Registration No. 2-87001
811-3869

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Form N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 X

Pre-Effective Amendment No.

Post-Effective Amendment No. 20 X

REGISTRATION STATEMENT UNDER THE INVESTMENT
COMPANY ACT OF 1940 X

Amendment No. 21 X

SMITH BARNEY SHEARSON NEW YORK MUNICIPALS FUND INC.
(Exact name of Registrant as Specified in Charter)

Two World Trade Center, New York, New York 10048
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code
(212) 720-9218

Francis J. McNamara, III
Secretary

Smith Barney Shearson New York Municipals Fund Inc.
One Boston Place
Boston, Massachusetts 02108
(Name and Address of Agent for Service)

Approximate Date of Proposed Public Offering:
As soon as possible after this Post-Effective Amendment
becomes effective.

It is proposed that this filing will become effective:

_____ immediately upon filing pursuant to Rule 485(b)
X on March 1, 1994 pursuant to Rule 485(b)
_____ 60 days after filing pursuant to Rule 485(a)
on __________ pursuant to Rule 485(a)

The Registrant has previously filed a declaration of indefinite registration of its shares pursuant to Rule 24f-2 under the Investment Company Act of 1940, as amended. Registrant's Rule 24f-2 Notice for the fiscal year ending December 31, 1993 was filed on February 28, 1994.

SMITH BARNEY SHEARSON NEW YORK MUNICIPALS FUND INC.

FORM N-1A

CROSS REFERENCE SHEET

PURSUANT TO RULE 495(a)

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Performance

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Objective and Management Policies;
Additional Information

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Management of the Fund;
Distributor; Additional
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Securities

Variable Pricing System; Dividends,
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7. Purchase of Securities Being
Offered

Variable Pricing System; Purchase
of Shares; Valuation of Shares;
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March 1, 1994

SMITH BARNEY SHEARSON

New York Municipals Fund Inc.

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[SMITH BARNEY SHEARSON LOGO]

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SMITH BARNEY SHEARSON

New York Municipals Fund Inc.

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PROSPECTUS March 1, 1994

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Two World Trade Center
New York, New York 10048
(212) 720-9218

Smith Barney Shearson New York Municipals Fund Inc. (the "Fund") is a non-diversified municipal fund that seeks to provide New York investors with as high a level of dividend income exempt from Federal income taxes and New York State and New York City personal income taxes as is consistent with prudent investment management and the preservation of capital.

This Prospectus concisely sets forth certain information about the Fund, including sales charges, distribution and service fees and expenses, which prospective investors will find helpful in making an investment decision. Investors are encouraged to read this Prospectus carefully and retain it for future reference.

Additional information about the Fund is contained in a Statement of Additional Information dated March 1, 1994, as amended or supplemented from time to time, that is available upon request and without charge by calling or writing the Fund at the telephone number or address set forth above or by contacting your Smith Barney Shearson Financial Consultant. The Statement of Additional Information has been filed with the Securities and Exchange Commission (the "SEC") and is incorporated by reference into this Prospectus in its entirety.

SMITH BARNEY SHEARSON INC.
Distributor

GREENWICH STREET ADVISORS
Investment Adviser

THE BOSTON COMPANY ADVISORS, INC.
Administrator

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

SMITH BARNEY SHEARSON

New York Municipals Fund Inc.

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SMITH BARNEY SHEARSON

New York Municipals Fund Inc.

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The following summary is qualified in its entirety by detailed information appearing elsewhere in this Prospectus and in the Statement of Additional Information. Cross references in this summary are to headings in the Prospectus.
See "Table of Contents."

BENEFITS TO INVESTORS The Fund offers investors several important benefits:

- -   Dividends consisting primarily of tax-exempt income for New York investors.

- A professionally managed portfolio comprised primarily of investment-grade New York municipal bonds.

- Investment liquidity through convenient purchase and redemption procedures.

- A convenient way to invest without the administrative and recordkeeping burdens normally associated with the direct ownership of municipal securities.

- Different methods for purchasing shares that allow investment flexibility and a wider range of investment alternatives.

- Automatic dividend reinvestment feature, plus exchange privilege within the same class of shares of most other funds in the Smith Barney Shearson Group of Funds.

INVESTMENT OBJECTIVE The Fund is an open-end, non-diversified, management investment company that seeks to provide New York investors with as high a level of dividend income exempt from Federal income taxes and New York State and New York City personal income taxes as is consistent with prudent investment management and the preservation of capital. Its investments consist primarily of intermediate-and long-term investment-grade municipal securities issued by the State of New York and certain other municipal issuers, political subdivisions, agencies and public authorities that pay interest which is exempt from New York State and New York City personal income taxes ("New York Municipal Securities"). Intermediate-and long-term municipal securities have remaining maturities at the time of purchase of between three and twenty years. See "Investment Objective and Management Policies."

VARIABLE PRICING SYSTEM The Fund offers two classes of shares ("Classes") designed to provide investors with the flexibility of selecting an investment best suited to their needs. These Classes, Class A shares and Class B shares, differ

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PROSPECTUS SUMMARY (CONTINUED)

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principally in terms of the sales charges and rate of expenses to which they are subject. See "Variable Pricing System."

CLASS A SHARES These shares are offered at net asset value per share plus a maximum initial sales charge of 4.50%. The Fund pays an annual service fee of .15% of the value of average daily net assets of this Class. See "Purchase of Shares."

CLASS B SHARES These shares are offered at net asset value per share subject to
a maximum contingent deferred sales charge ("CDSC") of 4.50% of redemption proceeds, declining by .50% after the first year and by 1% each year thereafter
to zero. The Fund pays an annual service fee of .15% and an annual distribution
fee of .50% of the value of average daily net assets of this Class. See "Purchase of Shares."

CLASS B CONVERSION FEATURE Class B shares will convert automatically to Class A
shares, based on relative net asset value, eight years after the date of original purchase. Upon conversion, these shares will no longer be subject to an
annual distribution fee. The first of these conversions will commence on or about September 30, 1994. See "Variable Pricing System--Class B Shares."

PURCHASE OF SHARES Shares may be purchased through the Fund's distributor, Smith Barney Shearson Inc. ("Smith Barney Shearson"), or a broker that clears securities transactions through Smith Barney Shearson on a fully disclosed basis
(an "Introducing Broker"). Smith Barney Shearson recommends that, in most cases,
single investments of $250,000 or more should be made in Class A. See "Purchase
of Shares."

INVESTMENT MINIMUMS Investors are subject to a minimum initial investment requirement of $1,000 and a minimum subsequent investment requirement of $200. See "Purchase of Shares."

SYSTEMATIC INVESTMENT PLAN The Fund offers shareholders a Systematic Investment
Plan under which they may authorize the automatic placement of a purchase order
each month or quarter for Fund shares in an amount not less than $100. See "Purchase of Shares."

REDEMPTION OF SHARES Shares may be redeemed on each day the New York Stock Exchange, Inc. ("NYSE") is open for business. Class A shares are redeemable at net asset value and Class B shares are redeemable at net asset value less any applicable CDSC. See "Redemption of Shares."

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PROSPECTUS SUMMARY (CONTINUED)

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MANAGEMENT OF THE FUND Greenwich Street Advisors, a division of Mutual Management Corp., serves as the Fund's investment adviser. Mutual Management Corp. provides investment advisory and management services to investment companies affiliated with Smith Barney Shearson. Smith Barney Shearson is a wholly owned subsidiary of Smith Barney Shearson Holdings Inc., which is in turn

a wholly owned subsidiary of The Travelers Inc. ("Travelers") (formerly known as
Primerica Corporation), a diversified financial services holding company principally engaged in the business of providing investment, consumer finance and insurance services.

The Boston Company Advisors, Inc. ("Boston Advisors"), serves as the Fund's administrator. Boston Advisors is a wholly owned subsidiary of The Boston Company, Inc. ("TBC"), which is in turn a wholly owned subsidiary of Mellon Bank
Corporation ("Mellon"). See "Management of the Fund."

EXCHANGE PRIVILEGE Shares of a Class may be exchanged for shares of the same class of certain other funds in the Smith Barney Shearson Group of Funds and certain money market funds. Certain exchanges may be subject to a sales charge differential. See "Exchange Privilege."

VALUATION OF SHARES Net asset value of each Class is quoted daily in the financial section of most newspapers and is also available from your Smith Barney Shearson Financial Consultant. See "Valuation of Shares."

DIVIDENDS AND DISTRIBUTIONS Dividends from net investment income are declared daily and paid on the last business day of the Smith Barney Shearson statement month. Distributions of net realized long-and short-term capital gains, if any,
are declared and paid annually after the end of the fiscal year in which they have been earned. See "Dividends, Distributions and Taxes."

REINVESTMENT OF DIVIDENDS Dividends and distributions paid on shares of a Class
will be reinvested automatically, unless otherwise specified by an investor, in
additional shares of the same Class at current net asset value. Shares acquired
by dividend and distribution reinvestments will not be subject to any sales charge or CDSC. Class B shares acquired through dividend and distribution reinvestments will become eligible for conversion to Class A shares on a pro-rata basis. See "Dividends, Distributions and Taxes" and "Variable Pricing System."

RISK FACTORS AND SPECIAL CONSIDERATIONS There can be no assurance that the Fund
will achieve its investment objective. Assets of the Fund also may be invested in the municipal securities of non-New York municipal issuers.

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PROSPECTUS SUMMARY (CONTINUED)
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Dividends derived from interest on obligations of non-New York municipal issuers will be exempt from Federal income taxes, but may be subject to New York State and New York City personal income taxes. Dividends derived from certain municipal securities (including New York Municipal Securities), however, may be a specific tax preference item for Federal alternative minimum tax purposes. The Fund may invest without limit in securities subject to the Federal alternative minimum tax. See "Investment Objective and Management Policies" and "Dividends, Distributions and Taxes."

The Fund is more susceptible to factors adversely affecting issuers of New York Municipal Securities than is a municipal bond fund that does not emphasize these issuers. See "New York Municipal Securities" in the Prospectus and "Special Considerations Relating to New York Municipal Securities" in the Statement of Additional Information for further details about the risks of investing in New York obligations.

The Fund is classified as a non-diversified investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), which means that the Fund is not limited by the 1940 Act in the proportion of its assets that it may invest in the obligations of a single issuer. The Fund's assumption of large positions in the obligations of a small number of issuers may cause the Fund's share price to fluctuate to a greater extent than that of a diversified company as a result of changes in the financial condition or in the market's assessment of the issuers.

The Fund generally will invest at least 75% of its assets in securities rated investment grade, and may invest the remainder of its assets in securities rated as low as C by Moody's Investors Service, Inc. ("Moody's") or D by Standard & Poor's Corporation ("S&P"), or in unrated obligations of comparable quality. Securities in the fourth highest rating category, though considered to be investment grade, have speculative characteristics. Securities rated as low as D are extremely speculative and are in actual default of interest and/or principal payments.

There are several risks in connection with the use of when-issued securities, municipal bond index futures contracts and put and call options on interest rate futures contracts as hedging devices, municipal leases and securities lending. See "Investment Objective and Management Policies--Certain Portfolio Strategies."

THE FUND'S EXPENSES The following expense table lists the costs and expenses an investor will incur, either directly or indirectly as a shareholder of the Fund, based on the maximum sales charge or maximum CDSC that may be incurred at the time of purchase or redemption and an estimate of the Fund's operating expenses.

