

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)

Filing Date: **1995-07-28** | Period of Report: **1995-05-31**
SEC Accession No. **0000915707-95-000040**

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FILER

PUTNAM PENNSYLVANIA TAX EXEMPT INCOME FUND

CIK: **794615** | IRS No.: **043057637** | State of Incorpor.: **MA** | Fiscal Year End: **0228**
Type: **N-30D** | Act: **40** | File No.: **811-05802** | Film No.: **95556821**

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PUTNAM
PENNSYLVANIA
TAX EXEMPT
INCOME FUND

ANNUAL REPORT

MAY 31, 1995

[LOGO]
BOSTON * LONDON * TOKYO

PERFORMANCE HIGHLIGHTS

Putnam Pennsylvania Tax Exempt Income Fund's class A shares earned four out of five stars from Morningstar for risk-adjusted performance as of May 31, 1995.*

"The gap is narrowing between Treasury and municipal yields, making munis look increasingly attractive."

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

FISCAL 1995 RESULTS AT A GLANCE

<TABLE><CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>
		CLASS A		CLASS B	
TOTAL RETURN:		NAV	POP	NAV	CDSC

(change in value during period plus reinvested distributions)					
3 months ended 5/31/95		4.39%	-0.59%	4.23%	-0.77%

SHARE VALUE:		NAV	POP		NAV

2/28/95		\$8.98	\$9.43		\$8.97
5/31/95		9.24	9.70		9.23

DISTRIBUTIONS:	NO.	INCOME	CAPITAL GAINS (1)		TOTAL

Class A	3	\$0.131837	--		\$0.131837
Class B	3	0.117029	--		0.117029

CURRENT RETURN:		NAV	POP		NAV

End of period			
Current dividend rate(2)	5.62%	5.35%	4.98%
Taxable equivalent(3)	9.57	9.11	8.48
Current 30-day SEC yield(4)	5.48	5.21	4.81
Taxable equivalent(3)	9.33	8.87	8.19

<FN>

Performance data represent past results and will differ for each share class. For performance over longer periods, see pages 8 and 9. POP assumes 4.75% maximum sales charge for class A shares. CDSC for class B shares assumes 5% maximum contingent deferred sales charge. (1)Capital gains, if any, are taxable for federal and, in most cases, state tax purposes. For some investors, investment income may also be subject to the Federal Alternative Minimum tax. Investment income may be subject to state and local taxes. (2)Income portion of most recent distribution, annualized and divided by NAV or POP at end of period. (3)Assumes maximum 41.29% combined federal and state tax rate. Results for investors subject to lower tax rates would not be as advantageous. (4)Based only on investment income, calculated using SEC guidelines.

* Morningstar, an independent mutual fund rating agency, rates funds in relation to other funds with similar investment objectives, based on the fund's 3-, 5-, and 10-year average annual returns and adjusted for risk factors and sales charges. Ratings are updated monthly. The fund had a four-star overall rating for the period ended 5/31/95, which puts the fund in the top 32.5% among all municipal funds rated. For the 3- and 5-year periods ended 5/31/95, there were 670 and 465 funds in the municipal category. The fund received 3 and 4 stars, respectively. Past performance is not indicative of future results.

</TABLE>

FROM THE CHAIRMAN

[PHOTO OF GEORGE PUTNAM]
(C) KARSH, OTTAWA

DEAR SHAREHOLDER:

YOU MAY NOT HAVE NOTICED, BUT YOUR ANNUAL REPORT FOR PUTNAM PENNSYLVANIA TAX EXEMPT INCOME FUND HAS ARRIVED EARLIER THAN USUAL.

THIS IS BECAUSE PUTNAM MANAGEMENT HAS DECIDED TO REALIGN MANY OF ITS TAX-EXEMPT BOND FUNDS' FISCAL YEARS SO THEY HAVE COMMON FISCAL YEAR ENDS. THIS WILL ALLOW US TO TAKE ADVANTAGE OF ECONOMIES OF SCALE IN FINANCIAL REPORTING, ACCOUNTING, LITERATURE PRODUCTION, AND THE LIKE, AND SHOULD PROVIDE CONSIDERABLE SAVINGS FOR YOUR FUND IN THE FUTURE.

YOUR FUND WAS AMONG THOSE AFFECTED BY THIS CHANGE. IN THE FUTURE ITS FISCAL YEAR WILL END ON MAY 31. CONSEQUENTLY, ALTHOUGH THE FUND'S

MOST RECENT ANNUAL REPORT WAS MAILED TO YOU IN APRIL, THIS REPORT, WHICH COVERS THE PERIOD BETWEEN FEBRUARY 28 AND MAY 31, 1995, IS ALSO DESIGNATED AS AN ANNUAL REPORT.

FUND MANAGER RICHARD WYKE REVIEWS PERFORMANCE DURING THIS ABBREVIATED PERIOD, THEN OFFERS SOME INSIGHTS ON PROSPECTS FOR THE MONTHS AHEAD.

RESPECTFULLY YOURS,

[SIGNATURE]

GEORGE PUTNAM
CHAIRMAN OF THE TRUSTEES
JULY 19, 1995

REPORT FROM THE FUND MANAGER
RICHARD P. WYKE

Having turned the corner into positive territory in January, the municipal bond market continued its course of strong performance through May 31, 1995. The rally lost steam only briefly in April, as investors became concerned about the effects of the flat-tax proposal being considered by Congress.

Putnam Pennsylvania Tax Exempt Income Fund participated to a significant degree in the rally, providing a total return of 8.70% for class A shares and 8.01% for class B shares, both at net asset value, for the 12 months ended May 31, 1995. From the closing date of our last report, February 28, 1995, through May 31, the fund's class A shares returned 4.39% and class B shares returned 4.23%, both at NAV.

FLAT TAX DIALOGUE CAUSED MARKET TO FALTER BRIEFLY

This spring's market strength faltered briefly in April as investors became spooked by the possible effects of the flat-tax proposal headed for congressional hearings. A flat tax -- only one of many tax-reform proposals that will eventually be discussed, dissected, and debated in Washington -- would, if approved, deprive municipal bonds of their exclusivity as tax-exempt investments.

