

SECURITIES AND EXCHANGE COMMISSION

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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 MASSACHUSETTS TAX EXEMPT INCOME FUND II

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Putnam
 Massachusetts
 Tax Exempt
 Income Fund II

ANNUAL REPORT
 May 31, 1994

(Artwork of Balance Scales)
 B O S T O N * L O N D O N * T O K Y O

Performance highlights

Putnam Massachusetts Tax Exempt Income Fund II has earned Morningstar's highest ranking of five stars, based on risk-adjusted performance as of May 31, 1994.*

CDA/Wiesenberger ranked your fund among the top 10% (or # 26) of all 338 single-state municipal bond funds tracked for the three years ended May 31, 1994.+

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

FISCAL 1994 RESULTS AT A GLANCE

<TABLE>

<CAPTION>

12 months ended 5/31/94

	Class A		Class B	
<S>	<C>			
Total return:	NAV	POP	NAV	CDSC
.....				
(change in value during period plus reinvested earnings)	1.92%	-2.97%	--	--
Current return:	NAV	POP		NAV
.....				
(end of period:)				
Current dividend rate(1)	6.00%	5.72%		5.36%
Taxable equivalent(2)	11.29	10.76		10.08
Current 30-day SEC yield(3)	5.65	5.38		4.96
Taxable equivalent(2)	10.63	10.12		9.33
Share value:	NAV	POP		NAV
.....				
5/31/93	\$ 9.55	\$10.03		--
7/15/93 (inception of class B shares)	--	--		\$ 9.71
5/31/94	9.05	9.50		9.05
.....				
Distributions:(4)	No.	Income	Short-term	Capital gains Long-term Total
.....				
Class A	12	\$0.548515	\$0.113	\$0.038 \$0.699515
Class B	11	0.414906	0.113	0.038 0.565906

</TABLE>

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. CDSC assumes 5% maximum contingent deferred sales charge. (1) Income portion of most recent distribution, divided by NAV or POP at end of period. (2) Assumes maximum combined 46.85% 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. (3) Based only on investment income, calculated using SEC guidelines. (4) Capital gains are taxable for federal and, in most cases, state purposes. Investment income may be subject to state and local taxes.

*Morningstar, Inc., a mutual fund research firm, rates a fund in relation to similar funds. A rating is based on risk-adjusted 3-, 5-, and 10-year total return, as applicable, adjusted for sales charges. The ratings are updated biweekly.

(+)CDA/Wiesenberger is an independent mutual fund research firm whose rankings vary over time and do not include the effect of sales charges. For the 1-year period ended 5/31/94, the fund was # 265 of all 574 funds tracked.

From the Chairman

(George Putnam Photo)

Karsh, Ottawa

Dear Shareholder:

The Federal Reserve Board's primary concern remains fighting not only inflation but the fear of inflation. It is pursuing this goal by gradually raising the short-term interest rates under its control to slow the economy's growth to what it regards as a sustainable pace.

The policy continues as the effects of last year's tax increase are being keenly felt by individuals and businesses. This confluence could result in a greater slowing of business than many observers now expect.

As this slowing becomes more obvious, the Fed will come under growing pressure from politicians to ease up. The Fed is not likely to yield. But the very fact that investors think it might could cause some more volatility in the bond markets in the months ahead.

Meanwhile, you can take comfort in the tax shelter provided for the income generated by your Putnam tax-exempt fund shares.

In the following report, Fund Manager Triet Nguyen explains how he is positioning your fund's portfolio to respond to 1994's unfolding events.

Respectfully yours,

(Signature of George Putnam)

George Putnam
Chairman of the Trustees
July 20, 1994

Report from the fund manager
Triet Nguyen

During the first half of fiscal 1994, Putnam Massachusetts Tax Exempt Income Fund II took advantage of several positive trends in the Massachusetts bond market. Nevertheless, your fund's performance -- like that of all municipal bond funds and most fixed-income investments -- was affected by spring's market turbulence to some degree.

Beginning in February, the Federal Reserve Board took an increasingly aggressive stance with regard to inflation. By boosting the federal funds rate, which determines what banks charge each other for overnight loans, the board ensured higher interest rates in virtually every sector of the fixed-income market. Since bond prices fall as interest rates rise, the result was a market-wide sell-off. While our strategies could not offset the impact of three short-term interest rate increases in approximately three months, we believe that the fund's positioning was invaluable in reducing the magnitude of the decline.

HOW HIGHER-RISK INVESTMENTS HELPED REDUCE VOLATILITY

Lower-rated, higher-yielding municipal bonds tend to perform well during periods of economic strength. It should be no surprise, then, that high-yielding Massachusetts bonds have made an important contribution to the fund's performance over this period.

High-yield bonds carry higher coupon rates than investment-grade bonds in order to compensate investors for the increased risk inherent in a lower-rated investment. Thus, the traditional reason for including them in a fund's portfolio is to increase current income. However, as the state economy has strengthened, a significant number of lower-rated Massachusetts bonds have been upgraded. Consequently, they have appreciated in value at a time when most other income investments were declining.

Because lower ratings can make an investment less liquid, high-yield bonds were less affected by the recent sell-off in the municipal bond market. Many investors, anticipating ongoing rate increases, liquidated large holdings of investment-grade tax-exempt bonds. Since there were more sellers than buyers, higher-quality bonds declined in

value to a greater extent than higher-yielding bonds. The average AAA-rated, insured Massachusetts bond fell 10% or more in value while the average BB-rated bond fell 6%.