	CLASS A	CLASS B
SHAREHOLDER TRANSACTION EXPENSES		
Maximum sales charge imposed on purchases (as a percentage of offering price)	4.50%	--
Maximum CDSC (as a percentage of redemption proceeds)	--	4.50%
ANNUAL FUND OPERATING EXPENSES (as a percentage of average net assets)		
Management fees	.35%	.35%
12b-1 fees*	.15	.65
Other expenses**	.28	.31
TOTAL FUND OPERATING EXPENSES	.78%	1.31%

* Upon conversion, Class B shares will no longer be subject to a distribution fee.

** Other expenses are based on the Fund's fiscal year ended December 31, 1993 and have been restated to reflect current expenses of the Fund.

The sales charge and CDSC set forth in the above table are the maximum charges imposed on purchases or redemptions of Fund shares and investors may pay actual charges of less than 4.50% depending on the amount purchased and, in the case of Class B shares, the length of time the shares are held. See "Purchase of Shares" and "Redemption of Shares." Management fees paid by the Fund include investment advisory fees paid to Greenwich Street Advisors at the following annual rates: .35% of the value of the Fund's average daily net assets up to $500 million and .32% of the value of its average daily net assets in excess of $500 million, and administration fees payable to Boston Advisors at the following annual rates: .20% of the value of the Fund's average daily net assets up to $500 million and .18% of the value of its average daily net assets in excess of $500 million. The nature of the services for which the Fund pays management fees is described under "Management of the Fund." Smith Barney Shearson receives an annual 12b-1 service fee of .15% of the value of average daily net assets of Class A shares. Smith Barney Shearson also receives with respect to Class B shares an annual 12b-1 fee of .65% of the value of average daily net assets of Class B shares, consisting of a .50% distribution fee and a .15%

service fee. "Other expenses" in the above table include fees for shareholder services, custodial fees, legal and accounting fees, printing costs and registration fees.

EXAMPLE

<TABLE>
The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical $1,000 investment in the Fund assuming a 5% total return. The example assumes payment by the Fund of operating expenses at the levels set forth in the above table. The example should not be considered a representation of past or future expenses and actual expenses may be greater or less than those shown. Moreover, while the example assumes a 5% annual return, the Fund's actual performance will vary and may result in an actual return greater or less than 5%.

<CAPTION>

<S>	1 YEAR <C>	3 YEARS <C>	5 YEARS <C>	10 YEARS* <C>
Class A shares**	$ 53	$ 55	$ 53	$ 94
Class B shares:				

Assumes complete redemption at end of each time period***	$ 58	$ 71	$ 81	$ 139
Assumes no redemption	$ 13	$ 41	$ 71	$ 139

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<FN>

*   Ten-year figures assume conversion of Class B shares to Class A shares at the end of the eighth year following the date of purchase.

** Assumes deduction at the time of purchase of the maximum 4.50% sales charge.

*** Assumes deduction at the time of redemption of the maximum CDSC applicable for that time period.

</TABLE>

SMITH BARNEY SHEARSON

New York Municipals Fund Inc.

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FINANCIAL HIGHLIGHTS

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The following information has been audited by Coopers & Lybrand, independent accountants, whose report thereon appears in the Fund's Annual Report dated December 31, 1993. The information set forth below should be read in conjunction with the financial statements and related notes that also appear in the Fund's Annual Report, which are incorporated by reference into the Statement of Additional Information.

<TABLE>

FOR A CLASS A SHARE OUTSTANDING THROUGHOUT EACH YEAR:

<CAPTION>

	YEAR ENDED DECEMBER 31,				
	1993#	1992	1991	1990	1989
Net asset investment of year	$17.12	$16.77	$15.94	$16.26	$15.97
Income from investment operations:					
Net investment income	1.02	1.12	1.15	1.16	1.16
Net realized and unrealized gain/(loss) on investment	0.80	0.39	0.84	(0.32)	0.26
Total from investment operations	1.82	1.51	1.99	0.84	1.42

Less distributions:					
Dividends from net investment income	(1.03)	(1.12)	(1.16)	(1.16)	(1.13)
Distributions from net capital gains	(0.23)	(0.03)	--	--	--
Distributions from capital (Note 1)	--	(0.01)	--	--	--
Total Distributions	(1.26)	(1.16)	(1.16)	(1.16)	(1.13)
Net asset value, end of year	$17.68	$17.12	$16.77	$15.94	$16.26
Total return++	10.93%	9.36%	12.98%	5.41%	9.18%
Ratios to average net assets/Supplemental Data:					
Net assets, end of year (in 000's)	$575,166	$535,514	$469,139	$428,304	$442,563
Ratio of operating expenses to average net assets	0.78%	0.67%	0.64%	0.64%	0.66%
Ratio of net investment income to average net assets	5.83%	6.56%	7.04%	7.31%	7.17%
Portfolio turnover rate	20%	30%	31%	18%	7%

<FN>

* The Fund commenced operations on January 23, 1984. Any shares outstanding prior to November 6, 1992 were designated Class A shares.

** Annualized.

\+ Annualized expense ratio before waiver of fees by investment adviser and sub-investment adviser and administrator was 0.82%.

++ Total return represents aggregate total return for the periods indicated and does not reflect any applicable sales charges.

+++ Net investment income before waiver of fees by investment adviser and sub-investment adviser and administrator was $1.15.

\# Per share amounts have been calculated using the monthly average share method, which more appropriately presents the per share data for this year since use of the undistributed method did not accord with results of operations.

</TABLE>

(Continued on next page)

SMITH BARNEY SHEARSON

New York Municipals Fund Inc.

FINANCIAL HIGHLIGHTS (CONTINUED)

FOR A CLASS A SHARE OUTSTANDING THROUGHOUT EACH YEAR:

	YEAR ENDED DECEMBER 31, 1988	1987	1986	1985	PERIOD ENDED DECEMBER 31, 1984*
Net asset investment of year	$15.37	$16.71	$15.48	$13.90	$ 14.25
Income from investment operations:					
Net investment income	1.15	1.14	1.20	1.24	1.16+++
Net realized and unrealized gain/(loss) on investment	0.61	(1.33)	1.52	1.58	(0.35)
Total from investment operations	1.76	(0.19)	2.72	2.82	0.81
Less distributions:					
Dividends from net investment income	(1.16)	(1.14)	(1.20)	(1.24)	(1.16)
Distributions from net capital gains	--	(0.01)	(0.29)	--	--
Distributions from capital (Note 1)	--	--	--	--	--
Total Distributions	(1.16)	(1.15)	(1.49)	(1.24)	(1.16)

Net asset value, end of year	$15.97	$15.37	$16.71	$15.48	$ 13.90
Total return++	11.82%	(1.09%)	18.13%	21.03%	6.90%
Ratios to average net assets/Supplemental Data:					
Net assets, end of year (in 000's)	$429,703	$202,265	$218,980	$125,365	$54,182
Ratio of operating expenses to average net assets	0.64%	0.68%	0.68%	0.81%	0.77%+**
Ratio of net investment income to average net assets	7.50%	7.22%	7.25%	8.20%	8.94%**
Portfolio turnover rate	27%	22%	11%	20%	45%

<FN>

* The Fund commenced operations on January 23, 1984. Any shares outstanding prior to November 6, 1992 were designated Class A shares.

** Annualized.

+ Annualized expense ratio before waiver of fees by investment adviser and sub-investment adviser and administrator was 0.82%.

++ Total return represents aggregate total return for the periods indicated and does not reflect any applicable sales charges.

+++ Net investment income before waiver of fees by investment adviser and sub-investment adviser and administrator was $1.15.

Per share amounts have been calculated using the monthly average share method, which more appropriately presents the per share data for this year since use of the undistributed method did not accord with results of operations.

</TABLE>

FINANCIAL HIGHLIGHTS (CONTINUED)

<TABLE>
FOR A CLASS B SHARE OUTSTANDING THROUGHOUT EACH PERIOD:

<CAPTION>

	YEAR ENDED 12/31/93#	PERIOD ENDED 12/31/92*
Net asset value, beginning of period	$17.12	$16.93
Income from investment operations:		
Net investment income	0.94	0.17
Net realized and unrealized gain on investments	0.80	0.20
Total from investment operations	1.74	0.37
Less distributions:		
Dividends from net investment income	(0.95)	(0.15)
Distributions from capital (Note 1)	--	--+
Distributions from net capital gains	(0.23)	(0.03)
Total Distributions:	(1.18)	(0.18)
Net asset value, end of period	$17.68	$17.12
Total return++	10.33%	2.23%
Ratios to average net assets/Supplemental Data:		
Net assets, end of period (in 000's)	$137,126	$ 18,125
Ratio of net investment income to average net asset	5.31%	5.94%**
Ratio of operating expenses to average net assets	1.31%	1.30%**
Portfolio turnover rate	20%	30%

<FN>

* The Fund's Class B shares commenced operations on November 6, 1992.

** Annualized.

+ Amount represents less than $0.01 per Fund share.

++ Total return represents aggregate total return for the periods indicated and
does not reflect any applicable sales charges.

Per share amounts have been calculated using the monthly average share
method, which more appropriately presents the per share data for this year
since use of the undistributed method did not accord with results of
operations.
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VARIABLE PRICING SYSTEM
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The Fund offers individual investors two methods of purchasing shares, thus enabling investors to choose the Class that best suits their needs, given the amount of purchase and intended length of investment.

Class A Shares. Class A shares are sold at net asset value per share plus a maximum initial sales charge of 4.50% imposed at the time of purchase. The initial sales charge may be reduced or waived for certain purchases. Class A shares are subject to an annual service fee of .15% of the value of the Fund's average daily net assets attributable to the Class. The annual service fee is used by Smith Barney Shearson to compensate its Financial Consultants for ongoing services provided to shareholders. The sales charge is used to compensate Smith Barney Shearson for expenses incurred in selling Class A shares. See "Purchase of Shares."

Class B Shares. Class B shares are sold at net asset value per share subject to a maximum 4.50% CDSC, which is assessed only if the shareholder redeems shares within the first five years of investment. This results in 100% of the investor's assets being used to acquire shares of the Fund. After the first year after the purchase of a share, the CDSC declines to 4.00%; for each year of investment thereafter within this five-year time frame, the applicable CDSC declines by 1%; in year six, the applicable CDSC is reduced to 0%. See "Purchase of Shares" and "Redemption of Shares."

Class B shares are subject to an annual service fee of .15% and an annual distribution fee of .50% of the value of the Fund's average daily net assets attributable to the Class. Like the service fee applicable to Class A shares, the Class B service fee is used to compensate Smith Barney Shearson Financial Consultants for ongoing services provided to shareholders. Additionally, the distribution fee paid with respect to Class B shares compensates Smith Barney Shearson for expenses incurred in selling those shares, including expenses such as sales commissions, Smith Barney Shearsons' branch office overhead expenses and marketing costs associated with Class B shares, such as preparation of sales literature, advertising and printing and distributing prospectuses, statements of additional information and other materials to prospective investors in Class B shares. A Financial Consultant may receive different levels of compensation for selling different Classes of shares. Class B shares are subject to a distribution fee and higher transfer agency fees than Class A shares which, in turn, will cause Class B shares to have a higher expense ratio and pay lower dividends than Class A shares.

