	.54	.59 (c)	.62 (c)	.22 (c)
Net realized and unrealized gain (loss) on investments	.23	(.58)	.58	.38	.13	.01
Total from investment operations	.69	(.07)	1.12	.97	.75	.23
Less distributions:						
From net investment income	(.46)	(.51)	(.55)	(.60)	(.61)	(.23)
Net realized gain on investments	--	(.08)	(.08)	(.04)	--	--
In excess of realized gain on investments	--	(.05)	--	--	--	--
Total distributions	(.46)	(.64)	(.63)	(.64)	(.61)	(.23)
Net asset value, end of period	\$8.98	\$ 8.75	\$9.46	\$ 8.97	\$ 8.64	\$8.50
Total investment return at net asset value (%) (a)	8.25 (b)	(.94)	13.02	11.52	9.17	2.71 (b)
Net assets, end of period (in thousands)	\$242,569	\$246,336	\$235,243	\$159,658	\$99,978	\$34,588
Ratio of expenses to average net assets (%)	.87 (b)	.95	.92	.75 (c)	.66 (c)	.26 (b) (c)
Ratio of net investment income to average net assets (%)	5.36 (b)	5.43	5.90	6.69 (c)	7.09 (c)	3.06 (b) (c)
Portfolio turnover (%)	51.86 (b)	51.74	44.58	80.21	101.21	7.58 (b)

</TABLE>

+ The fiscal year has been advanced from June 30 to May 31.

(a) Total Investment return assumes dividend reinvestment and does not reflect the effect of sales charges.

(b) Not annualized.

(c) Reflects a voluntary expenses limitation. As a result, expenses of the fund for the years ended June 30, 1992 and 1991 and for the period ended June 30, 1990 reflect a reduction of \$0.01, \$0.03 and \$0.02, respectively.

NOTES TO FINANCIAL STATEMENTS

May 31, 1995

Note 1

Significant accounting policies

The fund is registered under the Investment Company Act of 1940, as amended, as a non-diversified, open-end management investment company. The fund seeks as high a level of current income exempt from federal income tax and New Jersey personal income tax as Putnam Management believes is consistent with preservation of capital by investing primarily in a portfolio of longer-term New Jersey tax exempt securities.

The fund offers class A, class B and class M shares. The fund commenced its public offering of class M shares on May 1, 1995, however, there were no shares sold to non-affiliates as of May 31, 1995. Class A shares are sold with a maximum front-end sales charge of 4.75%. Class B shares do not pay a front-end sales charge, but pay a higher ongoing distribution fee than class A shares, and may be subject to a contingent deferred sales charge if those shares are redeemed within six years of purchase. Class M shares are sold with a maximum front-end sales charge of 3.25% and pay a distribution fee that is higher than class A shares. In addition, the Trustees declare separate dividends on each class of shares. Expenses of the fund are borne pro-rata by the holders of each class of shares, except that each class bears

expenses unique to that class (including the distribution fees applicable to such class). Each votes as a class only with respect to its own distribution plan or other matters on which a class vote is required by law or determined by the Trustees. Shares of each class would receive their pro-rata share of the net assets of the fund, if the fund were liquidated.

The following is a summary of significant accounting policies consistently followed by the fund in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles.

A) Security valuation Tax-exempt bonds and notes are stated on the basis of valuations provided by a pricing service, approved by the Trustees, which uses information with respect to transactions in bonds, quotations from bond dealers, market transactions in comparable securities and various relationships between securities in determining value. The fair value of restricted securities is determined by the Manager following procedures approved by the Trustees.

B) Security transactions and related investment income Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Interest income is recorded on the accrual basis.

C) Futures The fund may purchase and sell financial futures contracts to hedge against changes in the values of tax-exempt municipal securities the fund owns or expects to purchase.

A futures contract is an agreement between two parties to buy or sell units of a particular index or a certain amount of a U.S. Government security at a set price on a future date.