Your fund's high-yield bond holdings, therefore, helped cushion the value of the portfolio. In other words, our focus on what is traditionally considered a higher-risk investment actually helped reduce volatility.

It is important to note that Putnam's in-depth credit research has been instrumental in enabling the fund to maximize benefits from its high-yield bond investments. It is no coincidence that many of the bonds we purchased experienced credit upgrades; while no assurances can ever be made, our

research typically allows us to identify those bonds with the greatest potential for upgrades -- which often translate into price increases.

TOP HOLDINGS (5/31/94)

MA Indl. Fin. Agcy.
Revenue bonds

MA Health & Educational Facility Authority
Revenue bonds

MA Hsg. Fin. Agcy.
Revenue bonds

MA Muni. Wholesale Electric Co. Power Supply System
Revenue bonds

MA Water Resource Authority
Revenue bonds

MA G.O. Cons. Loan Bonds
General obligation bonds

Agawam Resource Recovery
Revenue bonds

Boston, Ind. Dev. Fin. Auth. Swr. Fac.
Revenue bonds

These holdings represent 70.2% of the fund's net assets. Portfolio holdings are subject to change.

THE SUPPLY STORY: SHORTAGES SEEM LIKELY

The lower interest rates of the past two years have contributed to a municipal bond supply surge. Just as mortgage holders rushed to refinance home mortgages to seize the opportunity presented by lower rates, municipalities have refinanced older, higher-yielding debt, increasing the number of new-issue bonds available.

Now that interest rates have changed direction, the refinancing stampede has slowed to a crawl. Furthermore, we are approaching a time when many Massachusetts bonds will mature or be called, reducing the supply even more.

In reviewing bond supply trends throughout the country, Merrill Lynch analysts recently noted that Massachusetts was one of the states most likely to undergo a shortage. Last year, refundings represented over 80% of new-issue Massachusetts bonds. For the first 4 months of calendar 1994, new issuance was down over 70%.

For some time, we have anticipated a significant increase in demand for tax-free investments. While this demand did not materialize during this period, we believe the recent market volatility kept people from focusing on fixed-income investments. Going forward, a supply decline of the magnitude we expect could help increase the value of existing bonds even without any increase in demand. And, if we should experience a renewal of interest in tax-free investments, the benefits to the fund could be even greater.

PORTFOLIO POSITIONS: SECTOR AND DURATION SHIFTS

Our discussion of high-yield bonds should not obscure the fact that over one third of the portfolio is invested in AAA-rated bonds. As of the end of the period, average portfolio quality was A, just as it has been over the last year.

We have, however, made some modest changes in the portfolio's sector allocations. Health care continues to be a focal point, but we are being especially selective and somewhat more conservative than in the past. Many of our health care holdings have recently experienced upgrades and most of these are also insured.

(Bar Chart)

HOLDINGS BY INDUSTRY SECTORS*

Health care and hospitals	34.3%
Utilities	18.3%
Education	17.0%
Transportation	9.3%
Housing	7.2%

*Based on net assets on 5/31/94

Although we have followed the environmental sector for some time, it has not yet become a significant factor in our investments. This could change in the future, as we are now considering purchasing bonds issued to support a number of recycling projects.

The fund's fairly conservative duration proved beneficial during the recent interest rate increases. Duration is a mathematical formula indicating how much bond prices will move up or down with each percentage-point shift in interest rates. Like maturity, duration is measured in years. The shorter the duration, the less volatility you can expect from the portfolio. In anticipation of an eventual rise in rates, we reduced the portfolio's duration from 7-1/2 to 7 years at the beginning of calendar 1994 -- a move which helped protect the fund this spring.

Looking ahead, we are aware that Massachusetts is continuing to grapple with a level of unemployment well ahead of the national average, as well as a proposed graduated income tax to replace the current flat-tax structure. Both issues may well affect your fund's performance and are likely to influence our investment decisions over the rest of 1994 and beyond.

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 (see the chart on the facing page) and how the fund might have grown each year, on average, over varying periods (see the tables below). For comparative purposes, we show how the fund performed relative to appropriate indexes and benchmarks.

TOTAL RETURN FOR PERIODS ENDING 5/31/94

<TABLE>

<CAPTION>

	Class A	POP	Class B	CDSC	Lehman Bros. Municipal Bond Index	CPI
<S>	NAV	<C>	NAV	<C>	<C>	<C>
1 year	1.92%	-2.97%	--	--	2.47%	2.29%
3 years	28.72	22.64	--	--	25.99	8.78
Annual average	8.78	7.04	--	--	8.01	2.84
Life of class A (since 10/23/89)	47.62	40.66	--	--	44.97	17.44
Annual average	8.82	7.68	--	--	8.39	3.55
Life of class B (since 7/15/93)	--	--	-1.15%	-5.81%	0.78	2.15

</TABLE>

TOTAL RETURN FOR PERIODS ENDING 6/30/94

(most recent calendar quarter)

<TABLE>

<CAPTION>

	Class A	POP	Class B	CDSC
<S>	NAV	<C>	NAV	<C>
1 year	-0.49%	-5.20%	--	--
3 years	27.42	21.41	--	--
Annual average	8.41	6.68	--	--
Life of class A (since 10/23/89)	46.67	39.75	--	--
Annual average	8.51	7.40	--	--
Life of class B (since 7/15/93)	--	--	-1.81%	-6.43%

</TABLE>

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. 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 1990. Effective July 15, 1993, the fund began offering class B shares. Performance for each share class will differ.

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 is a commonly used measure of inflation. It does not represent an investment return.