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VARIABLE PRICING SYSTEM (CONTINUED)

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Eight years after the date of purchase, Class B shares will convert automatically to Class A shares, based on the relative net asset values of shares of each Class, and will no longer be subject to a distribution fee. In addition, a certain portion of Class B shares that have been acquired through the reinvestment of dividends and distributions ("Class B Dividend Shares") will be converted at that time. That portion will be a percentage of the total number of Class B Dividend Shares owned by the shareholder, equal to the ratio of the total number of Class B shares converting at the time to the total number of Class B shares (other than Class B Dividend Shares) owned by the shareholder. Class B shares will first be convertible into Class A shares on or about September 30, 1994. The conversion of Class B shares into Class A shares is subject to the continuing availability of an opinion of counsel to the effect that such conversions will not constitute taxable events for Federal tax purposes.

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THE FUND'S PERFORMANCE

YIELD

From time to time, the Fund may advertise the 30-day "yield" and "equivalent taxable yield" of each Class. The yield of a Class refers to the income generated by an investment in those shares over the 30-day period identified in the advertisement and is computed by dividing the net investment income per share earned by the Class during the period by the maximum public offering price per share on the last day of the period. This income is "annualized" by assuming that the amount of income is generated each month over a one-year period and is compounded semi-annually. The annualized income is then shown as a percentage of the net asset value.

The Fund's equivalent taxable yield demonstrates the yield on a taxable investment necessary to produce an after-tax yield equal to the Fund's tax-free yield for each Class. It is calculated by increasing the yield shown for the Class to the extent necessary to reflect the payment of taxes at specified tax rates. Thus, the equivalent taxable yield always will exceed the Fund's yield. For more information on equivalent taxable yields, please refer to the table under "Dividends, Distributions and Taxes."

The Fund's yield for Class A shares for the 30-day period ended December 31, 1993 was 4.44%. The Fund's equivalent taxable yield for Class A shares for the

same period was 7.29%, assuming the payment of Federal income taxes at a rate of 31% and a combined New York State and City tax rate of 11.785%.

TOTAL RETURN

From time to time, the Fund may advertise the "average annual total return" over various periods of time for each Class. Total return figures show the average percentage change in the value of an investment in the Class from the beginning date of the measuring period to the end of the measuring period. These figures reflect changes in the price of the shares and assume that any income dividends and/or capital gains distributions made by the Fund during the period were reinvested in shares of the same Class. Class A total return figures include the maximum initial 4.50% sales charge and Class B total return figures include any applicable CDSC. These figures also take into account the service and distribution fees, if any, payable with respect to the Classes.

Total return figures will be given for the recent one-, five-and ten-year periods, or for the life of a Class to the extent that it has not been in existence for any such periods, and may be given for other periods as well, such as on a year-by-year basis. When considering average annual total return figures for periods longer than one year, it is important to note that average annual total return for any one year in the period might have been greater or less than the average for the entire period. "Aggregate total return" figures may be

used
for various periods, representing the cumulative change in the value of an investment in a Class for the specific period (again reflecting changes in share
prices and assuming reinvestment of dividends and distributions). Aggregate total return may be calculated either with or without the effect of the maximum
4.50% sales charge for the Class A shares or any applicable CDSC for Class B shares and may be shown by means of schedules, charts, or graphs, and may indicate subtotals of the various components of total return (that is, changes in the value of initial investment, income dividends and capital gains distributions). Because of the differences in sales charges and distribution fees, the performance of each of the Classes will differ.

In reports or other communications to shareholders or in advertising material,
performance of the Classes may be compared with that of other mutual funds or Classes of shares of other funds as listed in the rankings prepared by Lipper Analytical Services, Inc. or similar independent services that monitor the performance of mutual funds, or other industry or financial publications such

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THE FUND'S PERFORMANCE (CONTINUED)

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as Barron's, Business Week, CDA Investment Technologies, Inc., Forbes, Fortune,
Institutional Investor, Investors Daily, Kiplinger's Personal Finance, Morningstar Mutual Fund Values, Money, The Wall Street Journal, The New York Times and USA Today. It is important to note that yield and total return figures
are based on historical earnings and are not intended to indicate future performance and any given performance comparison should not be considered as representative of the Fund's performance for any future period. To the extent that any advertisement or sales literature of the Fund describes the expenses or
performance of a Class, it will also disclose such information for the other Class. The Statement of Additional Information contains a description of the methods used to determine performance. Performance figures may be obtained from
your Smith Barney Shearson Financial Consultant.

From the Fund's commencement of operations on January 23, 1984, through December 31, 1993, an investment in shares of the Fund (now designated as Class
A shares) of $10,000 (after deducting the maximum sales charge of 4.50%) grew to
$25,271 when all dividends and capital gains distributions were reinvested. This
represents an aggregate total return of 164.27%. This was a period of widely fluctuating interest rates and prices for municipal bonds and should not necessarily be considered as representative of the return which may be realized

from an investment in the Fund today.

<TABLE>
CLASS A SHARES

<CAPTION>

<S> <C> <C> <C> <C>

YEAR ENDED	VALUE OF INITIAL $10,000 INVESTMENT	VALUE OF REINVESTED DIVIDENDS	TOTAL VALUE	PERIOD CHANGE
January 23, 1984(1)	$ 9,550	--	$ 9,550	--
December 31, 1984	9,315	$ 817	10,132	+6%
December 31, 1985	10,374	1,889	12,263	+21
December 31, 1986	11,199	3,287	14,486	+18
December 31, 1987	10,301	4,027	14,328	-1
December 31, 1988	10,703	5,319	16,022	+12
December 31, 1989	10,897	6,595	17,492	+9
December 31, 1990	10,683	7,756	18,439	+5
December 31, 1991	11,239	9,592	20,831	+13
December 31, 1992	11,473	11,308	22,781	+9
December 31, 1993	11,849	13,422	25,271	+11

<FN>
(1) Commencement of operations.
(2) Based on the current maximum sales charge of 4.50% of the offering price.
</TABLE>

THE FUND'S PERFORMANCE (CONTINUED)

CLASS A SHARES

Illustration of an Assumed Investment of $10,000
with Income Dividends and Capital Gains Distributions Reinvested

From January 23, 1984(1) through December 31, 1993

[CHART]

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(1) Commencement of operations.

(2) Based on maximum sales charge of 4.50% of the offering price.

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THE FUND'S PERFORMANCE (CONTINUED)

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The Fund's average annual total return for Class A shares was as follows for the periods indicated:

5.86% for the one-year period beginning on January 1, 1993 through December 31, 1993;

8.51% per annum for the five-year period beginning on January 1, 1988 and ended December 31, 1993; and

9.76% per annum during the period from the Fund's commencement of operations on January 23, 1984 and ended December 31, 1993.

These average annual total return figures assume that the maximum 4.5% sales charge was deducted from the investment at the time of purchase.

The Fund's average annual total return for Class A shares assumes that the maximum 4.5% sales charge was not deducted from the investment at the time of purchase.

10.85% for the one-year period beginning on January 1, 1993 through December 31, 1993;

9.51% per annum for the five-year period beginning on January 1, 1988 and ended December 31, 1993; and

10.27% per annum during the period from the Fund's commencement of operations on January 23, 1984 and ended December 31, 1993.

The Fund's aggregate total return was as follows for the periods indicated:

10.85% for the one-year period beginning on January 1, 1993 through December 31, 1993;

57.52% for the five-year period beginning on January 1, 1988 through December 31, 1993; and

164.27% for the period from the Fund's commencement of operations on January 23, 1984 through December 31, 1993.

These aggregate total return figures do not assume that the maximum 4.5% sales charge has been deducted from the investment at the time of purchase. If the maximum sales charge had been deducted at the time of purchase, the Fund's aggregate total return for those same periods would have been 5.86%, 50.43% and 152.37%, respectively.

MANAGEMENT OF THE FUND

BOARD OF DIRECTORS

Overall responsibility for management and supervision of the Fund rests with the Fund's Board of Directors. The Directors approve all significant agreements between the Fund and the companies that furnish services to the Fund, including agreements with the Fund's distributor, investment adviser, administrator, custodian and transfer agent. The day-to-day operations of the Fund are delegated to the Fund's investment adviser and administrator. The Statement of Additional Information contains background information regarding each Director and executive officer of the Fund.

INVESTMENT ADVISER -- GREENWICH STREET ADVISORS

Greenwich Street Advisors, located at Two World Trade Center, New York, New York 10048, serves as the Fund's investment adviser. Greenwich Street Advisors

(through its predecessors) has been in the investment counselling business since
1934 and is a division of Mutual Management Corp., which was incorporated in 1978. Greenwich Street Advisors renders investment advice to investment company
clients that had aggregate assets under management as of January 31, 1994, in excess of $44.4 billion.

Subject to the supervision and direction of the Fund's Board of Directors, Greenwich Street Advisors manages the Fund's portfolio in accordance with the Fund's investment objective and policies, makes investment decisions for the Fund, places orders to purchase and sell securities and employs professional portfolio managers and securities analysts who provide research services to the
Fund. For the fiscal year ended December 31, 1993, the Fund paid investment advisory fees to Greenwich Street Advisors in an amount equal to .35% of the value of the average daily net assets of the Fund.

PORTFOLIO MANAGEMENT

Lawrence T. McDermott, Managing Director of Greenwich Street Advisors, has served as Vice President and Investment Officer of the Fund since it commenced operations and manages the day-to-day operations of the Fund, including making all investment decisions.

Mr. McDermott's management discussion and analysis, and additional performance
information regarding the Fund during the fiscal year ended December 31, 1993, is included in the Annual Report dated December 31, 1993. A copy of the Annual Report may be obtained upon request and without charge from

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MANAGEMENT OF THE FUND (CONTINUED)

your Smith Barney Shearson Financial Consultant or by writing or calling the Fund at the address or phone number listed on page one of the Prospectus.

ADMINISTRATOR -- BOSTON ADVISORS

Boston Advisors, located at One Boston Place, Boston, Massachusetts 02108, serves as the Fund's administrator. Boston Advisors provides investment management, investment advisory and/or administrative services to investment companies that had aggregate assets under management as of January 31, 1994, in
excess of $93.8 billion. Boston Advisors calculates the net asset value of the Fund's shares and generally assists in all aspects of the Fund's administration
and operation. For the fiscal year ended December 31, 1993 the Fund paid administration fees to Boston Advisors in an amount equal to .20% of the value of the average daily net assets of the Fund.

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INVESTMENT OBJECTIVE AND MANAGEMENT POLICIES

The investment objective of the Fund is to provide New York investors with as high a level of dividend income exempt from Federal income and New York State and New York City personal income taxes as is consistent with prudent investment management and the preservation of capital. This investment objective may not be changed without the approval of the holders of a majority of the Fund's outstanding shares. There can be no assurance that the Fund's investment objective will be achieved.

The Fund will operate subject to an investment policy providing that, under normal market conditions, the Fund will invest at least 80% of its net assets in New York Municipal Securities which pay interest which is excluded from gross income for Federal income tax purposes and which is exempt from New York State and New York City personal income taxes. The Fund may invest up to 20% of its net assets in municipal securities of non-New York municipal issuers, the interest on which is excluded from gross income for Federal income tax purposes (not including the possible applicability of a Federal alternative minimum tax), but which is subject to New York State and New York City personal income taxes. When Greenwich Street Advisors believes that market conditions warrant adoption of a temporary defensive investment posture, the Fund may invest without limit in non-New York municipal issuers and in "Temporary Investments" as described below.