The uneasiness caused by this rhetoric, however, was short-lived. Having soon realized that passage of a flat tax was far from certain, investors renewed their interest in the market, pushing municipal bond prices higher by period's end.

WEAKENING ECONOMY AND SHRINKING SUPPLY FUEL RALLY

Recent evidence of a weakening economy -- such as lower employment figures, declines in consumer spending, and a slowdown in

manufacturing -- gave the entire fixed-income market another shot in the arm.

The lower volume of new bond issuance has also bolstered the performance of many long-term municipal bonds and, in turn, your fund. We've been anticipating a substantial supply/demand imbalance in the market for several years now and it indeed has begun to materialize. As more investors pursue fewer bonds, prices of existing bonds are likely to rise in response to demand.

On the national level, new bond issuance for the first quarter of calendar 1995 has dropped more than 40% from the level of new issuance recorded for the first quarter of 1994. Additionally, nearly \$60 billion worth of high-coupon bonds issued in 1985 are due to mature or become callable this June and July. In Pennsylvania, municipal bond issuance is currently down by approximately 55% from that of 1994. The reduced volume nationally and locally raises the prospect of brisk demand, and higher prices, for existing issues.

PORTFOLIO POSITIONED TO BENEFIT FROM RECENT TRENDS

In light of the supply/demand imbalance and the current economic environment, we have taken several steps to augment the fund's performance potential. We have lengthened the portfolio's average maturity a bit to benefit from a potential

[LINE CHART]

MUNICIPAL BOND YIELDS IN DECLINE

6/94	6.92
7/94	6.57
8/94	6.59
9/94	6.93
10/94	7.36
11/94	7.73
12/94	7.25
1/95	6.86
2/95	6.47
3/95	6.35
4/95	6.33
5/95	6.04

Bond prices rise as yields decline

[FN]

Evidence of positive changes in the municipal bond market can be seen in the following yields of existing tax-exempt debt. (Bond yields move in the opposite direction from their prices.) The Bond Buyer Municipal Bond index is a list of 40 unmanaged individual

municipal bonds. It is not intended to represent the fund's performance. Source: Bloomberg; data plotted monthly.

fall in interest rates -- a task complicated by the tight supply of Pennsylvania tax-exempt securities. We've also focused sharply on call protection, a strategy that seeks to minimize the risk of bonds being redeemed by issuers and taken out of the market prior to their maturity dates.

One of our ongoing goals is to build both healthy yield and solid total return potential into the portfolio. This involves structuring the portfolio very carefully in terms of both coupon and credit quality. The voracious appetite for yield in the market has caused the yield spread between the highest- and lowest-rated bonds to remain narrow despite the rally's strength. In this environment, investors chasing incrementally higher yields from lower-rated bonds are, in our opinion, not getting compensated for the additional risk they are undertaking.

We preferred to cluster approximately 61% of the fund's assets in AAA-rated and insured bonds. Investors typically sell these high-quality bonds first in a market downturn and seek to purchase them first in times of market recovery. These bonds have performed well and stand to appreciate further should the yield spread between higher and lower-rated issues widen once again.

Roughly 23% of the fund's assets remain in BBB-rated and below investment-grade issues, however, because these lower rated bonds continue to provide an attractive stream of income and an element of price stability. We've also pinpointed certain discount- and premium-coupon bonds for their appreciation and current yield potential, respectively.

Your fund remained well diversified by industry and municipality. Health care was well represented in the portfolio, as were education and utility bonds. We've also been scrutinizing opportunities in the resource recovery arena, a fairly new sector not well understood by the broad market, where we believe Putnam's extensive research capabilities can add value.

[BAR CHART]

TOP INDUSTRY SECTORS

Hospitals/Health Care	19.2%
Utilities, Water & Sewer	16.2%
Education	8.9%
Transportation	8.6%
Housing	2.7%

*Based on a percentage of net assets on 5/31/95. Sector allocation

will vary over time.

CONDITIONS SEEM RIGHT FOR MARKET STRENGTH TO CONTINUE

All markets move in cycles. Municipal bonds have enjoyed a long-awaited rally since January and, while it's impossible to predict the course of the economy, political events, and the Federal Reserve Board's actions, we believe the environment for Pennsylvania tax-exempt bonds remains promising. Recent data suggest controlled inflation and a slowing economy are in our future. Furthermore, the attractive value of municipal bonds relative to Treasury bonds, a decrease in new bond supply, and growing investor demand for tax relief also create a compelling environment for investing in municipal bonds.

Ongoing tax-reform dialogue may, of course, cause further turbulence, however we don't foresee a revision of the income tax code occurring until after the 1996 presidential election. Should a revision indeed come to pass, it doesn't necessarily bode ill for municipal bonds. Any future tax reform could be a positive event for the economy and the municipal market as any change could result in an increase in the savings rate. Rest assured, we will monitor any developments on all tax-reform proposals and maintain an element of flexibility in the portfolio should repositioning be required.

The views expressed here are exclusively those of Putnam Management. They are not meant as investment advice. Although the described holdings and industries were viewed favorably as of 5/31/95, there is no guarantee the fund will continue to represent these industries or 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 Pennsylvania Tax Exempt Income Fund is designed for investors seeking a high level of current income free from federal and Pennsylvania state income taxes, consistent with preservation of capital.

TOTAL RETURN FOR PERIODS ENDED 5/31/95

<TABLE><CAPTION>

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LEHMAN BROS.