(Graphic line chart showing growth of a \$10,000 investment)

Plot points

Fund	Lehman Bros.	
Class A	Municipal	Consumer
shares at	Bond	Price
POP	Index	Index
10000	10000	10000
9525	9740	9857
9926	10453	10287
10929	11506	10796
12236	12636	11123
13803	14148	11481
14067	14497	11744

Past performance is no assurance of future results. A \$10,000 investment in the fund's class B shares at inception (7/15/93) would have been valued at \$9,885 by 5/31/94 (\$9,419 with a redemption at the end of the period).

TERMS AND DEFINITIONS

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

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

Net asset value (NAV) is the value of all fund assets, minus liabilities, divided by the number of outstanding shares. It does not include any initial or contingent deferred sales charges.

Public offering price (POP) is the price of a 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.

Contingent deferred sales charge (CDSC) is applied on redemption of fund shares. 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.

The Putnam Fund Selector(TM)

The Putnam Fund Selector shows the many opportunities for investors within every investment strategy. All investors should first accumulate a base of conservative, cash-equivalent investments. Then, with the help of your investment advisor, diversify your portfolio by investing in the Putnam Family of Funds.

(Graphic)

PUTNAM GROWTH FUNDS

Asia Pacific Growth Fund
Diversified Equity Trust
Natural-Resources Fund
Europe Growth Fund
Global Growth Fund
Health Sciences Trust
Investors Fund
New Opportunities Fund
OTC Emerging Growth Fund
Overseas Growth Fund
Vista Fund
Voyager Fund

PUTNAM GROWTH AND INCOME FUNDS

Convertible Income-Growth Trust
Dividend Growth Fund
Equity Income Fund
The George Putnam Fund of Boston
The Putnam Fund for Growth and Income
Managed Income Trust
Utilities Growth and Income Fund

PUTNAM INCOME FUNDS

Adjustable Rate U.S. Government Fund
American Government Income Fund
Balanced Government Fund
Corporate Asset Trust

Diversified Income Trust
 Federal Income Trust
 Global Governmental Income Trust
 High Yield Advantage Fund
 High Yield Trust Income Fund
 U.S. Government Income Trust

PUTNAM TAX-FREE
 INCOME FUNDS

Intermediate Tax Exempt Fund
 Municipal Income Fund
 Tax Exempt Income Fund
 Tax-Free High Yield Fund
 Tax-Free Insured Fund
 *State tax-free income funds

*Arizona, California, Florida, Massachusetts, Michigan, Minnesota, New Jersey, New York, Ohio, and Pennsylvania

Report of Independent Accountants
 For the Fiscal Year Ended May 31, 1994

To the Trustees and Shareholders of
 Putnam Massachusetts Tax Exempt Income Fund II

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 Massachusetts Tax Exempt Income Fund II (the fund) at May 31, 1994, 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, 1994, by correspondence with the custodian and brokers, provide a reasonable basis for the opinion expressed above.

Price Waterhouse, LLP
 Boston, Massachusetts
 July 18, 1994

Portfolio of investments owned
 May 31, 1994

MUNICIPAL BONDS AND NOTES (97.4%) (a)
 PRINCIPAL AMOUNT RATINGS (b) VALUE

<TABLE>

<CAPTION>

<S>	<C>	<C>	<C>
Massachusetts (89.2%)			
\$5,500,000	Agawam, Resource Recvy. Rev. Bonds (Springfield Resources Recvy. Project), 8-1/2s, 12/1/08	BBB	\$5,933,125
2,135,000	Boston, Incl. Fing. Auth. Ser. A. (Mass College of Pharmacy, Project Connie Lee), 5-1/4s, 10/1/26	AAA	1,796,069
5,000,000	Boston, Ind. Dev. Fin. Auth. Swr. Fac. Rev. Bonds (Harbor Elec. Energy Co. Project), 7-3/8s, 5/15/15	Baa	5,287,500
1,315,000	Boston, Nursing Home Rev. Bonds (St. Joseph Nursing Care Ctr. Inc.), 10s, 1/1/20	BB/P	1,408,694
5,000,000	Boston, Rev. Rfdg. Ser. B (City Hospital), 5-3/4s, 2/15/23(c)	AA	4,618,750
1,500,000	Boston, Wtr. & Swr. Rev. Bonds Ser. A, 5-3/4s, 11/1/13	A	1,426,875
1,000,000	Haverhill, General Obligation (G.O.) Bonds Ser. A, Financial Guaranty Insurance Corp. (FGIC) 7s, 6/15/12	AAA	1,075,000
1,870,000	Holyoke, G.O. Bonds 9.85s, 11/1/08	AAA	2,138,813
2,000,000	(School Project Loan Act), 7.65s, 8/1/09	Baa	2,172,500
1,250,000	Lowell G.O. Bonds 8.4s, 1/15/09	AAA	1,439,063
2,455,000	8.3s, 2/15/05	AAA	2,921,450
545,000	8.3s, 2/15/05	Baa	627,431
1,250,000	MA Bay Trans. Auth. Rev. Bonds Ser. B, 6.2s, 3/1/16	A	1,264,063