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INVESTMENT OBJECTIVE AND MANAGEMENT POLICIES (CONTINUED)

The Fund generally will invest at least 75% of its total assets in investment-grade debt obligations rated no lower than Baa, MIG 3 or Prime-1 by Moody's or BBB, SP-2 or A-1 by S&P, or in unrated obligations of comparable quality, with no minimum rating required for the balance of the Fund's investments. Unrated securities will be considered to be of investment grade if deemed by Greenwich Street Advisors to be comparable in quality to instruments so rated, or if other outstanding obligations of the issuers thereof are rated Baa or better by Moody's or BBB or better by S&P. The balance of the Fund's assets may be invested in securities rated as low as C by Moody's or D by S&P, or comparable unrated securities. Securities in the fourth highest rating category, though considered to be investment grade, have speculative characteristics. Securities rated as low as D are extremely speculative and are in actual default of interest and/or principal payments.

The Fund's average weighted maturity will vary from time to time based on the judgment of Greenwich Street Advisors. The Fund intends to focus on intermediate-and long-term obligations, that is, obligations with remaining maturities at the time of purchase of between three and twenty years. Obligations which are rated Baa by Moody's or BBB by S&P and those which are rated lower than investment-grade are subject to greater market fluctuation and more uncertainty as to payment of principal and interest, and therefore generate higher yields than obligations rated above Baa or BBB. The Fund has no present intention of investing in instruments rated lower than Baa by Moody's or BBB by S&P. A description of the rating systems of Moody's and S&P is contained in the Statement of Additional Information.

The Fund may invest without limit in "municipal leases," which generally are participations in intermediate-and short-term debt obligations issued by municipalities consisting of leases or installment purchase contracts for property or equipment. Municipal leases may take the form of a lease or an installment purchase contract issued by state and local government authorities to obtain funds to acquire a wide variety of equipment and facilities such as fire and sanitation vehicles, computer equipment and other capital assets. Although lease obligations do not constitute general obligations of the municipality for which the municipality's taxing power is pledged, a lease obligation is ordinarily backed by the municipality's covenant to budget for, appropriate and make the payments due under the lease obligation. However, certain lease obligations contain "non-appropriation" clauses which provide that the municipality has no obligation to make lease or installment purchase payments in future years unless

money is appropriated for such purpose on a yearly basis. In addition to the "non-appropriation" risk, these securities represent a relatively new type of financing that has not yet developed the depth of marketability associated with more conventional bonds. Although "non-appropriation" lease obligations are often secured by the underlying property, disposition of the property in the event of foreclosure might prove difficult. There is no limitation on the percentage of the Fund's assets that may be invested in municipal lease obligations. In evaluating municipal lease obligations, Greenwich Street Advisors will consider such factors as it deems appropriate, which may include: (a) whether the lease can be canceled; (b) the ability of the lease obligee to direct the sale of the underlying assets; (c) the general creditworthiness of the lease obligor; (d) the likelihood that the municipality will discontinue appropriating funding for the leased property in the event such property is no longer considered essential by the municipality; (e) the legal recourse of the lease obligee in the event of such a failure to appropriate funding; (f)

whether
the security is backed by a credit enhancement such as insurance; and (g) any limitations which are imposed on the lease obligor's ability to utilize substitute property or services rather than those covered by the lease obligation.

The Fund may invest without limit in private activity bonds. Interest income on certain types of private activity bonds issued after August 7, 1986 to finance non-governmental activities is a specific tax preference item for purposes of the Federal individual and corporate alternative minimum taxes. Individual and corporate shareholders may be subject to a Federal alternative minimum tax to the extent the Fund's dividends are derived from interest on those bonds. Dividends derived from interest income on New York Municipal Securities are a component of the "current earnings" adjustment item for purposes of the Federal corporate alternative minimum tax.

The Fund is classified as a non-diversified investment company under the 1940
Act, which means that the Fund is not limited by the 1940 Act in the proportion
of its assets that it may invest in the obligations of a single issuer. The Fund
intends to conduct its operations, however, so as to qualify as a "regulated investment company" for purposes of the Internal Revenue Code of 1986, as amended (the "Code"), which will relieve the Fund of any liability for Federal income tax to the extent its earnings are distributed to shareholders. To so qualify, among other requirements, the Fund will limit its investments so that,
at the close of each quarter of the taxable year, (a) not more than 25% of the market value of the Fund's total assets will be invested in the securities of a
single

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INVESTMENT OBJECTIVE AND MANAGEMENT POLICIES (CONTINUED)

issuer and (b) with respect to 50% of the market value of its total assets, not
more than 5% of the market value of its total assets will be invested in the securities of a single issuer and the Fund will not own more than 10% of the outstanding voting securities of a single issuer. The Fund's assumption of large
positions in the obligations of a small number of issuers may cause the Fund's share price to fluctuate to a greater extent than that of a diversified company
as a result of changes in the financial condition or in the market's assessment
of the issuers.

The Fund may invest without limit in debt obligations that are repayable out of revenue streams generated from economically-related projects or facilities. Sizeable investments in such obligations could involve an increased risk to the
Fund should any of the related projects or facilities experience financial difficulties. In addition, the Fund may invest up to an aggregate of 15% of

its
total assets in securities with contractual or other restrictions on resale
and
other instruments which are not readily marketable and up to 5% of its assets
in
the securities of issuers which have been in continuous operation for less
than
three years. The Fund also is authorized to borrow an amount of up to 10% of
its
total assets in order to meet anticipated redemptions and to pledge its assets
(including the amount borrowed) valued at market less liabilities (not
including
the amount borrowed) to the same extent in connection with the borrowings.

Further information about the Fund's investment policies, including a list
of
those restrictions on the Fund's investment activities that cannot be changed
without shareholder approval, appears in the Statement of Additional
Information.

CERTAIN PORTFOLIO STRATEGIES

In attempting to achieve its investment objective, the Fund may employ,
among
others, the following strategies:

When-Issued Securities. New issues of New York Municipal Securities (and
other tax-exempt obligations) frequently are offered on a when-issued basis,
which means that delivery and payment for such securities normally take place
15
to 45 days after the date of the commitment to purchase. The payment
obligation
and interest rate that will be received on when-issued securities are fixed at
the time the buyer enters into the commitment. New York Municipal Securities,
like other investments made by the Fund, may decline or appreciate in value
before their actual delivery to the Fund. Due to fluctuations in the value of
securities purchased and sold on a when-issued basis, the yields obtained on

these securities may be higher or lower than the yields available in the
market
on the date when the investments actually are delivered to the buyers. The
Fund
will not accrue income with respect to a when-issued security prior to its
stated delivery date. The Fund will establish a segregated account with the
Fund's custodian consisting of cash, obligations issued or guaranteed by the
United States government or its agencies or instrumentalities ("U.S.
government
securities") or other high grade debt obligations in an amount equal to the
amount of the purchase price of the when-issued securities. Placing securities
rather than cash in the segregated account may have a leveraging effect on the
Fund's net assets. The Fund generally will make commitments to purchase New
York
Municipal Securities (and other tax-exempt obligations) on a when-issued basis

only with the intention of actually acquiring the securities, but the Fund may sell such securities before the delivery date if it is deemed advisable.

Temporary Investments. Under normal market conditions, the Fund may hold up to 20% of its total assets in cash or money market instruments, including taxable money market instruments ("Temporary Investments"). In addition, when Greenwich Street Advisors believes that market conditions warrant, including when acceptable New York Municipal Securities are unavailable, the Fund may take a temporary defensive posture and invest without limitation in Temporary Investments. Tax-exempt securities eligible for short-term investment by the Fund under such circumstances are municipal notes rated at the time of purchase within the three highest grades by Moody's or S&P or, if not rated, issued by issuers with outstanding debt securities rated within the three highest grades by Moody's or S&P. The Fund also may invest in certain taxable short-term instruments having quality characteristics comparable to those for tax-exempt investments. To the extent the Fund holds Temporary Investments, it may not achieve its investment objective. Since the commencement of its operations, the Fund has not found it necessary to make taxable Temporary Investments and it is not expected that such action will be necessary.

Municipal Bond Index Futures Contracts and Options on Interest Rate Futures Contracts. The Fund may enter into municipal bond index futures contracts and purchase and sell options on interest rate futures contracts that are traded on a domestic exchange or board of trade. Such investments, if any, by the Fund will be made solely for the purpose of hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase due to anticipated changes in interest rates and market conditions and

where the transactions are economically appropriate to the reduction of risks inherent in the management of the Fund.

A municipal bond index futures contract, which is based on an index of long-term, tax-exempt municipal bonds, is an agreement in which two parties agree to take or make delivery of an amount of cash equal to a specific dollar amount times the difference between the value of the index at the close of the last trading day of the contract and the price at which the index contract was originally written. While an interest rate futures contract provides for the future sale by one party and the purchase by the other party of a certain amount of a specified financial instrument (debt security) at a specified price, date, time and place, an option on an interest rate futures contract gives the purchaser the right, in return for the premium paid, to assume a position in an interest rate futures contract at a specified exercise price at any time prior to the expiration date of the option. The Fund may purchase put options on interest rate futures contracts to hedge its portfolio securities against the risk of rising interest rates, and may purchase call options on interest rate futures contracts to hedge against a decline in interest rates. The Fund will sell options on interest rate futures contracts only as part of closing purchase transactions to terminate its options positions, although there is no guarantee that such transactions can be effected.

There are several risks in connection with the use of municipal bond index futures contracts and options on interest rate futures contracts as hedging devices. There can be no assurance that there will be a correlation between price movements in the municipal bond index or options on interest rate futures, on the one hand, and price movements in the municipal bonds which are the subject of the hedge, on the other hand. The lack of correlation could be pronounced with respect to municipal bond index futures contracts because the Fund primarily will hold New York Municipal Securities rather than a selection of bonds constituting an index. Positions in municipal bond index futures contracts and options on interest rate futures contracts may be closed out only on an exchange or board of trade that provides an active market; therefore, there can be no assurance that a liquid market will exist for the contract or the option at any particular time. Consequently, the Fund may realize a loss on a futures contract that is not offset by an increase in the price of the municipal bonds being hedged or may not be able to close a futures position in the event of adverse price movements. Any income earned from transactions in municipal bond index futures contracts and options on interest rate futures contracts will be taxable. Accordingly, it is anticipated that such investments will be made

only in unusual circumstances, such as when Greenwich Street Advisors anticipates an extreme change in interest rates or market conditions.

The Fund may not purchase or sell municipal bond index futures contracts or purchase options on interest rate futures contracts if, immediately thereafter, more than 33 1/3% of its net assets would be hedged, or the sum of the amount of margin deposits on the Fund's existing futures contracts and premiums paid for options would exceed 5% of the value of the Fund's total assets. When the Fund enters into futures contracts to purchase an index or debt security or purchases call options, an amount of cash, U.S. government securities or other high grade debt securities equal to the market value of the contract will be deposited and maintained in a segregated account with the Fund's custodian to collateralize the positions, thereby insuring that the use of the contract is unleveraged.