	CLASS A		CLASS B		MUNICIPAL	CPI
	NAV	POP	NAV	CDSCBOND	INDEX	
3 months ended						
5/31/95	4.39%	-0.59%	4.23%	-0.77%	4.50%	0.86%
1 year	8.70	3.55	8.01	3.01	9.11	3.19
5 years	53.27	45.91	--	--	51.33	17.80
Annual average	8.92	7.85	--	--	8.64	3.33
Life of class A	59.74	52.23	--	--	58.08	22.35
Annual average	8.32	7.43	--	--	8.13	3.50
Life of class B	--	--	7.49	3.60	9.97	5.40
Annual average	--	--	3.92	1.90	5.18	2.84

</TABLE>

TOTAL RETURN FOR PERIODS ENDED 6/30/95
(most recent calendar quarter)

<TABLE><CAPTION>

<S>	<C>		<C>		<C>	
	NAV	POP	NAV	CDSC	NAV	CDSC
1 year	8.05%	2.87%	7.37%	2.37%		
5 years	50.06	42.88	--	--		
Annual average	8.46	7.40	--	--		
Life of class A	57.95	50.52	--	--		
Annual average	8.00	7.13	--	--		
Life of class B	--	--	6.24	2.40		
Annual average	--	--	3.13	1.22		

<FN>

Fund performance data do not take into account any adjustment for taxes payable on reinvested distributions or, for class A shares, distribution fees prior to implementation of the class A distribution plan in 1993. The fund began operations on 7/21/89 offering shares now known as class A. Effective 7/15/93, the fund began offering class B shares. Performance data represent past results, will differ for each share class, and is no indication of future performance. Investment returns and net asset value will fluctuate so an investor's shares, when sold, may be worth more or less than their original cost.

</TABLE>

[LINE CHART]

GROWTH OF \$10,000 COMPARED
Cumulative total return of a \$10,000
investment since 7/21/89

	FundOs class A shares at POP	Lehman Bros. Municipal Bond Index	Consumer Price Index
7/21/89	\$ 9,595	\$10,000	\$10,000
5/31/90	9,932	10,446	10,386
5/31/91	10,913	11,499	10,900
5/31/92	12,118	12,628	11,230
5/31/93	13,622	14,139	11,592
5/31/94	14,004	14,488	11,857
5/31/95	15,223	15,808	12,235

The indexes are unmanaged, include bonds different from those in the fund, and may pose different risks than the fund. Past performance is no assurance of future results. A \$10,000 investment in the fundOs class B shares at inception on 7/15/93 would have been valued at \$10,749 by 5/31/95 (\$10,360 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.

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 shown here assume the maximum 4.75% sales charge for class A 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.

REPORT OF INDEPENDENT ACCOUNTANTS
for the three months ended May 31, 1995

To the Trustees and Shareholders of
Putnam Pennsylvania Tax Exempt Income Fund

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments owned (except for bond ratings), and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Putnam Pennsylvania Tax Exempt Income Fund (the "fund") at May 31, 1995, and the results of its operations, the changes in its net assets, and the financial highlights for the periods indicated, in conformity with generally accepted accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of investments owned at May 31, 1995 by correspondence with the custodian and brokers, provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP
Boston, Massachusetts
July 13, 1995

PORTFOLIO OF INVESTMENTS OWNED
May 31, 1995

KEY TO ABBREVIATIONS

AMBAC--American Municipal Bond Assurance Corporation
BIGI--Bond Investors Guaranty Insurance
CLI--Connie Lee Insurance
CGIC--Capital Guaranty Insurance Company
FB--Floating Bond

FHA Insd.--Federal Housing Administration Insured
 FGIC--Financial Guaranty Insurance Company
 FSA--Financial Security Assurance
 G.O. Bonds--General Obligation Bonds
 IFB--Inverse Floating Bonds
 MBIA--Municipal Bond Investors Assurance Corporation
 VRDN--Variable Rate Demand Notes

<TABLE><CAPTION>

<C>	<S>	<C>
<C>		
MUNICIPAL BONDS AND NOTES (100.1%)*		
PRINCIPAL AMOUNT	RATINGS**	VALUE
----- PENNSYLVANIA (87.6%) -----		
\$1,000,000 Allegheny Cnty., Arpt. Rev. Bonds (Pittsburgh Intl. Arpt.), Ser. C, MBIA, 8 1/4s, 1/1/16	AAA	\$ 1,095,000
Allegheny Cnty., Hosp. Dev. Auth. Rev. Bonds		
2,000,000 (Southside Hosp. Pittsburgh), Ser. A, 8 3/4s, 6/1/10	BBB	2,097,500
1,000,000 (St. Francis Med. Ctr. Project), AMBAC, 8 1/8s, 6/1/13	AAA	1,057,500
900,000 Allegheny Cnty., Hosp. Dev. Auth., VRDN, (Presbyterian Hlth. Ctr.), Ser. A, MBIA, 3.95s, 3/1/20	VMIG1	900,000
2,000,000 Allegheny Cnty., Indl. Dev. Auth. Med. Ctr. Rev. Bonds (Presbyterian Med. Ctr. of Oakmont), FHA Insd.,		
6 3/4s, 2/1/26	AAA	2,092,500
580,000 Allegheny Cnty., Indl. Dev. Auth. Rev. Bonds (Southwestern Arpt. Cargo Fac.), 8 3/4s, 2/15/09	BB/P	617,700
8,000,000 Beaver Cnty., Indl. Dev. Auth. Poll. Control Rev. Bonds (OH Edison Co. Beaver Valley), Ser. A, 10 1/2s, 10/1/15	Baa	8,390,000
1,500,000 Blair Cnty., Hosp. Auth. Rev. Bonds (Altoona Hosp. Project), AMBAC, 6 1/2s, 7/1/22	AAA	1,576,875
Cambria Cnty., Indl. Dev. Auth. Resource Recvy. Rev. Bonds		
1,100,000 (Cambria Cogen. Project), Ser. F1, 7 3/4s, 9/1/19	A	1,156,375
400,000 (Cambria Cogen. Project) Ser. F2, 7 3/4s, 9/1/19	A	420,500
Chichester School Dist. Rev. Bonds, Ser. B 1,180,000	FGIC, zero %, 3/1/10	AAA