Upon entering into such a contract the fund is required to pledge to the broker an amount of cash or securities equal to the minimum "initial margin" requirements of the futures. Pursuant to the contract, the fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as "variation margin" and are recorded by the fund as unrealized gains or losses. When the contract is closed, the fund records a realized gain or loss equal

to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The potential risk to the fund is that the change in value of futures contracts primarily corresponds with the value of underlying instruments which may not correspond to the change in value of the hedged instruments. In addition, there is a risk that the fund may not be able to close out its futures positions due to an illiquid secondary market.

D) Option accounting principles The fund may, to the extent consistent with its investment objective and policies, seek to increase its current returns by writing covered call and put options on securities it owns or in which it may invest. When a fund writes a call or put option, an amount equal to the premium received by the fund is included in the fund's "Statement of assets and liabilities" as an asset and an equivalent liability. The amount of the liability is subsequently "marked-to-market" to reflect the current market value of an option written. The current market value of an option is the last sale price or, in the absence of a sale, the last offering price. If an option expires on its stipulated expiration date, or if the fund enters into a closing purchase transaction, the fund realizes a gain (or loss if the closing purchase transaction exceeds the premium received when the option was written) without regard to an unrealized gain or loss on the underlying security, and the liability related to such option is extinguished. If a written call option is exercised, the fund realizes a gain or loss from the sale of the underlying security and the proceeds of the sale are increased by the premium originally received. If a written put option is exercised, the amount of the premium originally received reduces the cost of the security that the fund purchases upon exercise of the option.

The risk in writing a call option is that the fund relinquishes the opportunity to profit if the market price of the underlying security increases and the option is exercised. In writing a put option, the fund assumes the risk of incurring a loss if the market price of the underlying

security decreases and the option is exercised. In addition, there is the risk the fund may not be able to enter into a closing transaction because of an illiquid secondary market.

The fund may also, to the extent consistent with its investment objectives and policies, buy put options to protect its portfolio holdings in an underlying security against a decline in market value. The fund may buy call options to hedge against an increase in the price of the securities that the fund ultimately wants to buy. These funds may also buy and sell combinations of put and call options on the same underlying security to earn additional income. The premium paid by a fund for the purchase of a put or call option is included in the fund's "Statement of assets and liabilities" as an investment and is subsequently "marked-to-market" to reflect the current market value of the option. If an option the fund has purchased expires on the stipulated expiration date, the fund realizes a loss in the amount of the cost of the option. If the fund enters into a closing sale transaction, the fund realizes a gain or loss, depending on whether proceeds from the closing sale transaction are greater or less than the cost of the option. If the fund exercises a call option, the cost of securities acquired by exercising the call is increased by the premium paid to buy the call. If the fund exercises a put option, it realizes a gain or loss from the

sale of the underlying security and the proceeds from such sale are decreased by the premium originally paid. The risk associated with purchasing options is limited to the premium originally paid.

E) Federal taxes It is the policy of the fund to distribute all of its income within the prescribed time and otherwise comply with the provisions of the Internal Revenue Code applicable to regulated investment companies. It is also the intention of the fund to distribute an amount sufficient to avoid imposition of any excise tax under Section 4982 of the Internal Revenue Code of 1986. Therefore, no provision has been made for federal taxes on income, capital gains or unrealized appreciation of securities held and excise tax on income and capital gains. At May 31, 1995 the fund had a capital loss carryover of approximately \$2,871,609 which may be available to offset future realized capital gains to the extent provided by regulations. This amount will expire on May 31, 2003.

F) Distributions to shareholders Income dividends are recorded daily by the fund and are distributed to the shareholders monthly. Capital gains distributions, if any, are recorded on the ex-dividend date and paid annually.

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. For the eleven months ended May 31, 1995, the fund reclassified \$39,757 to increase distributions in excess of net investment income, \$51,839 to increase paid-in capital and \$12,082 to decrease accumulated net realized loss.

G) Amortization of bond premium and discount Any premium resulting from the purchase of securities in excess of maturity value is amortized on a yield-to-maturity basis. The premium in excess of the call price, if any, is amortized to the call date; thereafter, the remaining excess premium is amortized to maturity. Discount on zero-coupon bonds is accreted according to the effective yield method.