Lending of Portfolio Securities. The Fund has the ability to lend securities from its portfolio to brokers, dealers and other financial organizations. Such loans, if and when made, may not exceed 20% of the Fund's total assets, taken at value. Loans of portfolio securities by the Fund will be collateralized by cash, letters of credit or U.S. government securities which are maintained at all times in an amount equal to at least 100% of the current market value (determined by marking to market daily) of the loaned securities. The risks in lending portfolio securities, as with other extensions of secured credit, consist of possible delays in receiving additional collateral or in the recovery of the securities or possible loss of rights in the collateral should the borrower fail financially. Loans will be made to firms deemed by Greenwich Street Advisors to be of good standing and will not be made unless, in the judgment of Greenwich Street Advisors, the consideration to be earned from such loans would justify the risk.

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NEW YORK MUNICIPAL SECURITIES

As used in this Prospectus, the term "New York Municipal Securities" generally refers to intermediate-and long-term debt obligations issued by the State of New York and its political subdivisions, agencies and public authorities (together with certain other governmental issuers such as Puerto Rico and the Virgin Islands) to obtain funds for various public purposes. The interest on such obligations is, in the opinion of bond counsel to the issuers, excluded from gross income for Federal income tax purposes and exempt from New York State and New York City personal income taxes and, for that reason, generally is fixed at a lower rate than it would be if it were subject to such taxes. Interest

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NEW YORK MUNICIPAL SECURITIES (CONTINUED)

income on certain municipal securities (including New York Municipal Securities) is a specific tax preference item for purposes of the Federal individual and corporate alternative minimum taxes.

CLASSIFICATIONS

The two principal classifications of New York Municipal Securities are "general obligation bonds" and "revenue bonds." General obligation bonds are secured by the issuer's pledge of its faith, credit and taxing power for the payment of principal and interest. Revenue bonds are payable from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or other specific revenue source, but not from the general taxing power. Sizeable investments in such obligations could involve an increased risk to the Fund should any of such related facilities experience financial difficulties. In addition, certain types of private activity bonds issued by or on behalf of public authorities to obtain funds for privately operated facilities are included in the term New York Municipal Securities, provided the interest paid thereon qualifies as excluded from gross income for Federal income tax purposes and as exempt from New York State and New York City personal income taxes. Private activity bonds generally do not carry the pledge of the credit of the issuing municipality.

SPECIAL CONSIDERATIONS

Municipal leases, like other municipal debt obligations, are subject to the risk of non-payment. The ability of issuers of municipal leases to make timely lease payments may be adversely impacted in general economic downturns and as relative governmental cost burdens are allocated and reallocated among Federal, state and local governmental units. Such non-payment would result in a reduction of income to the Fund, and could result in a reduction in the value of the municipal lease experiencing non-payment and a potential decrease in the net asset value of the Fund. Issuers of municipal securities might seek protection under the bankruptcy laws. In the event of bankruptcy of such an issuer, the Fund could experience delays and limitations with respect to the collection of principal and interest on such municipal leases and the Fund may not, in all circumstances, be able to collect all principal and interest to which it is entitled. To enforce its right in the event of a default in lease payments, the Fund may take possession of and manage the assets securing the issuer's obligations on such securities, which may increase the Fund's operating expenses and adversely affect the net asset value of the Fund. Any income derived from the Fund's

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NEW YORK MUNICIPAL SECURITIES (CONTINUED)

ownership or operation of such assets may not be tax-exempt. In addition, the Fund's intention to qualify as a "regulated investment company" under the Code may limit the extent to which the Fund may exercise its rights by taking possession of such assets, because as a regulated investment company the Fund is subject to certain limitations on its investments and on the nature of its income.

The Fund's ability to achieve its investment objective is dependent upon the ability of the issuers of New York Municipal Securities to meet their continuing obligations for the payment of principal and interest. New York State and New York City face long-term economic problems that could seriously affect their ability and that of other issuers of New York Municipal Securities to meet their financial obligations.

Certain substantial issuers of New York Municipal Securities (including issuers whose obligations may be acquired by the Fund) have experienced serious financial difficulties in recent years. These difficulties have at times jeopardized the credit standing and impaired the borrowing abilities of all New York issuers and have generally contributed to higher interest costs for their borrowing and fewer markets for their outstanding debt obligations. In recent years, several different issues of municipal securities of New York State and its agencies and instrumentalities and of New York City have been downgraded by S&P and Moody's. On the other hand, strong demand for New York Municipal Securities has more recently had the effect of permitting New York Municipal Securities to be issued with yields relatively lower, and after issuance, to trade in the market at prices relatively higher, than comparably rated municipal obligations issued by other jurisdictions. A recurrence of the financial difficulties previously experienced by certain issuers of New York Municipal Securities could result in defaults or declines in the market values of those issuers' existing obligations and, possibly, in the obligations of other issuers of New York Municipal Securities. Although as of the date of this Prospectus, no issuers of New York Municipal Securities are in default with respect to the payment of their municipal obligations, the occurrence of any such default could affect adversely the market values and marketability of all New York Municipal Securities and, consequently, the net asset value of the Fund's portfolio.

Other considerations affecting the Fund's investments in New York Municipal Securities are summarized in the Statement of Additional Information.

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PURCHASE OF SHARES

Purchases of shares must be made through a brokerage account maintained with Smith Barney Shearson or with an Introducing Broker. When purchasing shares of the Fund, investors must specify whether the purchase is for Class A or Class B shares. No maintenance fee will be charged in connection with any brokerage account through which an investor purchases or holds shares. Purchases are effected at the public offering price next determined after a purchase order is received by Smith Barney Shearson or an Introducing Broker (the "trade date"). Payment for Fund shares generally is due to Smith Barney Shearson or an Introducing Broker on the fifth business day (the "settlement date") after the trade date. Investors who make payment prior to the settlement date may permit the payment to be held in their brokerage accounts or may designate a temporary investment (such as a money market fund in the Smith Barney Shearson Group of Funds) for the payment until the settlement date. The Fund reserves the right to

reject any purchase order and to suspend the offering of shares for a period of
time.

Purchase orders received by Smith Barney Shearson or an Introducing Broker prior to the close of regular trading on the NYSE, currently 4:00 p.m., New York
time, on any day the Fund calculates its net asset value, are priced according to the net asset value determined on that day. Purchase orders received after the close of regular trading on the NYSE are priced as of the time the net asset
value is next determined. See "Valuation of Shares."

Systematic Investment Plan. The Fund offers shareholders a Systematic Investment Plan under which shareholders may authorize Smith Barney Shearson or
an Introducing Broker to place a purchase order each month or quarter for Fund shares in an amount not less than $100. The purchase price is paid automatically
from cash held in the shareholder's Smith Barney Shearson brokerage account or through the automatic redemption of the shareholder's shares of a Smith Barney Shearson money market fund. For further information regarding the Systematic Investment Plan, shareholders should contact their Smith Barney Shearson Financial Consultants.

Minimum Investments. The minimum initial investment in the Fund is $1,000 and
the minimum subsequent investment is $200, except that the minimum initial and subsequent investments for the Systematic Investment Plan are both $100. There are no minimum investment requirements for employees of Travelers and its subsidiaries including Smith Barney Shearson. The Fund reserves the right at any
time to vary the initial and subsequent investment

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PURCHASE OF SHARES (CONTINUED)

minimums. Share certificates for Fund shares are issued upon request to the Fund's transfer agent, The Shareholder Services Group, Inc. ("TSSG"), a subsidiary of First Data Corporation.

CLASS A SHARES

<TABLE>

The public offering price for Class A shares is the per share net asset value
of that Class plus a sales charge, which is imposed in accordance with the following schedule:

<CAPTION>

SALES CHARGE AS % SALES
CHARGE AS %

AMOUNT OF INVESTMENT*	OF OFFERING PRICE	OF NET ASSET VALUE
Less than $25,000	4.50%	4.71%
$25,000 but under $50,000	4.00%	4.17%
$50,000 but under $100,000	3.50%	3.63%
$100,000 but under $250,000	3.00%	3.09%
$250,000 but under $500,000	2.50%	2.56%
$500,000 but under $1,000,000	1.50%	1.52%
$1,000,000 or more**	0.00%	0.00%

<FN>
* Smith Barney Shearson has adopted guidelines directing its Financial Consultants and Introducing Brokers that single investments of $250,000 or more should be in Class A shares.

** No sales charge is imposed on purchases of Class A shares of $1 million or more; however, a CDSC of .75% is imposed for the first year after purchase. The CDSC on Class A shares is payable to Smith Barney Shearson which, with Boston Advisors, compensates Smith Barney Shearson Financial Consultants upon the sale of these shares. The CDSC is waived in the same circumstances in which the CDSC applicable to Class B shares is waived. See "Redemption of Shares--Contingent Deferred Sales Charge--Class B Shares--Waiver of CDSC."

</TABLE>

REDUCED SALES CHARGES -- CLASS A SHARES

Reduced sales charges are available to investors who are eligible to combine their purchases of Fund shares to receive volume discounts. Investors eligible to receive volume discounts include individuals and their immediate families, tax-qualified employee benefit plans and trustees or other professional fiduciaries (including a bank or an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended) purchasing shares for one or more trust estates or fiduciary accounts even though more than one beneficiary is involved. The initial sales charge is reduced to 1% for Smith Barney Shearson Personal Living Trust program participants for whom Smith Barney Shearson acts as trustee. Reduced sales charges on Class A shares also are available under a combined right of accumulation, under which an investor may combine the value of Class A shares already held in the Fund and in any of the funds in the Smith Barney Shearson Group of Funds listed below (except those sold without a sales charge), along with the value of the Class A shares being purchased, to qualify for a reduced sales charge. For example, if an investor owns Class A shares of the Fund and other funds in the Smith Barney Shearson Group of Funds that have an aggregate value of $22,000, and makes an additional investment in Class A shares of the Fund of $4,000, the sales charge applicable to the additional investment would be 4%, rather than the 4.50% normally charged on a $4,000 purchase. Investors interested in further information regarding reduced sales charges should contact their Smith Barney Shearson Financial Consultants.

Class A shares may be offered without any applicable sales charges to: (a) employees of Travelers and its subsidiaries, including Smith Barney Shearson, and employee benefit plans for such employees and their immediate families when orders on their behalf are placed by such employees; (b) accounts managed by registered investment advisory subsidiaries of Travelers; (c) directors, trustees or general partners of any investment company for which Smith Barney Shearson serves as distributor; (d) any other investment company in connection with the combination of such company with the Fund by merger, acquisition of assets or otherwise; (e) shareholders who have redeemed Class A shares in the Fund (or Class A shares of another fund in the Smith Barney Shearson Group of Funds that are sold with a maximum sales charge of at least 4.50%) and who wish to reinvest their redemption proceeds in the Fund, provided the reinvestment is made within 30 days of the redemption; and (f) any client of a newly employed Smith Barney Shearson Financial Consultant (for a period up to 90 days from the commencement of the Financial Consultant's employment with Smith Barney Shearson), on the condition that the purchase is made with the proceeds of the redemption of shares of a mutual fund that (i) was sponsored by the Financial Consultant's prior employer, (ii) was sold to the client by the Financial Consultant, and (iii) when purchased, such shares were sold with a sales charge.