514,775		
1,220,000	FGIC, zero %, 3/1/09	AAA
565,775		
920,000	College Township, Indl. Dev. Auth. 1st Mtge. Hlth. Facs. Rev. Bonds (Nittany Valley Rehab. Hosp. Project), 7 5/8s, 11/1/07	BBB/P 956,800
2,500,000	Dauphin Cnty., Gen. Auth. Hosp. Rev. Bonds (Northwest Med. Ctr. Project), 8 5/8s, 10/15/13	Ba 2,525,000

MUNICIPAL BONDS AND NOTES

PRINCIPAL AMOUNT	RATINGS**	VALUE
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PENNSYLVANIA (continued)

\$1,000,000	Dauphin Cnty., Indl. Dev. Auth. Wtr. Rev. Bonds (Dauphin Cons. Wtr. Supply), Ser. A, 6.9s, 6/1/24	A \$1,108,750
3,000,000	Delaware Cnty., Hlth. Care Auth. Rev. Bonds (Mercy Hlth. Corp., Southeastern), Ser. A, CLI, 5 1/8s, 11/15/12	AAA 2,752,500
1,000,000	Delaware Cnty., Hosp. Auth. Rev. Rfdg. Bonds (Crozer-Chester Med. Ctr.) MBIA, 7 1/2s, 12/15/20	AAA 1,155,000
8,900,000	Delaware Cnty., Indl. Dev. Auth. Arpt. VRDN (UTD Parcel Svc. Project), 4.15s, 12/1/15	AAA 8,900,000
1,035,000	Delaware Cnty., Indl. Dev. Auth. Rev. Bonds (Resource Recvy. Project), Ser. A, 8.1s, 12/1/13	AA 1,093,219
4,100,000	Doylestown, Hosp. Auth. Rev. Bonds (Doylestown Hosp. Pine Run), Ser. A, 7.2s, 7/1/23	BBB 4,023,125
3,000,000	Emmaus, Gen. Auth. Rev. Bonds (Local Govt. Bond Pool), Ser. A, BIGI, 8.15s, 5/15/18	AAA 3,296,250
6,500,000	Erie Cnty., Prison Auth. Lease Rev. Bonds, MBIA, 6 5/8s, 11/1/14	AAA 7,206,875
	Erie, Higher Ed. Bldg. Auth. College Rev. Bonds	
1,150,000	(Mercyhurst College Project), 7.85s, 9/15/19	AAA 1,298,062
1,000,000	Prerefunded, Ser. A, 5 3/4s, 3/15/13	BBB
940,000		
1,860,000	Ser. B, 5 3/4s, 3/15/13	BBB
1,748,400		
2,000,000	(Gannon U. Project), Prerefunded, Ser. D, 5.85s, 6/1/15	BBB 1,885,000
1,360,000	Erie, Indl. Dev. Auth. Rev. Rfdg.	

Bonds (Beverly Enterprises), Ser. A, 6 5/8s, 5/1/02	BB/P	1,314,100
3,500,000 Erie, Wtr. Auth. Rev. Bonds, Prerefunded, 7 1/8s, 12/1/11	AAA/P	3,959,375
750,000 Erie-Western PA, Port Auth. Gen. Rev. Bonds, 8 5/8s, 6/15/10	BBB	812,812
1,560,000 Greene Cnty., Hosp. Auth. Rev. Bonds (Greene Cnty. Memorial Hosp.), 6 1/2s, 1/1/02	BBB/P	1,511,250
3,500,000 Harrisburg, Auth. Lease Rev. Bonds (Greene Cnty. Prison Project), CGIC, 6 1/4s, 6/1/10	AAA	3,758,125
Hazleton Area School Dist. Rev. Bonds		
5,265,000	FGIC, zero %, 3/1/22	AAA
1,085,906		
5,265,000	FGIC, zero %, 3/1/21	AAA
1,151,719		
5,265,000	FGIC, zero %, 3/1/20	AAA
1,217,531		
5,265,000	FGIC, zero %, 3/1/19	AAA
1,309,669		
550,000 Jenkins Township, Sanitary Auth. Swr. Prerefunded Rev. Bonds, 8s, 12/1/09	AAA/P	624,250
700,000 Lancaster Cnty., Solid Waste Mgt. Auth. (Resource Recvy. Sysys.) Rev. Bonds, Ser. A, 8 1/2s, 12/15/10	A	743,750
2,200,000 Lebanon Cnty., Good Samaritan Hosp. Auth. Rev. Bonds, Ser. B, 8 1/4s, 11/1/18	AAA/P	2,549,250
1,000,000 Lehigh Cnty., Gen. Purpose Auth. Prerefunded Rev. Bonds (Muhlenberg Hosp.), Ser. A, 8.1s, 7/15/10	A	1,076,250
Lehigh Cnty., Incl. Dev. Auth. Poll. Control Rev. Bonds		
600,000 (PA Pwr. & Lt. Co. Project) Ser. A, 9 3/8s, 7/1/15	A	613,500
5,100,000 Ser. B, MBIA, 6.4s, 9/1/29		AAA
5,355,000		

MUNICIPAL BONDS AND NOTES

PRINCIPAL AMOUNT	RATINGS**	VALUE
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PENNSYLVANIA (continued)

\$2,000,000 Luzerne Cnty., Incl. Dev. Auth. Rev. Bonds (Gas & Wtr. Co. Project), Ser. B, 7 1/8s, 12/1/22	BBB	\$ 2,070,000
2,305,000 McKeesport, Hosp. Auth. Rev. Bonds (McKeesport Hosp. Project), 6 1/4s,		