4,000,000	(General Trans. Syst.), Ser. A, 5-1/2s, 3/1/12	A	3,780,000
1,625,000	MA Convention Ctr. Auth. Rfdg. Rev. Bonds (Hynes Convention Ctr.) zero%, 9/1/04	A	912,031
	MA G.O. Cons. Loan Bonds		
1,000,000	Ser. A, 7-5/8s, 6/1/08	AAA	1,155,000
1,600,000	Ser. A, 7-1/2s, 6/1/04	A	1,842,000
2,520,000	Ser. B, 5.4s, 11/1/06	A	2,475,900
7,500,000	Ser. B, FGIC, zero%, 6/1/07	AAA	3,478,125
	MA Hlth. & Edl. Fac. Auth. Rev. Bonds		
3,000,000	(Tufts) Inverse Floating Rate, Financial Guaranty Insurance Corp. FGIC, 9.074s, 8/15/18	AAA	2,685,000
2,000,000	(Fairview Extended Care), Ser. A, 10-1/4s, 1/1/21	BB/P	2,155,000
2,000,000	RIBS (St. Elizabeth Hosp.), Ser. E, 9.97s, 8/15/21	AAA	2,122,500
865,000	(Summerfield Nursing Home), Ser. A, 9-1/2s, 7/1/14	BB/P	942,850
2,000,000	(Nichols College), Ser. B, 8-1/2s, 10/1/16	BBB	2,285,000
1,500,000	(Holy Cross College), Ser. E, 8.4s, 11/1/15	AAA	1,586,250
2,500,000	(Waltham-Weston Hosp. & Med. Ctr.), Ser. B, 8-3/8s, 7/1/15	Baa	2,681,250
4,250,000	(Suffolk U.), Ser. A, 8-1/8s, 7/1/20	Baa	4,940,625
2,150,000	(Valley Regl. Hlth. Syst.), Ser. B, 8s, 7/1/18	Baa	2,281,688
1,125,000	(Norwood Hosp.), Ser. E, 7-3/4s, 7/1/07	Baa	1,143,281
3,000,000	(Stonehill College), AMBAC, 7.7s, 7/1/20	AAA	3,446,250
5,000,000	(Med. Ctr. of Central MA), Ser. A, 7.1s, 7/1/21	A	5,225,000
1,550,000	(Worcester Polytechnic Inst.), Ser. E, 6-5/8s, 9/1/17	A	1,596,500
1,000,000	(Wheaton College) 5-1/4s, 7/1/19	A	868,750
6,500,000	RIBS (Boston U.), Ser. L, Municipal Bond Insurance Association (MBIA), 10.564s, 10/1/31	AAA	6,768,125
3,300,000	(Norwood Hosp.), Ser. E 8s, 7/1/12	Baa	3,378,375
3,250,000	(Cooley Dickinson Hosp.), Ser. A, 7-1/8s, 11/15/18	BBB/P	3,323,125
3,880,000	(Metro West Hlth. Inc.), Ser. C, 6-1/2s, 11/15/18	A	3,875,150
2,000,000	(Harvard U.), Ser. N, 6-1/4s, 4/1/20	AAA	2,070,000
Massachusetts (continued)			
\$3,000,000	(MA General Hosp.), Ser. F, AMBAC, 6-1/4s, 7/1/12	AAA	\$3,060,000
2,000,000	(Williams College), Ser. D, 5-1/2s, 7/1/12	AA	1,857,500
5,500,000	(Boston College), Ser. K, 5-3/8s, 6/1/14	A	5,025,625
2,500,000	(MA Inst. of Techn.), Ser. H, 5s, 7/1/23	Aaa	2,118,750
3,400,000	(Cape Cod Health Svs.), Ser. A-2, Inverse Floating Rate, 8.32s, 11/15/09	AAA	2,919,750
2,000,000	(Winchester Hospital) Ser. D. 5-3/4s, 7/1/24	AAA	1,822,500
	MA Hsg. Fin. Agcy. Multi-Fam Res. Dev. Rev. Bonds		
2,000,000	Ser. A, Government National Mtge. Assn. (GNMA) Coll., 9-1/8s, 12/1/20	AAA	2,142,500
2,000,000	Ser. I, Federal National Mortgage Association (FNMA), 6.9s, 11/15/25	AAA	2,060,000
6,000,000	Ser. C, 6.9s, 11/15/21	AAA	6,247,500
4,845,000	Ser. I, FNMA, 6.85s, 11/15/12	Aaa	5,032,744
	MA Indl. Fin. Agcy. Poll. Control Rev. Bonds		
4,000,000	(Eastern Edison Co. Project), 5-7/8s, 8/1/08	Baa	3,780,000
4,000,000	(Boston Edison Co.) Ser. A. 5-3/4s, 2/1/14	Baa	3,625,000
	MA Indl. Fin. Agcy. 1st. Mtge. Rev. Bonds		
2,775,000	(Brookhaven-Lexington Project), 10-1/4s, 1/1/18	AAA	3,305,719
240,000	(Brookhaven-Lexington Retirement Community), 10s, 1/1/05	AAA	252,600
1,900,000	(Berkshire Retirement Home), 9-7/8s, 7/1/18	AAA	2,168,375
3,000,000	(Pioneer Valley Living Ctr.), 7s, 10/1/20	B/P	2,790,000
2,000,000	(Brookhaven Project), Ser. B. 6.6s, 1/1/17	BBB/P	2,002,500
1,985,677	(Pioneer Valley Living Ctr.), zero%, 10/1/20	B/P	2,482
2,400,000	MA Indl. Fin. Agcy. Hlth. Care Fac. Rev. Bonds (Evanswood Bethzatha Corp.), Ser. A 9s, 5/1/20	A	2,712,000
	MA Indl. Fin. Agcy. Rev. Bonds		
3,100,000	(Alpha Inds.-Methuen), 10-1/4s, 8/1/04	BB/P	3,100,000
2,100,000	(Oddfellows Home), 9.6s, 1/1/15	BB/P	2,189,250
5,000,000	(Southeastern MA Project), Ser. B, 9-1/4s, 7/1/15	BB/P	5,556,250
2,000,000	(Orchard Cove Inc.), 9s, 5/1/22	BB/P	2,237,500
2,065,000	(Morton Hosp. & Med. Ctr.), Ser. A, 8-3/4s, 7/1/11	Aaa	2,434,119
2,500,000	(Leominster Hosp.), Ser. A, 8-5/8s, 8/1/09	BB/P	2,753,125
3,600,000	(Cape Cod Hlth. Syst.), 8-1/2s, 11/15/20	Aaa	4,311,000
1,165,000	(Clark U.) Ser. E, 7s, 7/1/12	A	1,243,638
2,605,000	(Clark U.), Ser. F, 7s, 7/1/11	A/P	2,780,838
3,500,000	(Brookhaven Project) Ser. A, 7s, 1/1/15	BBB/P	3,412,500
6,000,000	(Berkshire Retirement Home) Ser. A, 6-5/8s, 7/1/16	BB/P	5,602,500
2,000,000	(Brooks School), 5.95s, 7/1/23	A	1,940,000
5,000,000	(Whitehead Inst. Biomedical Res.), 5-1/8s, 7/1/26	Aa	4,150,000
1,460,000	MA Indl. Fin. Agcy. Tunnel Rev. Bonds (MA Tpk.), 9s, 10/1/20	BAA/P	1,545,775
	MA Muni. Wholesale Elec. Co. Pwr. Supply Syst. Rev. Rev. Bonds		
2,000,000	Residual Interest Bonds (RIBS) American Municipal Bond Assurance Corp. (AMBAC) 6.895s, 9/15/00 (acquired 7/9/93, cost \$2,000,000) (d)	AAA/P	1,802,500
2,240,000	Ser. D, 6s, 7/1/11	A	2,167,200
1,000,000	Ser. A, AMBAC, 5.1s, 7/1/08	AAA	920,000
3,000,000	Ser. A, AMBAC, 5s, 7/1/10	AAA	2,662,500
2,000,000	Ser. B, MBIA, 4-3/4s, 7/1/11	AAA	1,707,500