CLASS B SHARES

The public offering price for Class B shares is the per share net asset value of that Class. No initial sales charge is imposed at the time of purchase. A CDSC is imposed, however, on certain redemptions of Class B shares. See "Redemption of Shares" which describes the CDSC in greater detail.

Smith Barney Shearson has adopted guidelines, in view of the relative sales charges and distribution fees applicable to the Classes, directing Financial Consultants and Introducing Brokers that all purchases of shares of $250,000

or
more should be for Class A shares. Smith Barney Shearson reserves the right to vary these guidelines at any time.

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REDEMPTION OF SHARES

Shareholders may redeem their shares on any day the Fund calculates net asset value. See "Valuation of Shares." Redemption requests received in proper form prior to the close of regular trading on the NYSE are priced at the net asset value per share determined on that day. Redemption requests received after the close of regular trading on the NYSE are priced at the net asset value next determined. If a shareholder holds shares in more than one Class, any request for redemption must specify the Class being redeemed. In the event of a failure to specify which Class, or if the investor owns fewer shares of the Class than specified, the redemption request will be delayed until the Fund's transfer agent receives further instructions from Smith Barney Shearson, or if the shareholder's account is not with Smith Barney Shearson, from the shareholder directly.

The Fund normally transmits redemption proceeds for credit to the shareholder's account at Smith Barney Shearson or the Introducing Broker at no charge (other than any applicable CDSC) within seven days after receipt of a redemption request. Generally, these funds will not be invested for the shareholder's benefit without specific instruction and Smith Barney Shearson will benefit from the use of temporarily uninvested funds. A shareholder who pays for Fund shares by personal check will be credited with the proceeds of a redemption of those shares only after the purchase check has been collected, which may take up to 10 days or more. A shareholder who anticipates the need for more immediate access to his or her investment should purchase shares with Federal funds, bank wire or by a certified or cashier's check.

A Fund account that is reduced by a shareholder to a value of $500 or less may be subject to redemption by the Fund, but only after the shareholder has been given at least 30 days in which to increase the account balance to more than $500.

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REDEMPTION OF SHARES (CONTINUED)

Shares may be redeemed in one of the following ways:

REDEMPTION THROUGH SMITH BARNEY SHEARSON

Redemption requests may be made through Smith Barney Shearson or an Introducing Broker. A shareholder desiring to redeem shares represented by certificates must also present the certificates to Smith Barney Shearson or the

Introducing Broker endorsed for transfer (or accompanied by an endorsed stock power), signed exactly as the shares are registered. Redemption requests involving shares represented by certificates will not be deemed received until the certificates are received by the Fund's transfer agent in proper form.

REDEMPTION BY MAIL

Shares may be redeemed by submitting a written request for redemption to:

Smith Barney Shearson New York Municipals Fund Inc.
Class A or B (please specify)
c/o The Shareholder Services Group, Inc.
P.O. Box 9134
Boston, Massachusetts 02205-9134

A written redemption request to TSSG or your Smith Barney Shearson Financial Consultant must (a) state the Class and number or dollar amount of shares to be redeemed, (b) identify the shareholder's account number and (c) be signed by each registered owner exactly as the shares are registered. If the shares to be redeemed were issued in certificate form, the certificates must be endorsed for transfer (or be accompanied by an endorsed stock power) and must be submitted to TSSG together with the redemption request. Any signature appearing on a redemption request, share certificate or stock power must be guaranteed by a domestic bank, savings and loan institution, domestic credit union, member bank of the Federal Reserve System or member firm of a national securities exchange.
TSSG may require additional supporting documents for redemptions made by corporations, executors, administrators, trustees or guardians. A redemption request will not be deemed to be properly received until TSSG receives all required documents in proper form.

AUTOMATIC CASH WITHDRAWAL PLAN

The Fund offers shareholders an automatic cash withdrawal plan, under which shareholders who own shares of the Fund with a value of at least $10,000 may elect to receive periodic cash payments of at least $50 monthly. Any applicable

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REDEMPTION OF SHARES (CONTINUED)

CDSC will not be waived on amounts withdrawn by a shareholder that exceed 2% per month of the value of the shareholder's shares subject to the CDSC at the time the withdrawal plan commences. For further information regarding the automatic cash withdrawal plan, shareholders should contact their Smith Barney Shearson Financial Consultants.

CONTINGENT DEFERRED SALES CHARGE -- CLASS B SHARES

A CDSC payable to Smith Barney Shearson is imposed on any redemption of Class B shares, however effected, that causes the current value of a shareholder's account to fall below the dollar amount of all payments by the shareholder for the purchase of Class B shares ("purchase payments") during the preceding five years. No charge is imposed to the extent the net asset value of the Class B shares redeemed does not exceed (a) the current net asset value of Class B shares purchased through reinvestment of dividends or capital gains distributions, plus (b) the current net asset value of Class B shares purchased more than five years prior to the redemption, plus (c) increases in the net asset value of the shareholder's Class B shares above the purchase payments made during the preceding five years.

<TABLE>
In circumstances in which the CDSC is imposed, the amount of the charge will depend on the number of years since the shareholder made the purchase payment from which the amount is being redeemed. Solely for purposes of determining the number of years since a purchase payment, all purchase payments made during a month will be aggregated and deemed to have been made on the last day of the preceding Smith Barney Shearson statement month. The following table sets forth the rates of the charge for redemptions of Class B shares by investors:

<CAPTION>

YEAR SINCE PURCHASE PAYMENT WAS MADE <S>	CDSC <C>
First	4.50%
Second	4.00%
Third	3.00%
Fourth	2.00%
Fifth	1.00%
Sixth	0.00%
Seventh	0.00%
Eighth	0.00%

</TABLE>

REDEMPTION OF SHARES (CONTINUED)

Class B shares will automatically convert to Class A shares eight years after the date on which they were purchased and thereafter will no longer be subject to any distribution fee. The first of these conversions will commence on or about September 30, 1994. See "Variable Pricing System -- Class B Shares."

The purchase payment from which a redemption of Class B shares is made is assumed to be the earliest purchase payment from which a full redemption has not already been effected. In the case of redemptions of Class B shares of other funds in the Smith Barney Shearson Group of Funds issued in exchange for Class B shares of the Fund, the term "purchase payments" refers to the purchase payments for the shares given in exchange. In the event of an exchange of Class B shares of funds with differing CDSC schedules, the shares will be, in all cases, subject to the higher CDSC schedule. See "Exchange Privilege."

Waivers of CDSC. The CDSC will be waived on: (a) exchanges (see "Exchange Privilege"); (b) automatic cash withdrawals in amounts equal to or less than 2% per month of the value of the shareholder's shares at the time the withdrawal plan commences (see above); (c) redemptions of shares following the death or disability of the shareholder; (d) involuntary redemptions; (e) redemption proceeds from other funds in the Smith Barney Shearson Group of Funds that are reinvested within 30 days of the redemption; and (f) redemptions of shares in connection with a combination of any investment company with the Fund by merger, acquisition of assets or otherwise.

VALUATION OF SHARES

Each Class' net asset value per share is calculated on each day, Monday through Friday, except on days on which the NYSE is closed. The NYSE currently is scheduled to be closed on New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas, and on the preceding Friday or subsequent Monday when one of these holidays falls on a Saturday or Sunday, respectively.

The net asset value per share of a Class is determined as of the close of regular trading on the NYSE and is computed by dividing the value of the Fund's net assets attributable to that Class by the total number of shares of that Class outstanding. Generally, the Fund's investments are valued at market value or, in the absence of a market value with respect to any securities, at fair value as determined by or under the direction of the Board of Directors. Short-term

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VALUATION OF SHARES (CONTINUED)

investments that mature in 60 days or less are valued at amortized cost whenever the Fund's Board of Directors determines that amortized cost reflects fair value of those investments. Amortized cost involves valuing an instrument at its cost initially and, thereafter, assuming a constant amortization to maturity of any discount or premium, regardless of the value of the instrument. Further information regarding the Fund's valuation policies is contained in the Statement of Additional Information.

SMITH BARNEY SHEARSON

New York Municipals Fund Inc.

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EXCHANGE PRIVILEGE

Shares of each Class may be exchanged for shares of the same class in the following funds in the Smith Barney Shearson Group of Funds, to the extent shares are offered for sale in the shareholder's state of residence:

EXCHANGEABLE WITH SHARES OF THE FOLLOWING CLASSES:	FUND NAME AND INVESTMENT OBJECTIVE:
	Municipal Bond Funds
A	SMITH BARNEY SHEARSON LIMITED MATURITY MUNICIPALS FUND, an intermediate-term municipal bond fund investing in investment-grade obligations.
A, B	SMITH BARNEY SHEARSON MANAGED MUNICIPALS FUND INC., an intermediate-and long-term municipal bond fund.
A, B	SMITH BARNEY SHEARSON TAX-EXEMPT INCOME FUND, an intermediate-and long-term municipal bond fund investing in medium-and lower-rated securities.
A	SMITH BARNEY SHEARSON INTERMEDIATE MATURITY CALIFORNIA MUNICIPALS FUND, an intermediate-term municipal bond fund designed for California investors.
A, B	SMITH BARNEY SHEARSON ARIZONA MUNICIPALS FUND INC., an intermediate-and long-term municipal bond fund designed for Arizona investors.
A, B	SMITH BARNEY SHEARSON CALIFORNIA MUNICIPALS FUND INC., an intermediate-and long-term municipal bond fund designed for California investors.
A, B	SMITH BARNEY SHEARSON FLORIDA MUNICIPALS FUND, an intermediate-and long-term municipal bond fund designed for Florida investors.
A, B	SMITH BARNEY SHEARSON MASSACHUSETTS MUNICIPALS FUND, an intermediate-and long-term municipal bond fund designed for Massachusetts investors.
A, B	SMITH BARNEY SHEARSON NEW JERSEY MUNICIPALS FUND INC., an intermediate-and long-term municipal bond fund designed for New Jersey investors.

SMITH BARNEY SHEARSON

New York Municipals Fund Inc.

EXCHANGE PRIVILEGE (CONTINUED)

EXCHANGEABLE WITH SHARES OF THE FOLLOWING CLASSES:	FUND NAME AND INVESTMENT OBJECTIVE:
A, B	SMITH BARNEY SHEARSON INTERMEDIATE MATURITY NEW YORK MUNICIPALS FUND, an intermediate-term municipal bond fund designed for New York investors.
	Income Funds
A, B	SMITH BARNEY SHEARSON ADJUSTABLE RATE GOVERNMENT INCOME FUND, seeks high current income while limiting the degree of fluctuation in net asset value resulting from movement in interest rates.
A, B	SMITH BARNEY SHEARSON WORLDWIDE PRIME ASSETS FUND, invests in a portfolio of high quality debt securities that may be denominated in U.S. dollars or selected foreign currencies and that have remaining maturities of not more than one year.
A, B	SMITH BARNEY SHEARSON SHORT-TERM WORLD INCOME FUND, invests in high quality, short-term debt securities denominated in U.S. dollars as well as a range of foreign currencies.
A	SMITH BARNEY SHEARSON LIMITED MATURITY TREASURY FUND, invests exclusively in securities issued by the United States Treasury and other U.S. government securities.
A, B	SMITH BARNEY SHEARSON DIVERSIFIED STRATEGIC INCOME FUND, seeks high current income primarily by allocating and reallocating its assets among various types of fixed-income securities.
A, B	SMITH BARNEY SHEARSON MANAGED GOVERNMENTS FUND INC., invests in obligations issued or guaranteed by the United States government and its agencies and instrumentalities with emphasis on mortgage-backed government securities.
A, B	SMITH BARNEY SHEARSON GOVERNMENT SECURITIES FUND, seeks a high current return by investing in U.S. government securities.