7/1/03	Baa	2,281,950
Montgomery Cnty., Higher Ed. & Hlth.		
Auth. Hosp. Rev. Bonds		
2,000,000 (Abington Hosp.), Ser. A, AMBAC,		
8.975s, 6/1/11	AAA	2,277,500
1,000,000 (UTD Hosp. Project), Ser. B, 7 1/2s,		
11/1/12	Ba	981,250
3,000,000 (Sacred Heart Hosp. Norristown), Ser.		
A, BIGI, 6.8s, 2/1/13	AAA	3,056,250
5,000,000 (Montgomery Hosp.), AMBAC, 5 1/8s,		
6/1/14	AAA	4,618,750
3,000,000 New Morgan, Incl. Dev. Auth. Solid		
Waste Disp. Rev. Bonds (New Morgan		
Landfill Co., Inc. Project), 6 1/2s,		
4/1/19	A	3,071,250
4,000,000 North PA Wtr. Auth. Rev. Bonds, FGIC,		
5 3/4s, 11/1/18+++	AAA	3,980,000
1,000,000 Northeastern PA Hosp. & Edl. Auth.		
College Rev. Bonds (Kings College		
Project), Ser. B, 6s, 7/15/11	BBB	967,500
2,000,000 PA Econ. Dev. Fin. Auth. Resource		
Recvy. Rev. Bonds (Northampton		
Generating Project), Ser. A, 6 1/2s,		
1/1/13	BB/P	1,935,000
PA Econ. Dev. Fin. Auth. Rev. Bonds		
4,000,000 (MacMillan Ltd. Partnership Project),		
7.6s, 12/1/20	Baa	4,355,000
1,000,000 (Colver Project), Ser. D, 7 1/8s,		
12/1/15	BBB	1,036,250
PA Hsg. Fin. Agcy. Rev. Bonds		
825,000 Ser. R, 8 1/8s, 10/1/19		AA
860,062		
385,000 Ser. U, 7.8s, 10/1/20		AA
407,138		
400,000 Ser. 29, 7.3/8s, 10/1/16		AA
418,000		
2,000,000 Ser. 33, 6.9s, 4/1/17		AA
2,090,000		
2,000,000 4s, stepped-coupon (6.1s, 4/1/04),		
10/1/13++	AA	1,707,500
4,750,000 PA Intergovt. Co-op. Auth. Special		
Tax Rev. Bonds (City of Philadelphia),		
AMBAC, 5 3/4s, 6/15/15	AAA	4,750,000
4,000,000 PA Rfdg. & Project Rev. Bonds, 1st		
Ser., 5s, 4/15/07	AA	3,880,000
PA State Higher Ed. Assistance Agcy.		
IFB		
2,400,000 Ser. B, MBIA, 10.342s, 3/1/20		AAA
2,715,000		
3,850,000 Ser. B, AMBAC, 7.671s, 3/1/22		AAA
3,893,312		

PA State Higher Ed. Fac. Auth. College & U. Rev. Bonds 500,000 (Carnegie Project), 9s, 11/1/09		A
519,375		
2,500,000 (Duquesne U. Project), Ser. C, MBIA, 6 3/4s, 4/1/20	AAA	2,678,125
2,600,000 (Allegheny College Project), Ser. B, 6 1/8s, 11/1/13	BBB	2,583,750
1,300,000 (Med. College), Ser. A, 8 3/8s, 3/1/11	Baa	1,421,875
3,000,000 (Med. College), Ser. A, 7 3/8s, 3/1/21	Baa	3,120,000
2,700,000 PA State Rev. Bonds, Ser. 2, 5 1/4s, 6/15/13	AA	2,565,000
4,500,000 PA State Tpk. Rev. Bonds, 5 1/2s, 12/1/17	A	4,359,375
2,000,000 Penn Hills, G.O. Bonds, AMBAC, 5 7/8s, 12/1/15	AAA	2,020,000
	Philadelphia Gas Works	
1,225,000 FSA, Ser. 13, 7.7s, 6/15/21		AAA
1,437,844		

MUNICIPAL BONDS AND NOTES

PRINCIPAL AMOUNT	RATINGS**	VALUE
------------------	-----------	-------

PENNSYLVANIA (continued)

\$4,000,000 IFB, FSA, 5.60326s, 8/1/21	144A	AAA
\$ 3,385,000		
1,000,000 Philadelphia, G.O. Bonds, FGIC, 8 1/4s, 2/15/09	AAA	1,047,500
Philadelphia, Muni. Auth. Rev. Bonds 320,000 Prerefunded, FGIC, 7.8s, 4/1/18		AAA
354,800		
3,130,000 Prerefunded, FGIC, 7.8s, 4/1/18		AAA
3,556,462		
1,000,000 Prerefunded, Ser. B, FGIC, 7 1/8s, 11/15/18	AAA	1,151,250
2,125,000 Ser. A, FGIC, 5 5/8s, 11/15/14		AAA
2,087,812		
3,250,000 Philadelphia, Wtr. & Swr. IFB, CGIC, Ser. 16, 7s, 8/1/21	AAA	3,705,000
3,000,000 Philadelphia, Wtr. & Wastewater Rev. Bonds, CGIC, 5s, 6/15/16	AAA	2,722,500
1,000,000 Schuylkill Cnty., Redev. Auth. Lease Rev. Bonds, Ser. A, FGIC, 7 1/8s, 6/1/13	AAA	1,122,500
3,000,000 Scranton-Lackawanna, Hlth. & Welfare Auth. Rev. Bonds (Moses Taylor Hosp. Project), Ser. B, 8 1/2s, 7/1/20	BBB/P	3,131,250
1,000,000 Smithfield, Swr. Auth. Rev. Gtd.		

Bonds, 8 5/8s, 1/15/11	AAA/P	1,187,500
2,470,000Trafford School District Rev. Bonds,		
MBIA, 6.6s, 5/1/08	AAA	2,695,388
500,000Washington Cnty., Indl. Dev. Auth.		
1st Mtge. Rev. Bonds (AHF/Central		
States Inc. Project), 10 1/4s,		
11/1/19	B/P	485,000
3,000,000Wilkes-Barre School Dist. Rev. Bonds,		
FGIC, 6 3/8s, 4/1/15	AAA	3,146,250
1,800,000Wilkins Area, Indl. Dev. Auth. 1st		
Mtge. Rev. Bonds (Fairview Extended		
Care), Ser. A, 10 1/4s, 1/1/21	BB/P	1,989,000
1,030,000York Cnty., Hosp. Auth. Rev. Bonds		
(Hlth. Ctr. Village at Sprengle		
Drive), Ser. A, 7 3/4s, 4/1/21	BBB	1,078,925
1,845,000York Cnty., Indl. Dev. Auth. 1st		
Mtge. Hlth. Fac. Rev. Bonds		
(Rehabilitation Hosp. of York		
Project), 7 1/2s, 9/1/07	BB/P	1,930,331
York Cnty., Solid Waste & Refuse		
Auth. Indl. Dev. Rev. Bonds		
(Resource Recvy. Project)		
650,000	Ser. A, 8.2s, 12/1/14	AA
711,750		
890,000	Ser. C, 8.2s, 12/1/14	AA
974,550		
300,000	Ser. B, 8.1s, 12/1/07	AA
327,000		