3,000,000	MA Port Auth. Rev. Bonds Ser. B, 5s, 7/1/13	AA	2,643,750
1,000,000	MA State Coll. Project Rev. Bonds Ser. A, 7.8s, 5/1/16	A	1,103,750
Massachusetts (continued)			
\$2,000,000	MA Indl. Fin. Agcy. Resource Recvy. Rev. Bonds (Southeastern MA Project), Ser. A, 9s, 7/1/15	BB/P	\$2,215,000
5,000,000	MA Turnpike Auth. Rev. Bonds Ser. A, 5s, 1/1/13	A	4,368,750
4,400,000	MA Water. Pollution. Abatement. Ser. B, 5-1/4s, 8/1/14	AA	3,899,500
2,900,000	MA Wtr. Resource Auth. Rev. Bonds Ser. C, 5-1/4s, 12/1/15	A	2,552,000
3,950,000	Ser. C, 4-3/4s, 12/1/23	A	3,071,125
1,000,000	6-1/2s, 7/15/19	A	1,016,250
	Somerville, MA Hsg. Auth. Rev. Bonds (Clarendon Hill), GNMA Coll.		
2,000,000	7.95s, 11/20/30	AAA	2,165,000
1,500,000	7.85s, 11/20/10	AAA	1,627,500
1,600,000	U. Mass. Bldg. Auth. Rev. Bonds Ser. A, 7-1/2s, 5/1/14	A	1,752,000
	Worcester, Mtge. Rev. Bonds (Briarwood Issue)		
3,100,000	9-1/4s, 12/1/22	BB/P	3,204,625
1,350,000	6.4s, 9/15/10	BB/P	1,370,250
	Worcester, Rev. Bonds (St. Francis Home)		
2,000,000	9-3/4s, 7/1/19	BB/P	2,127,500
1,000,000	9.4s, 7/1/08	BB/P	1,041,250
	Total Massachusetts		238,727,098
Puerto Rico (6.6%)			
3,000,000	Cmnwlth of Puerto Rico, Elec. Power Auth. Ser S, 6-1/8s, 7/1/09	A	3,033,750
	Cmnwlth of Puerto Rico, Tel. Auth. RIBS		
1,000,000	MBIA, 6.772s, 1/1/05 (acquired 4/23/93, cost \$1,043,660) (d)	AAA	971,250
3,000,000	Inverse Floating Rate, AMBAC, 6.742s, 1/1/03	AAA	2,658,750
4,000,000	Cmnwlth. of Puerto Rico, G.O. Bonds zero%, Stepped Coupon, (8.00s, 7/1/96) 7/1/02 (e)	A	4,020,000
2,100,000	Cmnwlth. of Puerto Rico, Hwy. & Trans. Auth. Rev. Bonds Ser X, 5s, 7/1/22	A	1,729,875
2,600,000	Puerto Rico, Indl. Med. & Env. Poll. Control Fac. Fin. Auth. Rev. Bonds (American Airlines), Ser. A, 8-3/4s, 12/1/25	Baa	2,785,250
1,500,000	Puerto Rico, Port Auth. Special Fac. Rev. Bonds (American Airlines), Ser. A, 6.3s, 6/1/23	Baa	1,366,872
1,000,000	Puerto Rico, Pub. Bldgs. Auth. Rev. Bonds Ser. K, 6-7/8s, 7/1/21	AAA	1,122,500
	Total Puerto Rico		17,688,247
Virgin Islands (1.6%)			
4,000,000	Virgin Islands, Pub. Fin. Auth. Rev. Bonds Ser. A, 7-1/4s, 10/1/18	BBB/P	4,205,000
	Total Investments (cost \$260,408,520) (f)		\$260,620,345

</TABLE>

(a) Percentages indicated are based on total net assets of \$267,536,064, which correspond to a net asset value per class A and class B shares of \$9.05.