H) Unamortized organization expenses Expenses incurred by the fund in connection with its organization, its registration with the Securities and Exchange Commission and with various states, and the initial public offering of its class A shares aggregated \$49,086. These expenses are being amortized over a five-year period based on current and projected net asset levels.

NOTE 2
MANAGEMENT FEE, ADMINISTRATIVE
SERVICES, AND OTHER TRANSACTIONS

Compensation of Putnam Investment Management, the fund's Manager, a wholly-owned subsidiary of Putnam Investments, Inc., for management and

investment advisory services is paid quarterly based on the average net assets of the fund for the quarter. Such fee is based on the following annual rates: 0.60% of the first \$500 million of average net assets, 0.50% of the next \$500 million, 0.45% of the next \$500 million and 0.40% of any amount over \$1.5 billion, subject to reduction in any year to the extent of certain brokerage commissions and fees (less expenses) received by affiliates of the Manager on the fund's portfolio transactions.

The fund also reimburses the Manager for the compensation and related

expenses of certain officers of the fund and their staff who provide administrative services to the fund. The aggregate amount of all such reimbursements is determined annually by the Trustees.

Trustees of the fund receive an annual Trustee's fee of \$780 and an additional fee for each Trustees' meeting attended. Trustees who are not interested persons of the Manager and who serve on committees of the Trustees receive additional fees for attendance at certain committee meetings.

Custodial functions are being provided to the fund by Putnam Fiduciary Trust Company (PFTC), a subsidiary of the Putnam Investments, Inc. Investor servicing agent functions are provided by Putnam Investor Services, a division of PFTC.

Investor servicing and custodian fees reported in the Statement of operations for the eleven months ended May 31, 1995 have been reduced by credits allowed by PFTC.

The fund has adopted distribution plans (the "Plans") with respect to its class A, class B and class M shares pursuant to Rule 12b-1 under the Investment Company Act of 1940. The purpose of the Plans is to compensate Putnam Mutual Funds Corp., a wholly-owned subsidiary of Putnam Investments Inc., for services provided and expenses incurred by it in distributing shares of the fund. The Trustees have approved payment by the fund at an annual rate of 0.20%, 0.85% and 0.50% of the average net assets attributable to class A, class B and class M shares respectively.

For the eleven months ended May 31, 1995, Putnam Mutual Funds Corp., acting as underwriter received net commissions of \$48,327 and \$0 from the sale of class A shares and class M shares, respectively, and \$150,939 in contingent deferred sales charges from redemptions of class B shares. A deferred sales charge of up to 1% is assessed on certain redemptions of class A shares purchased as part of an investment of \$1 million or more. For the eleven months ended May 31, 1995, Putnam Mutual Funds Corp., acting as underwriter received \$2,864 on class A redemptions.

NOTE 3
PURCHASES AND SALES OF SECURITIES

During the eleven months ended May 31, 1995, purchases and sales of investment securities other than short-term investments aggregated \$146,627,753 and \$157,433,605 respectively. Purchases and sales of short-term municipal obligations aggregated \$6,300,000, and \$10,900,000, respectively. In determining the net gain or loss on securities sold, the cost of securities has been determined on the identified cost basis.

Written options transactions during the period are summarized as follows:

	Contract Amount	Premiums Received
<S>	<C>	<C>
Options written	28,200,052	\$630,036
Options closed	28,200,052	630,036
Written options outstanding at end of period	0	\$ 0

NOTE 4

CAPITAL SHARES

At May 31, 1995 there was an unlimited number of shares of beneficial interest authorized divided into three classes of shares, class A, class B and class M capital shares. Class M shares became effective on May 1, 1995 and 115 shares were sold to Putnam Investments, Inc. for \$1,000. Transactions in capital shares were as follows:

<TABLE>

<CAPTION>

	Eleven months ended May 31 1995		Year ended June 30 1994	
	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>
Shares sold	3,583,766	\$ 30,919,620	6,502,086	\$ 60,620,771
Shares issued in connection with reinvestment of distributions	815,266	7,017,119	1,019,504	9,472,472
	4,399,032	37,936,739	7,521,590	70,093,243
Shares repurchased	(5,543,768)	(47,448,932)	(4,232,774)	(38,876,147)
Net increase (decrease)	(1,144,736)	\$ (9,512,193)	3,288,816	\$ 31,217,096