195,302,792

MUNICIPAL BONDS AND NOTES

PRINCIPAL AMOUNT	RATINGS**	VALUE
------------------	-----------	-------

PUERTO RICO (12.5%)

\$1,600,000Cmnwlth. of PR, FB, MBIA, 5.782s,		
7/1/08	AAA	\$ 1,636,000
Cmnwlth. of PR, Hwy. Auth. Rev. Bonds		
200,000	Ser. P, 8 1/8s, 7/1/13	AAA
226,000		
250,000	Ser. O, 8s, 7/1/05	AAA
281,563		
900,000	Ser. Q, 7 3/4s, 7/1/16	AAA
1,049,625		
2,500,000	Ser. Q, 7 3/4s, 7/1/10	AAA
2,903,125		
3,000,000Cmnwlth. of PR, Hwy. & Trans. Auth.		
VRDN, Ser. X, MBIA, 3.45s, 7/1/99	VMIG1	3,000,000

	Cmnwlth. of PR, IFB	
4,000,000	FSA, 7.382s, 7/1/20	AAA
4,065,000		
200,000	MBIA, 7.284s, 7/1/08	AAA
211,750		
3,000,000	MBIA, 5 1/4s, 7/1/18	AAA
2,820,000		
	Cmnwlth. of PR, Pub. Impt. G.0. Bonds	
450,000	Ser. A, 7 3/4s, 7/1/17	AAA
513,000		
200,000	Ser. A, 7 3/4s, 7/1/13	AAA
224,000		
2,150,000	7.7s, 7/1/20	AAA
2,504,750		
575,000	Cmnwlth. of PR, Urban Renewal & Hsg. Corp. Rev. Bonds, (Cmnwlth. Appropriation), 7 7/8s, 10/1/04	Baa 645,438
4,550,000	PR Elec. Pwr. Auth. Rev. Bonds, Ser. T, 6s, 7/1/16	A 4,578,438
1,200,000	PR Pub. Bldgs. Auth., Gtd. Edl. & Hlth. Fac. Rev. Bonds, Ser. H, 7 7/8s, 7/1/16	AAA 1,314,000
2,000,000	Ser. M, 5 3/4s, 7/1/15	A
1,962,500		

27,935,189

TOTAL INVESTMENTS (cost \$212,601,017)***
\$223,237,981

<FN>

NOTES

* Percentages indicated are based on net assets of \$223,036,677, which correspond to a net asset value per class A and class B share of \$9.24 and \$9.23, 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. The ratings are not covered by the Report of Independent Accountants.

++ The interest rate and date shown parenthetically represent the

next interest rate to be paid and the date the fund will begin receiving interest at this rate.

+++ This security, having a total value of \$3,980,000 or 1.8% of net assets has been purchased on a "forward commitment" basis, that is, the fund has agreed to take delivery of and make payment for this security beyond the settlement time of three business days after the trade date and subsequent to the date of this report. The purchase price and interest rate of such security are fixed at the trade date although the fund does not earn any interest on such security until the settlement date.

*** The aggregate identified cost for federal income tax purposes is \$212,601,017, resulting in gross unrealized appreciation and depreciation of \$12,297,466 and \$1,660,502, respectively, or net unrealized appreciation of \$10,636,964.

The rates shown on IFB's, which are securities paying variable interest rates that vary inversely to changes in market interest rates, FB's and VRDN's 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% at May 31, 1995 (as a percentage of net assets):

Hospitals/Health Care	19.2%
Utilities, Water & Sewer	16.2

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

MBIA	14.1%
------	-------

144A after the name of a security represents those exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

</TABLE>

STATEMENT OF ASSETS AND LIABILITIES

May 31, 1995

<TABLE>

<S> <C>

ASSETS

Investments in securities, at value (identified cost \$212,601,017) (Note 1)	\$223,237,981
Cash	278,469
Interest receivable	4,045,239

Receivable for shares of the fund sold 805,923

TOTAL ASSETS 228,367,612

LIABILITIES

Payable for securities purchased 4,067,885

Payable for shares of the fund repurchased 315,020

Payable for compensation of Manager (Note 2) 306,197

Distributions payable to shareholders 526,108

Payable for administrative services (Note 2) 1,525

Payable for compensation of Trustees (Note 2) 182

Payable for distribution fees (Note 2) 89,220

Other accrued expenses 24,798

TOTAL LIABILITIES 5,330,935

NET ASSETS \$223,036,677

REPRESENTED BY

Paid-in capital (Notes 1 and 4) \$213,375,603

Undistributed net investment income (Note 1) 76,798

Accumulated net realized loss on investments (Note 1) (1,052,688)

Net unrealized appreciation of investments 10,636,964

TOTAL -- REPRESENTING NET ASSETS APPLICABLE TO
CAPITAL SHARES OUTSTANDING \$223,036,677

COMPUTATION OF NET ASSET VALUE

Net asset value and redemption price per class A share
(\$178,784,490 divided by 19,352,957 shares) \$9.24

Offering price per share (100/95.25 of \$9.24)* \$9.70

Net asset value and offering price per class B share
(\$44,252,187 divided by 4,795,664 shares)** \$9.23

<FN>

* 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.