(b) The Moody's or Standard & Poor's Ratings indicated are believed to be the most recent ratings available at May 31, 1994, 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, 1994. Securities rated by Putnam are indicated by "/P" and are not publicly rated. Ratings are not covered by the Report of Independent Accountants.

(c) This security having a total value of \$4,618,750 or 1.7% 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 five business days after the trade date and subsequent to the date of this report. The purchase price and interest rate of the security is fixed at the trade date although the fund does not earn any interest on such security until settlement date.

(d) Restricted 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 as those held. Total market value of restricted securities held at May 31, 1994, was \$2,773,750 or 1.0% of net assets.

(e) The interest rate and date shown parenthetically represent the new interest rate to be paid and the date the fund will begin receiving interest at this rate.

(f) The aggregate identified cost for federal income tax purposes is \$260,408,626, resulting in gross unrealized appreciation and depreciation of \$8,701,490 and \$8,489,771 respectively, or net unrealized appreciation of \$211,719.

The rates shown on Residual Interest Bonds (RIBS) and Inverse Floating Rate Notes are the current interest rates at May 31, 1994, 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, 1994 (as a percentage of net assets):

<TABLE>	
<CAPTION>	
<S>	<C>
Health Care/Hospitals	34.3%
Utilities/Water & Sewer	18.3
Education	17.0

</TABLE>

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

Statement of assets and liabilities

May 31, 1994

<TABLE>		
<CAPTION>		
<S>	<C>	<C>
Assets		
Investments in securities at value (identified cost \$260,408,520) (Note 1)		\$260,620,345
Cash		270,740
Receivable for securities sold		6,527,648
Interest receivable		5,488,777
Receivable for shares of the fund sold		1,196,246
Unamortized organization expenses (Note 1)		2,751
Other assets		30,310
Total assets		274,136,817
Liabilities		
Payable for shares of the fund repurchased	\$ 396,101	
Payable for securities purchased	4,974,919	
Distributions payable to shareholders	603,714	
Payable for compensation of Manager (Note 2)	404,283	
Payable for administrative services (Note 2)	1,502	
Payable for compensation of Trustees (Note 2)	186	
Payable for investor servicing and custodian fees (Note 2)	65,866	
Payable for distribution fees (Note 2)	96,776	
Other accrued expenses	57,406	
Total liabilities		6,600,753
Net assets		\$267,536,064
Represented by		
Paid-in capital (Notes 4 and 5)		\$267,590,185
Distributions in excess of net investment income (Note 5)		(118,519)
Accumulated net realized loss on investments and futures contracts (Note 5)		(147,427)
Net unrealized appreciation of investments		211,825
Total--Representing net assets applicable to capital shares outstanding		\$267,536,064
Computation of net asset value and offering price		
Net asset value and redemption price of class A shares (\$244,519,478 divided by 27,006,382 shares)		\$9.05
Offering price per share (100/95.25 of \$9.05) *		\$9.50
Net asset value and offering price of class B shares (\$23,016,586 divided by 2,542,905 shares)+		\$9.05

</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.

+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

Year ended May 31, 1994

<TABLE>		
<CAPTION>		
<S>	<C>	<C>
Tax exempt interest income		\$ 17,128,279
Expenses:		
Compensation of Manager (Note 2)	\$1,549,215	
Investor servicing and custodian fees (Note 2)	268,424	
Compensation of Trustees (Note 2)	12,987	
Reports to shareholders	23,040	
Auditing	26,377	
Legal	14,752	
Postage	15,602	
Administrative services (Note 2)	6,747	
Distribution fees--class A (Note 2)	490,082	

Distribution fees--class B (Note 2)	103,211	
Registration fees	23,812	
Amortization of organization expenses (Note 1)	4,516	
Other expenses	7,902	
Total expenses		2,546,667
Net investment income		14,581,612
Net realized gain on investments (Notes 1 and 3)		1,425,049
Net realized gain on futures contracts (Notes 1 and 3)		198,560
Net unrealized depreciation of investments during the year		(13,149,699)
Net loss on investment transactions		(11,526,090)
Net increase in net assets resulting from operations		\$ 3,055,522

</TABLE>
The accompanying notes are an integral part of these financial statements.

Statement of changes in net assets

	1994	Year ended May 31 1993
<S>	<C>	<C>
Increase in net assets		
Operations:		
Net investment income	\$ 14,581,612	\$ 11,308,425
Net realized gain on investments	1,425,049	2,895,798
Net realized gain (loss) on futures contracts	198,560	(107,959)
Net unrealized (depreciation) appreciation of investments and futures contracts	(13,149,699)	7,314,508
Net increase in net assets resulting from operations	3,055,522	21,410,772
Distributions to shareholders from:		
Net investment income from:		
Class A	(13,985,915)	(11,346,766)
Class B	(595,696)	--
In excess of Net investment income from:		
Class A	(62,493)	--
Class B	(6,844)	--
Net realized gains on investments		
Class A	(3,941,191)	(135,247)
Class B	(229,597)	--
Increase from capital share transactions (Note 4)	67,691,698	56,671,246
Total increase in net assets	51,925,484	66,600,005
Net Assets		
Beginning of year	215,610,580	149,010,575
End of year (including distributions in excess of net investment income of \$118,519 and \$67,554 respectively)	\$267,536,064	\$215,610,580

</TABLE>
The accompanying notes are an integral part of these financial statements.