</TABLE>

<TABLE>

<CAPTION>

	Eleven months ended May 31 1995		Year ended June 30 1994	
	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>
Shares sold	2,071,094	\$17,921,544	3,704,434	\$34,534,469
Shares issued in connection with reinvestment of distributions	163,594	1,407,101	129,718	1,197,579
	2,234,688	19,328,645	3,834,152	35,732,048
Shares repurchased	(839,933)	(7,216,182)	(296,170)	(2,661,530)
Net increase	1,394,755	\$12,112,463	3,537,982	\$33,070,518

</TABLE>

FEDERAL TAX INFORMATION

MAY 31, 1995

The fund has designated all income dividends paid as exempt-interest dividends. Thus, 100% of the net investment income distributions are exempt from federal income tax. For residents of the state of New Jersey, 100% of the fund's income dividends are also exempt from New Jersey personal income tax.

The Form 1099 you receive in January 1996 will show the tax status of any taxable distributions paid to your account in calendar 1995.

Our commitment to quality service

> CHOOSE AWARD-WINNING SERVICE.

Putnam Investor Services has won the DALBAR Quality Tested Service Seal every year since the award's 1990 inception. DALBAR, an independent research firm, ran more than 10,000 tests of 38 shareholder service components. In every category, Putnam outperformed the industry standard.

> HELP YOUR INVESTMENT GROW.

Set up a systematic program for investing with as little as \$25 a month from a Putnam money market fund or from your checking or savings account.*

> SWITCH FUNDS EASILY.

You can move money from one account to another with the same class of shares

without a service charge. (This privilege is subject to change or termination.)

> ACCESS YOUR MONEY QUICKLY.

You can get checks sent regularly or redeem shares any business day at the then-current net asset value, which may be more or less than the original cost of the shares.

For details about any of these or other services, contact your financial advisor or call the toll-free number shown below and speak with a helpful Putnam representative.

> To make an additional investment in this or any other Putnam fund, contact your financial advisor or call our toll-free number: 1-800-225-1581.

*Regular investing, of course, does not guarantee a profit or protect against a loss in a declining market.

Fund information

INVESTMENT MANAGER

Putnam Investment
Management, Inc.
One Post Office Square
Boston, MA 02109

MARKETING SERVICES

Putnam Mutual Funds Corp.
One Post Office Square
Boston, MA 02109

CUSTODIAN

Putnam Fiduciary Trust Company

LEGAL COUNSEL

Ropes & Gray

INDEPENDENT

ACCOUNTANTS

Coopers & Lybrand L.L.P.

TRUSTEES

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

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Vice President
and Fund Manager

William N. Shiebler
Vice President

Paul M. O'Neil
Vice President

John D. Hughes
Vice President and Treasurer

Beverly Marcus
Clerk and Assistant Treasurer

This report is for the information of shareholders of Putnam New Jersey Tax Exempt Income Fund. It may also be used as sales literature when preceded or accompanied by the current prospectus, which gives details of sales charges, investment objectives and operating policies of the fund, and the most recent copy of Putnam's quarterly Performance Summary. For more information or to request a prospectus, call toll-free: 1-800-225-1581.

Shares of mutual funds are not deposits or obligations of, or guaranteed or endorsed by, any financial institution, are not insured by the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board, or any other agency, and involve risk, including the possible loss of principal amount invested.

PUTNAM INVESTMENTS

The Putnam Funds
One Post Office Square
Boston, Massachusetts 02109

Bulk Rate
U.S. Postage
PAID
Putnam
Investments

19003-019/329

APPENDIX TO FORM N-30D FILINGS TO DESCRIBE DIFFERENCES BETWEEN PRINTED
AND EDGAR-FILED TEXTS:

- (1) Bold and italic typefaces are displayed in normal type.
- (2) Headers (e.g., the name of the fund) are omitted.
- (3) Certain tabular and columnar headings and symbols are displayed differently in this filing.
- (4) Bullet points and similar graphic signals are omitted.
- (5) Page numbering is omitted.
- (6) Trademark symbol replaced with (TM)