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

</TABLE>

STATEMENT OF OPERATIONS

Three months ended May 31, 1995

<TABLE>

<S> <C>

TAX EXEMPT INTEREST INCOME \$3,542,788

EXPENSES:

Compensation of Manager (Note 2) 323,968

Compensation of Trustees (Note 2) 2,719

Reports to shareholders 2,343

Postage 5,109

Auditing 5,151

Legal 4,738

Administrative services (Note 2) 2,376

Distribution fees -- class A (Note 2) 86,239

Distribution fees -- class B (Note 2) 86,431

Other 12,884

TOTAL EXPENSES 531,958

NET INVESTMENT INCOME 3,010,830

Net realized loss on investments (Notes 1 and 3) (192,151)

Net unrealized appreciation of investments during the year 6,309,302

NET GAIN ON INVESTMENTS 6,117,151

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS \$9,127,981

</TABLE>

STATEMENT OF CHANGES IN NET ASSETS

Three months ended May 31, 1995

<TABLE><CAPTION>

	<C> Three months ended May 31 ----- 1995	<C> Year ended February 28 ----- 1995

INCREASE IN NET ASSETS		

Operations:		

Net investment income	\$3,010,830	\$11,277,099

Net realized loss on investments	(192,151)	(731,524)

Net unrealized appreciation (depreciation) of investments	6,309,302	(7,009,417)

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	9,127,981	3,536,158

Distributions to shareholders:		

From net investment income:		

Class A	(2,522,292)	(9,864,312)

Class B	(515,060)	(1,330,727)

From net realized gain on investments:		

Class A	--	(143,524)

Class B	--	(26,246)

In excess of realized gain on investments:		

Class A	--	(98,516)

Class B	--	(18,015)

Increase from capital share transactions (Note 4)	8,708,289	31,793,571

TOTAL INCREASE IN NET ASSETS	14,798,918	23,848,389

NET ASSETS		

Beginning of period	208,237,759	184,389,370

END OF PERIOD (including undistributed net investment income of \$76,798 and \$90,838, respectively)	\$223,036,677	\$208,237,759

</TABLE>

FINANCIAL HIGHLIGHTS

(For a share outstanding throughout the period)

<TABLE><CAPTION>

	<C>		<C>
	THREE MONTHS ENDED MAY 31	YEAR ENDED FEBRUARY 28	FOR THE PERIOD JULY 15, 1993 (COMMENCEMENT OF OPERATIONS) TO FEBRUARY 28
	1995*	1995	1994

CLASS B

NET ASSET VALUE, BEGINNING OF PERIOD	\$8.97	\$9.38	\$9.48

INVESTMENT OPERATIONS			
Net investment income	.11	.47	.28
Net realized and unrealized gain (loss) on investments	.27	(.40)	(.08)

TOTAL FROM INVESTMENT OPERATIONS	.38	.07	.20

LESS DISTRIBUTIONS:			
From net investment income	(.12)	(.47)	(.28)
From net realized gain on investments	--	(.01)	(.02)

TOTAL DISTRIBUTIONS	(.12)	(.48)	(.30)

NET ASSET VALUE, END OF PERIOD	\$9.23	\$8.97	\$9.38

TOTAL INVESTMENT RETURN AT NET ASSET VALUE (%) (b)	4.23 (c)	.93	2.18 (c)

NET ASSETS, END OF PERIOD (in thousands)	\$44,252	\$36,670	\$12,633

Ratio of expenses to average net assets (%)	.38 (c)	1.57	1.00 (c)

Ratio of net investment income			

to average net assets (%)	1.26 (c)	5.23	2.90 (c)
Portfolio turnover (%)	4.15 (c)	26.09	15.65 (c)

FINANCIAL HIGHLIGHTS (continued)

THREE MONTHS ENDED MAY 31	<C>	<C>	<C>	<C>	<C>	<C>
	YEAR ENDED FEBRUARY 28					
1995*	1995	1994	1993	1992	1991	
CLASS A						
\$8.98	\$9.39	\$9.40	\$8.76	\$8.42	\$8.36	
.13	.53	.54	.57 (a)	.61 (a)	.62 (a)	
.26	(.40)	.01	.65	.34	.06	
.39	.13	.55	1.22	.95	.68	
(.13)	(.53)	(.54)	(.57)	(.61)	(.62)	
--	(.01)	(.02)	(.01)	--	--	
(.13)	(.54)	(.56)	(.58)	(.61)	(.62)	
\$9.24	\$8.98	\$9.39	\$9.40	\$8.76	\$8.42	
4.39 (c)	1.60	5.93	14.34	11.65	8.53	
\$178,785	\$171,568	\$171,757	\$144,374	\$93,086	\$47,112	
.21 (c)	.92	.91	.72 (a)	.52 (a)	.41 (a)	
1.44 (c)	5.94	5.36	6.31 (a)	6.98 (a)	7.43 (a)	
4.15 (c)	26.09	15.65	12.26	3.30	9.01	

<FN>

* The fiscal year end has advanced from February 28 to May 31.

(a) Reflects an expense limitation. As a result, net investment income for the years ended February 28, 1993, 1992 and 1991, reflects expense reductions of approximately \$0.01, \$0.04, and

\$0.06 per share, respectively.

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

(c) Not annualized.

</TABLE>

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 diversified, open-end management investment company. The fund seeks as high a level of current income exempt from federal income tax and Pennsylvania personal income tax as Putnam Investment Management, Inc. ("Putnam Management"), the fund's Manager, a wholly-owned subsidiary of Putnam Investments, Inc., believes is consistent with preservation of capital by investing primarily in a diversified portfolio of Pennsylvania tax-exempt securities.

The fund offers both class A and class B shares. 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. In addition, the Trustees declare separate dividends on each class of shares. Expenses of the fund are borne pro-rata by the holders of both classes of shares, except that each class bears expenses unique to that class (including the distribution fees applicable to such class). Each class 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, and such valuations and procedures are reviewed

periodically 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 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 \$291,000 and \$762,000 which may be available to offset realized gains, if any, to the extent provided by regulations. These amounts will expire May 31, 2002 and 2003, respectively. To the extent that capital loss carryovers are used to offset realized capital gains, it is unlikely that gains so offset will be distributed to shareholders, since any such distribution might be taxable as ordinary income.