Financial Highlights*

(For a share outstanding throughout the period)

	For the period July 15, 1993 (commencement of operations) to May 31 1994	1994	1993	1992	Year ended May 31 1991	For the period October 23 (commencement of operations) to May 31 1990
<S>	<C>	<C>	<C>	<C>	<C>	Class A <C>
Net asset value, beginning of period	\$9.71	\$9.55	\$9.02	\$8.70	\$8.50	\$8.50
Investment operations						
Net investment income	.41	.55	.59	.61 (a)	.62 (a)	.35 (a)
Net realized and unrealized gain (loss) on investments	(.51)	(.35)	.54	.39	.20	--
Total from Investment Operations	(.10)	0.20	1.13	1.00	.82	.35
Less Distributions from:						
Net investment income	(.41)	(.55)	(.59)	(.61)	(.62)	(.35)
Net realized gain on investments	(.15)	(.15)	(.01)	(.07)	--	--
Total distributions	(.56)	(.70)	(.60)	(.68)	(.62)	(.35)
Net asset value,						

end of period	\$9.05	\$9.05	\$9.55	\$9.02	\$8.70	\$8.50
Total investment return at net asset value (%) (b)	(1.31) (c)	1.92	12.80	11.96	10.10	6.84 (c)
Net assets, end of period (in thousands)	\$23,017	\$244,519	\$215,611	\$149,011	\$38,526	\$18,249
Ratio of expenses to average net assets (%)	1.60 (c)	.96	.97	.88 (a)	.86 (a)	
Ratio of net investment income to average net assets (%)	4.91 (c)	5.69	6.24	6.82 (a)	7.27 (a)	
Portfolio turnover (%)	36.20	36.20	53.18	94.95 (e)	123.29	83.26 (d)

</TABLE>
 * Financial highlights for periods ended through May 31, 1992 have been restated to conform with requirements issued by the SEC in April 1993.

(a) Reflects a voluntary expense limitation, and, during the period ended May 31, 1990, a voluntary absorption of expenses incurred by the fund. As a result, net investment income of the fund for the years ended May 31, 1992, 1991 and the period ended May 31, 1990, reflect expense reductions of approximately \$0.01, \$0.02 and \$0.04 per share, respectively.

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

(c) Annualized

(d) Not annualized.

(e) Portfolio turnover excludes the impact from the acquisition of Putnam Massachusetts Tax Exempt Income Fund.

Notes to financial statements
 May 31, 1994

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 Massachusetts personal income tax as Putnam Management believes is consistent with preservation of capital by investing primarily in a portfolio of Massachusetts tax-exempt securities.

The fund offers both class A and class B shares. The fund commenced its public offering of class B shares on July 15, 1993. 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. 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 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. In addition, the Trustees declare separate dividends on each class of shares.

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.

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 A futures contract is an agreement between two parties to buy and sell a 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 tax-exempt securities equal to the minimum "initial margin" requirements of the exchange. 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 the underlying securities may not correspond to the change in value of the futures contracts.

D) 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 provi-

sion has been made for federal taxes on income, capital gains or unrealized appreciation of securities held and excise tax on income and capital gains.

E) 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 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. These differences include treatment of losses on wash sales transactions, realized and unrealized gains and losses on futures contracts and organization expenses. Reclassifications are made to the fund's capital accounts in order that they reflect income and gains available for distribution under income tax regulations. During the year ended May 31, 1994 the fund reclassified \$4,517 to decrease accumulated distributions in excess of net investment income with a decrease of \$4,517 to paid in capital.

F) 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. Discount on zero-coupon bonds, original issue discount bonds and stepped-coupon bonds is accreted according to the effective yield method.

G) 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 shares aggregated \$13,072. 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, Inc. ("Putnam 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. Such fee is based on the following annual rates: 0.6% of the first \$500 million of average net assets, 0.5% of the next \$500 million, 0.45% of the next \$500 million, and 0.4% of any amount over \$1.5 billion, subject to reduction in any year by the amount 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. For the year ended May 31, 1994, the fund paid \$6,747 for these services.

Trustees of the fund receive an annual Trustee' 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. For the year ended May 31, 1994 the fund paid \$12,987 for these services.

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. Fees paid for these investor servicing and custodial

functions for the year ended May 31, 1994 amounted to \$268,424.

Investor servicing and custodian fees reported in the Statement of operations for the year ended May 31, 1994 have been reduced by credits allowed by PFTC.

The fund has adopted a distribution plan with respect to its class A shares (the "class A Plan") pursuant to Rule 12b-1 under the Investment Company Act of 1940. The purpose of the class A Plan 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 class A shares. The Trustees have approved payment by the fund to Putnam Mutual Funds Corp. at an annual rate of 0.20% of the fund's average net assets attributable to class A shares. For the year ended May 31, 1994, the fund paid Putnam Mutual Funds Corp. distribution fees of \$490,082 for class A shares.

During the year ended May 31, 1994, Putnam Mutual funds Corp., acting as an underwriter, received net commissions of \$140,316 from the sale of class A shares of the fund.

A deferred sales charge of up to 1.00% is assessed on certain redemptions of Class A shares purchased as part of an investment of \$1 million or more. For the year ended May 31, 1994 Putnam Mutual Funds Corp., acting as underwriter received \$10,092 on such redemptions.