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EXCHANGE PRIVILEGE (CONTINUED)

<TABLE>
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EXCHANGEABLE WITH SHARES OF THE FOLLOWING CLASSES:	FUND NAME AND INVESTMENT OBJECTIVE:
<S>	<C>
A, B	SMITH BARNEY SHEARSON INVESTMENT GRADE BOND FUND, seeks maximum current income consistent with prudent investment management and preservation of capital by investing in corporate bonds.
A, B	SMITH BARNEY SHEARSON HIGH INCOME FUND, seeks high current income by investing in high-yielding corporate bonds, debentures and notes.
A, B	SMITH BARNEY SHEARSON GLOBAL BOND FUND, seeking current income and capital appreciation by investing in bonds, debentures and notes of foreign and domestic issuers.
	Growth and Income Funds
A*, B*	SMITH BARNEY SHEARSON CONVERTIBLE FUND, seeks current income and capital appreciation by investing in convertible securities.
A*, B*	SMITH BARNEY SHEARSON UTILITIES FUND, seeks total return by investing in equity and debt securities of utilities companies.
A*, B*	SMITH BARNEY SHEARSON STRATEGIC INVESTORS FUND, seeks high total return consisting of current income and capital appreciation by investing in a combination of equity, fixed-income and money market securities.
A*, B*	SMITH BARNEY SHEARSON PREMIUM TOTAL RETURN FUND, seeks total return by investing in dividend-paying common stocks.
A*, B*	SMITH BARNEY SHEARSON GROWTH AND INCOME FUND, seeks income and long-term capital growth by investing in income-producing equity securities.
	Growth Funds
A*, B*	SMITH BARNEY SHEARSON APPRECIATION FUND INC., seeks long-term appreciation of capital.
A*, B*	SMITH BARNEY SHEARSON FUNDAMENTAL VALUE FUND INC., seeks long-term capital growth with current income as a secondary objective.

</TABLE>

SMITH BARNEY SHEARSON

New York Municipals Fund Inc.

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EXCHANGE PRIVILEGE (CONTINUED)

<TABLE>
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EXCHANGEABLE WITH SHARES OF THE FOLLOWING CLASSES:	FUND NAME AND INVESTMENT OBJECTIVE:
A*, B*	SMITH BARNEY SHEARSON SECTOR ANALYSIS FUND, seeks capital appreciation by following a sector strategy.
A*, B*	SMITH BARNEY SHEARSON TELECOMMUNICATIONS GROWTH FUND, seeks capital appreciation, with income as a secondary consideration.
A*, B*	SMITH BARNEY SHEARSON AGGRESSIVE GROWTH FUND INC., seeks above-average capital growth.
A*, B*	SMITH BARNEY SHEARSON SPECIAL EQUITIES FUND, seeks long-term capital appreciation by investing in equity securities primarily of emerging growth companies.
A*, B*	SMITH BARNEY SHEARSON GLOBAL OPPORTUNITIES FUND, seeks long-term capital growth by investing principally in the common stocks of foreign and domestic issuers.
A*, B*	SMITH BARNEY SHEARSON EUROPEAN FUND, seeks long-term capital appreciation by investing primarily in securities of issuers based in European countries.
A*, B*	SMITH BARNEY SHEARSON PRECIOUS METALS AND MINERALS FUND INC., seeks long-term capital appreciation by investing primarily in precious metal-and mineral-related companies and gold bullion.
	Money Market Funds
**	SMITH BARNEY SHEARSON MONEY MARKET FUND, invests in a diversified portfolio of high quality money market instruments.
***	SMITH BARNEY SHEARSON DAILY DIVIDEND FUND INC., invests in a diversified portfolio of high quality money market instruments.

</TABLE>

SMITH BARNEY SHEARSON

New York Municipals Fund Inc.

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EXCHANGE PRIVILEGE (CONTINUED)

<TABLE>
<CAPTION>

EXCHANGEABLE WITH SHARES OF THE FOLLOWING CLASSES:	FUND NAME AND INVESTMENT OBJECTIVE:
<S>	<C>
***	SMITH BARNEY SHEARSON GOVERNMENT AND AGENCIES FUND INC., invests in short-term U.S. government and agency securities.
***	SMITH BARNEY SHEARSON MUNICIPAL MONEY MARKET FUND INC., invests in short-term, high quality municipal obligations.
***	SMITH BARNEY SHEARSON CALIFORNIA MUNICIPAL MONEY MARKET FUND, invests in short-term, high quality California municipal obligations.
***	SMITH BARNEY SHEARSON NEW YORK MUNICIPAL MONEY MARKET FUND, invests in short-term, high quality New York municipal obligations.

<FN>
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* Shares of this fund are subject to a higher sales charge or CDSC than that applicable to the Fund's shares.

** Shares of this money market fund may be exchanged for Class B shares of the Fund.

*** Shares of this money market fund may be exchanged for Class A shares of the Fund.

</TABLE>

Tax Effect. The exchange of shares of one fund for shares of another fund is treated for Federal income tax purposes as a sale of the shares given in exchange by the shareholder. Therefore, an exchanging shareholder may realize a taxable gain or loss in connection with an exchange.

Class A Exchanges. Class A shareholders of the funds in the Smith Barney Shearson Group of Funds sold without a sales charge or with a maximum sales charge of less than 4.50% will be subject to the appropriate "sales charge differential" upon the exchange of their shares for Class A shares of the Fund or other fund sold with a higher sales charge. The "sales charge differential"

is limited to a percentage rate no greater than the excess of the sales charge rate applicable to purchases of shares of the mutual fund being acquired in the
exchange over the sales charge rate(s) actually paid on the mutual fund shares relinquished in the exchange and on any predecessor of those shares. For

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EXCHANGE PRIVILEGE (CONTINUED)

purposes of the exchange privilege, shares obtained through automatic reinvestment of dividends, as described below, are treated as having paid the same sales charges applicable to the shares on which the dividends were paid. However, if no sales charge was imposed upon the initial purchase of the shares,
any shares obtained through automatic reinvestment will be subject to a sales charge differential upon exchange.

Class B Exchanges. Shareholders of the Fund who wish to exchange all or a portion of their Class B shares for Class B shares in any of the funds identified above may do so without imposition of an exchange fee. In the event a
Class B shareholder wishes to exchange all or a portion of his or her shares for
shares in any of the funds imposing a CDSC higher than that imposed by the Fund,
the exchanged Class B shares will be subject to the higher applicable CDSC. Upon
an exchange, the new Class B shares will be deemed to have been purchased on the
same date as the Class B shares of the Fund which have been exchanged.

Additional Information Regarding the Exchange Privilege. Although the exchange privilege is an important benefit, excessive exchange transactions can
be detrimental to the Fund's performance and its shareholders. Greenwich Street
Advisors may determine that a pattern of frequent exchanges is excessive and contrary to the best interests of the Fund's other shareholders. In this event,
Greenwich Street Advisors will notify Smith Barney Shearson, and Smith Barney Shearson may, at its discretion, decide to limit additional purchases and/or exchanges by the shareholder. Upon such a determination, Smith Barney Shearson will provide notice in writing or by telephone to the shareholder at least 15 days prior to suspending the exchange privilege and during the 15-day period the
shareholder will be required to (a) redeem his or her shares in the Fund or (b)
remain invested in the Fund or exchange into any of the funds in the Smith Barney Shearson Group of Funds ordinarily available, which position the shareholder would expect to maintain for a significant period of time. All relevant factors will be considered in determining what constitutes an abusive pattern of exchanges.

Shareholders exercising the exchange privilege with any of the other funds in the Smith Barney Shearson Group of Funds should review the prospectus of that fund carefully prior to making an exchange. Smith Barney Shearson reserves the right to reject any exchange request. The exchange privilege may be modified or terminated at any time after written notice to shareholders. For further information regarding the exchange privilege or to obtain the current prospectuses for

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EXCHANGE PRIVILEGE (CONTINUED)

members of the Smith Barney Shearson Group of Funds, investors should contact their Smith Barney Shearson Financial Consultants.

DISTRIBUTOR

Smith Barney Shearson is located at 388 Greenwich Street, New York, New York 10013 and serves as distributor of the Fund's shares. Smith Barney Shearson is paid an annual service fee with respect to Class A and Class B shares of the Fund at the rate of .15% of the value of the average daily net assets of the respective Class. Smith Barney Shearson is also paid an annual distribution fee with respect to Class B shares at the rate of .50% of the value of the average daily net assets attributable to those shares. The fees are authorized pursuant to a services and distribution plan (the "Plan") adopted by the Fund pursuant to Rule 12b-1 under the 1940 Act and are used by Smith Barney Shearson to pay its Financial Consultants for servicing shareholder accounts and, in the case of Class B shares, to cover expenses primarily intended to result in the sale of those shares. These expenses include: costs of printing and distributing the Fund's Prospectus, Statement of Additional Information and sales literature to prospective investors; an allocation of overhead and other Smith Barney Shearsons' branch office distribution-related expenses; payments to and expenses of Smith Barney Shearson Financial Consultants and other persons who provide support services in connection with the distribution of the shares; and accruals for interest on the amount of the foregoing expenses that exceed distribution fees and, in the case of Class B shares, the CDSC received by Smith Barney Shearson. The payments to Smith Barney Shearson Financial Consultants for selling shares of a Class include a commission paid at the time of sale and a continuing fee for servicing shareholder accounts for as long as a shareholder remains a holder of that Class. The service fee is credited at the rate of .15% of the value of the average daily net assets of the Class that remain invested in the Fund. Smith Barney Shearson Financial Consultants may receive different levels of compensation for selling one Class over another.

Payments under the Plan are not tied exclusively to the distribution and shareholder service expenses actually incurred by Smith Barney Shearson and the payments may exceed distribution expenses actually incurred. The Fund's Board of Directors will evaluate the appropriateness of the Plan and its payment terms on a continuing basis and in so doing will consider all relevant factors, including

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DISTRIBUTOR (CONTINUED)

expenses borne by Smith Barney Shearson, amounts received under the Plan and proceeds of the CDSC.

DIVIDENDS, DISTRIBUTIONS AND TAXES

DIVIDENDS AND DISTRIBUTIONS

The Fund declares dividends from its net investment income (that is, income other than its net realized long-and short-term capital gains) on each day the Fund is open for business and pays dividends on the last business day of the Smith Barney Shearson statement month. Unless a shareholder instructs that dividends and capital gains distributions on shares of any Class be paid in cash and credited to the shareholder's account, dividends and capital gains distributions will be reinvested automatically in additional shares of the Class at net asset value, subject to no sales charge or CDSC. The Fund's earnings for Saturdays, Sundays and holidays are declared as dividends on the next business day. Shares redeemed during the month are entitled to dividends declared up to and including the date of redemption. Distributions of net realized long-and short-term capital gains, if any, are declared and paid annually after the end of the fiscal year in which they have been earned. In addition, in order to avoid the application of a 4% nondeductible excise tax on certain undistributed amounts of ordinary income and capital gains, the Fund may make a distribution shortly before December 31 in each year of any undistributed ordinary income or capital gains and expects to make any other distributions as are necessary to avoid the application of this tax.