D DISTRIBUTIONS TO SHAREHOLDERS Income dividends are recorded daily by the fund and are distributed monthly. Capital gains distributions, if any, are recorded on the ex-dividend date and paid annually.

The character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. These differences include treatment of market discount. Reclassifications are made to the fund's capital accounts as necessary so that they reflect income and gains available for distributions (or available capital loss carryovers) under income tax regulations. For the three months ended May 31, 1995, the fund reclassified \$12,482 to increase undistributed net investment income, and \$12,482 to increase accumulated net realized loss on investments.

E AMORTIZATION OF BOND PREMIUM AND DISCOUNT Any premium resulting from the purchase of securities in excess of maturity value is amortized using the effective yield method for bonds issued after September 27, 1985, and on a straight line basis for bonds issued prior thereto. The premium is in excess of the call price, if any, is amortized to the call date thereafter, and the remaining excess premium is amortized to maturity on a yield-to-maturity basis. Discount on zero-coupon bonds and stepped-coupon bonds, is accreted according to the effective yield method.

NOTE 2

MANAGEMENT FEE, ADMINISTRATIVE SERVICES, AND OTHER TRANSACTIONS

Compensation of Putnam Management, 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, under current law, 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 the 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 \$730 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 for the fund are provided by Putnam Fiduciary Trust Company (PFTC), a subsidiary of 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 three months ended May 31, 1995 have been reduced by credits allowed by PFTC. Such credits amounted to \$65,295.

The fund has adopted distribution plans (the "Plans") with respect to its class A shares and class B 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 each class of shares of the fund. The Plans provide for payments by the fund to Putnam Mutual Funds Corp. at an annual rate up to 0.35% and 1.00% of the average net assets attributable to class A and class B shares, respectively. The Trustees have approved payments by the fund at an annual rate of 0.20% and 0.85% of the average net assets attributable to class A and class B shares, respectively.

For the three months ended May 31, 1995, Putnam Mutual Funds Corp., acting as the underwriter, received net commissions of \$18,254 from the sale of class A shares and \$18,160 in contingent deferred sales charges from redemptions of class B shares.

A deferred sales charge of up to 1.0% is assessed on certain redemptions of class A shares purchased as part of an investment of \$1 million or more. For the three months ended May 31, 1995, Putnam Mutual Funds Corp., acting as the underwriter, received \$10,000 in commissions on such redemptions.

NOTE 3

PURCHASES AND SALES OF SECURITIES

During the three months ended May 31, 1995, purchases and sales of investment securities other than short-term investments aggregated \$12,950,000 and \$8,532,710, respectively. Purchases and sales of short-term municipal obligations aggregated \$9,700,000 and \$1,800,000, respectively. In determining the net gain or loss on securities sold, the cost of securities has been determined on the identified cost basis.

NOTE 4

CAPITAL SHARES

At May 31, 1995, there was an unlimited number of shares of beneficial interest authorized divided into two classes, class A and class B capital shares. Transactions in capital shares were as follows:

<TABLE>

	<C>	<C>
	THREE MONTHS ENDED MAY 31	

	1995	

CLASS A	SHARES	AMOUNT

Shares sold	1,088,734	\$9,874,777
Shares issued in connection with reinvestment of distributions	159,067	1,450,835
	1,247,801	11,325,612

Shares repurchased	(996,648)	(9,041,998)

NET INCREASE	251,153	\$2,283,614

	YEAR ENDED FEBRUARY 28	

	1995	

CLASS A	SHARES	AMOUNT

Shares sold	4,764,552	\$42,380,328

Shares issued in connection with reinvestment of distributions	631,124	5,583,837

	5,395,676	47,964,165

Shares repurchased	(4,589,936)	(40,611,535)

NET INCREASE	805,740	\$7,352,630

THREE MONTHS ENDED MAY 31

1995

CLASS B	SHARES	AMOUNT
Shares sold	767,770	\$6,959,062
Shares issued in connection with reinvestment of distributions	33,557	305,770

	801,327	7,264,832

Shares repurchased	(92,606)	(840,157)

NET INCREASE	708,721	\$6,424,675

YEAR ENDED FEBRUARY 28

1995

CLASS B	SHARES	AMOUNT
Shares sold	2,977,430	\$26,531,088
Shares issued in connection with reinvestment of distributions	91,725	806,568

	3,069,155	27,337,656

Shares repurchased	(328,507)	(2,896,715)

NET INCREASE	2,740,648	\$24,440,941

</TABLE>

TAX INFORMATION

The fund has designated all income dividends paid during the fiscal year as exempt-interest dividends. Thus 100% of these distributions are exempt from federal income tax. For residents of the state of Pennsylvania, 100% of the fund's distributions are also exempt from Pennsylvania personal income tax.

During the fiscal year ended May 31, 1995 the fund paid no capital gains distributions. Any capital gains paid subsequent to May 31, 1995 will be reported to you on the Form 1099 you will receive in January 1996.

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

Price Waterhouse LLP

TRUSTEES

George Putnam, Chairman
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
W. Nicholas Thorndike

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President

Charles E. Porter
Executive Vice President

Patricia C. Flaherty
Senior Vice President

Lawrence J. Lasser
Vice President

Gordon H. Silver
Vice President

Gary N. Coburn
Vice President

James E. Erickson
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Richard P. Wyke
Vice President and Fund Manager

William N. Shiebler
Vice President

John R. Verani
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 Pennsylvania 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

18992-047/226

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- (2) Italic typefaces is displayed in normal type.
- (3) Boldface type is displayed in capital letters.
- (4) Headers (e.g. the names of the fund) and footers (e.g. page numbers and OThe accompanying notes are an integral part of these financial statementsO) are omitted.
- (5) Because the printed page breaks are not reflected, certain tabular and columnar headings and symbols are displayed differently in this filing.
- (6) Bullet points and similar graphic symbols are omitted.
- (7) Page numbering is different.