The fund has adopted a separate distribution plan with respect to its class B shares (the "class B Plan") pursuant to Rule 12b-1 under the Investment Company Act of 1940. The purpose of the class B Plan is to compensate Putnam Mutual Funds Corp. for services provided and expenses incurred by it in distributing class B shares. The class B Plan provides for payments by the fund to Putnam Mutual Funds Corp. at an annual rate of 1.00% of the funds average net assets attributable to class B shares. Currently, the Trustees have limited payments by the fund to .85% of such net assets. For the year ended May 31, 1994, the fund incurred fees of \$103,211 for class B shares.

Putnam Mutual Funds Corp. also receives the proceeds of contingent deferred sales charges levied on class B share redemptions within six years of purchase. The charge is based on declining rates, which begin at 5.0% of the net asset value of the redeemed shares. Putnam Mutual Funds Corp. received contingent deferred sales charges of \$34,720 from such redemptions for the year ended May 31, 1994.

Note 3

Purchases and sales of securities

During the year ended May 31, 1994, purchases and sales of investment securities other than short-term municipal obligations aggregated \$152,959,736 and \$91,328,460, respectively. Purchases and sales of short-term municipal obligations aggregated \$4,900,000 and \$6,000,000, respectively. In determining the net gain or loss on securities sold, the cost of securities has been determined on the identified cost basis.

The following is a summary of futures contracts activity during the year ended May 31, 1994:

<TABLE>

<CAPTION>

	Number of Contracts	Sales of Future Contracts Aggregate Face Value
<S>		<C>
Outstanding at beginning of year	--	--
Contracts opened	580	\$ 61,971,620
Contracts closed	(580)	\$(61,971,620)
Open at end of period	--	--

</TABLE>

Note 4

Capital shares

At May 31, 1994, there was an unlimited number of shares of beneficial interest authorized, divided into two classes, class A and class B capital stock. Transactions in capital shares were as follows:

<TABLE>

<CAPTION>

Class A	1994		Year ended May 31	
	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>
Shares sold	6,728,726	\$ 64,885,880	7,076,324	\$ 66,143,504
Shares issued in connection with reinvestment of distributions	1,149,973	11,043,802	739,282	6,913,053
	7,878,699	75,929,682	7,815,606	73,056,557
Shares repurchased	(3,455,423)	(32,760,636)	(1,752,801)	(16,385,311)
Net increase	4,423,276	\$ 43,169,046	6,062,805	\$ 56,671,246

</TABLE>

<TABLE>

<CAPTION>

Class B	For the period	
	Shares	Amount
<S>	<C>	<C> <C>
		July 15, 1993 (commencement of operations) to May 31, 1994

Shares sold	2,685,178	\$25,835,499
Shares issued in connection with reinvestment of distributions	54,232	515,350
	2,739,410	26,350,849
Shares repurchased	(196,505)	(1,828,197)
Net increase	2,542,905	\$24,522,652

</TABLE>

Note 5

Reclassification of Capital Account

Effective June 1, 1993, Putnam Massachusetts Tax Exempt Income Fund II has adopted the provisions of Statement of Position 93-2 "Determination, Disclosure and Financial Statement Presentation of Income, Capital Gain and Return of Capital Distributions by Investment Companies (SOP)." The purpose of this SOP is to report the accumulated net investment income (loss) and accumulated net realized gain (loss) accounts in such a manner as to approximate amounts available for future distributions (or to offset future realized capital gains) and to achieve uniformity in the presentation of distributions by investment companies.

As a result of the SOP, the fund has reclassified \$450,460 to decrease accumulated net realized gain, \$13,854 to decrease distributions in excess of net investment income, with an increase of \$436,606 to additional paid-in capital. These adjustments represent the cumulative amounts necessary to report these balances through May 31, 1993, the close of the fund's last fiscal year-end, for financial reporting and tax purposes. These reclassifications which have no impact on the total net asset value of the fund are primarily attributable to organization expenses and utilization of capital loss carryovers from an acquired fund which are treated differently in the computation of distributable income and capital gains under federal income tax rules and regulations versus generally accepted accounting principles.

Tax Information

The fund has designated all dividends from net investment income during the fiscal year as exempt-interest dividends. Thus, 100% of these distributions are exempt from federal income tax, and for residents of Massachusetts, 100% of these distributions are also exempt from Massachusetts personal income tax. The fund also paid the following short-term and long term capital gains:

<TABLE>

<CAPTION>

<S>

<C>

Short-term capital gain dividends.	
Class A	\$0.113
Class B	\$0.113
Long-term capital gain dividends.	
Class A	\$0.038
Class B	\$0.038

</TABLE>

These amounts were reported to you on Form 1099 in January 1994. The Form 1099 you will receive in January 1995 will show the tax status of any capital gain distributions paid to your account in calendar 1994.

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 fund or from your own 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 their original cost.

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. Investors should consider their ability to continue purchasing shares during periods of low price levels.

Fund information

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Putnam Investment
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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

TRUSTEES
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William Pounds, Vice Chairman
Jameson Adkins Baxter
Hans H. Estlin
John A. Hill
Elizabeth T. Kennan
Lawrence J. Lasser
Donald S. Perkins
Robert E. Patterson
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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 Massachusetts Tax Exempt Income Fund II. 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.
845/236-12983

PUTNAM INVESTMENTS

The Putnam Funds
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Bulk Rate
U.S. Postage
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Boston, MA
Permit No. 53749
- - - - -

845/236-12993

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 different.
- (6) Trademark symbol replaced with (TM)