If, for any full fiscal year, the Fund's total distributions exceed current and accumulated earnings and profits the excess distributions generally will be treated as a tax-free return of capital (up to the amount of the shareholder's tax basis in his or her shares). The amount treated as a tax-free return of capital will reduce a shareholder's adjusted basis in his or her shares. Pursuant to the requirements of the 1940 Act and other applicable laws, a notice will accompany any distribution paid from sources other than net investment income. In the event the Fund distributes amounts in excess of its net investment income and net realized capital gains, such distributions may have the effect of decreasing the Fund's total assets, which may increase the Fund's expense ratio.

DIVIDENDS, DISTRIBUTIONS AND TAXES (CONTINUED)

TAXES

The Fund has qualified and intends to continue to qualify each year as a regulated investment company under the Code and will designate and pay exempt-interest dividends derived from interest earned on qualifying tax-exempt obligations. Such exempt-interest dividends may be excluded by shareholders of the Fund from their gross income for Federal income tax purposes although (a) all or a portion of such exempt-interest dividends will be a specific preference item for purposes of the Federal individual and corporate alternative minimum taxes to the extent they are derived from certain types of private activity bonds issued after August 7, 1986 and (b) all exempt-interest dividends will be a component of the "current earnings" adjustment item for purposes of the Federal corporate alternative minimum tax. In addition, corporate shareholders may incur a greater Federal "environmental" tax liability through the receipt of Fund dividends and distributions. Exempt-interest dividends derived from interest on New York Municipal Securities will be exempt from New York State and New York City personal income (but not corporate franchise) taxes.

Dividends paid from taxable net investment income, if any, and distributions of any net realized short-term capital gains (whether from tax-exempt or taxable securities) are taxable to shareholders as ordinary income, regardless of how long shareholders have held their Fund shares and whether such dividends or distributions are received in cash or reinvested in additional Fund shares. Distributions of net realized long-term capital gains are taxable to shareholders as long-term capital gains regardless of how long shareholders have held Fund shares and whether such distributions are received in cash or reinvested in additional shares. The per share dividends and distributions on Class A shares will be higher than the per share dividends and distributions on Class B shares as a result of lower distribution and transfer agency fees applicable to the Class A shares. Furthermore, as a general rule, a shareholder's gain or loss on a sale or redemption of his or her shares will be a long-term capital gain or loss if the shareholder has held the shares for more than one year and will be a short-term capital gain or loss if the shareholder has held the shares for one year or less. The Fund's dividends and distributions will not qualify for the dividends-received deduction for corporations.

Statements as to the tax status of each shareholder's dividends and distributions are mailed annually. Each shareholder will also receive, if appropriate, various written notices after the close of the Fund's prior taxable year as to the Federal income tax status of his or her dividends and distributions which were

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DIVIDENDS, DISTRIBUTIONS AND TAXES (CONTINUED)

received from the Fund during the Fund's prior taxable year. These statements may set forth the dollar amount of income excluded or exempt from Federal income taxes or New York State and New York City personal income taxes and the dollar amount, if any, subject to such taxes. Moreover, these statements will designate the amount of exempt-interest dividends that is a specific preference item for purposes of the Federal individual and corporate alternative minimum taxes. Shareholders should consult their own tax advisors with specific reference to their own tax situations.

TAX-EXEMPT INCOME VS. TAXABLE INCOME

The table below shows New York taxpayers how to translate the triple tax savings from investments such as the Fund into an equivalent return from a taxable investment. The combined marginal tax rate is lower than the sum of Federal, New York State and New York City marginal tax rates because the state and city taxes that shareholders pay are deductible from Federal taxable income.

<TABLE>
The yields used below are for illustration only and are not intended to represent current or future yields for the Fund, which may be higher or lower than those shown.

<CAPTION>

<S> <C> <C> <C> <C> <C> <C> <C> <C> <C> <C> <C>

TAXABLE INCOME*		FEDERAL MARGINAL RATE	NEW YORK STATE & NEW YORK CITY MARGINAL RATE	COMBINED MARGINAL RATE	COMBINED EFFECTIVE MARGINAL RATE	TAX-EXEMPT YIELDS					
SINGLE	JOINT					4.0%	5.0%	6.0%	7.0%	8.0%	9.0%
						EQUIVALENT TAXABLE YIELD					
22,100	36,900	15.00%	11.625%	26.63%	24.88%	5.32%	6.66%	7.99%	9.32%	10.65%	11.98%
53,500	89,150	28.00%	11.735%	39.74%	36.45%	6.29%	7.87%	9.44%	11.01%	12.59%	14.16%
115,000	140,000	31.00%	11.785%	42.79%	39.13%	6.57%	8.21%	9.86%			

									11.50%	13.14%	14.79%
250,000	250,000	36.00%	11.785%	47.79%	43.54%	7.08%	8.86%	10.63%	12.40%	14.17%	15.94%
250,000	424,760	39.60%	11.785%	51.39%	46.72%	7.51%	9.38%	11.26%	13.14%	15.01%	16.89%

<FN>

* Combined effective marginal tax rate represents the combined Federal, New York State and City tax rates adjusted to account for the Federal deduction of State and City taxes paid. The calculations assume that no income will be subject to the Federal individual alternative minimum tax.

</TABLE>

ADDITIONAL INFORMATION

The Fund was incorporated under the laws of the State of Maryland on October 6, 1983, and is registered with the SEC as a non-diversified open-end management investment company. On December 15, 1988, November 19, 1992, and July 30, 1993 the Fund changed its name from Shearson Lehman New York Municipals Inc. to SLH New York Municipals Fund Inc., Shearson Lehman Brothers New York Municipals Fund Inc. and Smith Barney Shearson New York Municipals Fund Inc., respectively.

The Fund offers shares of common stock currently classified into two Classes -- A and B. Each Class of shares has a par value of $.01 per share and represents an identical interest in the Fund's investment portfolio. As a result, the Classes have the same rights, privileges and preferences, except with respect to: (a) the designation of each Class; (b) the effect of the respective sales charges for each Class; (c) the distribution and/or service fees borne by each Class; (d) the expenses allocable exclusively to each Class; (e) voting rights on matters exclusively affecting a single Class; (f) the exchange privilege of each Class; and (g) the conversion feature of the Class B shares. The Fund's Board of Directors does not anticipate that there will be any conflicts among the interests of the holders of the different Classes. The Directors, on an ongoing basis, will consider whether any such conflict exists and, if so, take appropriate action.

When matters are submitted for shareholder vote, shareholders of each Class will have one vote for each full share held and a proportionate, fractional vote for any fractional share held of that Class. Generally, shares of the Fund will be voted on a Fund-wide basis on all matters except matters affecting only the interests of one Class. The Fund does not hold annual shareholder meetings. There normally will be no meetings of shareholders held for the purpose of electing Directors unless and until such time as less than a majority of the Directors holding office have been elected by shareholders, at which time the Directors then in office will call a shareholders' meeting for the election of Directors. The Directors will call a meeting for any purpose upon the written request of shareholders holding at least 10% of the Fund's outstanding shares.

Boston Safe Deposit and Trust Company, a wholly owned subsidiary of TBC, is located at One Boston Place, Boston, Massachusetts 02108, and serves as custodian of the Fund's investments.

TSSG is located at Exchange Place, Boston, Massachusetts 02109, and serves as the Fund's transfer agent.

ADDITIONAL INFORMATION (CONTINUED)

The Fund sends to each of its shareholders a semi-annual report and an audited annual report, which include listings of the investment securities held by the Fund at the end of the period covered. In an effort to reduce the Fund's printing and mailing costs, the Fund plans to consolidate the mailing of its semi-annual and annual reports by household. This consolidation means that a household having multiple accounts with the identical address of record will receive a single copy of each report. In addition, the Fund also plans to consolidate the mailing of its Prospectus so that a shareholder having multiple accounts will receive a single Prospectus annually. Any shareholder who does not want this consolidation to apply to his or her account should contact his or her Financial Consultant or TSSG.

Shareholders may seek information regarding the Fund from their Smith Barney Shearson Financial Consultants.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus, the Statement of Additional Information and/or in the Fund's official sales literature in connection with the offering of the Fund's shares, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Fund. This Prospectus does not constitute an offer in any state in which, or to any person to whom, such offer may not lawfully be made.

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SMITH BARNEY SHEARSON
New York
Municipals
Fund Inc.

Two World Trade Center
New York, New York 10048

Fund 13,194
FD0208 B4

Smith Barney Shearson
NEW YORK MUNICIPALS FUND INC.
Two World Trade Center
New York, New York 10048
(212) 720-9218

STATEMENT OF ADDITIONAL INFORMATION MARCH 1, 1994

This Statement of Additional Information expands upon and supplements the information contained in the current Prospectus of Smith Barney Shearson New York Municipals Fund Inc. (the "Fund"), dated March 1, 1994, as amended or supplemented from time to time, and should be read in conjunction with the Fund's Prospectus. The Fund's Prospectus may be obtained from your Smith Barney Shearson Financial Consultant or by writing or calling the Fund at the address or telephone number set forth above. This Statement of Additional Information, although not in itself a prospectus, is incorporated by reference into the Prospectus in its entirety.

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For ease of reference, the same section headings are used in both the Prospectus and the Statement of Additional Information, except where shown below:

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MANAGEMENT OF THE FUND

The executive officers of the Fund are employees of the organizations that provide services to the Fund. These organizations are as follows:

<TABLE>
<CAPTION>

NAME	SERVICE
<S>	<C>
Smith Barney Shearson Inc. ("Smith Barney Shearson")	Distributor
Greenwich Street Advisors	Investment Adviser
The Boston Company Advisors, Inc. ("Boston Advisors")	Administrator
Boston Safe Deposit and Trust Company ("Boston Safe")	Custodian
The Shareholder Services Group, Inc. ("TSSG"), a subsidiary of First Data Corporation	Transfer Agent

</TABLE>

These organizations and the functions they perform for the Fund are discussed in the Prospectus and in this Statement of Additional Information.

DIRECTORS AND EXECUTIVE OFFICERS OF THE FUND

The Directors and executive officers of the Fund, together with information as to their principal business occupations during the past five years, are shown below. Each Director who is an "interested person" of the Fund, as defined in the Investment Company Act of 1940, as amended (the "1940 Act"), is indicated by an asterisk.

Herbert Barg, Director. Private Investor. His address is 273 Montgomery Avenue, Bala Cynwyd, Pennsylvania 19004.

*Alfred J. Bianchetti, Director. Retired; formerly Senior Consultant to Dean Witter Reynolds Inc. His address is 19 Circle End Drive, Ramsey, New Jersey 17466.

Robert E. Borgesen, Director. Retired; formerly Vice President of Morgan Guaranty Trust Company of New York. His address is 160 Southeast Crestwood Circle, Stuart, Florida 34997.

Martin Brody, Director. Vice Chairman of the Board of Restaurant Associates Corp.; a Director of Jaclyn, Inc. His address is HMK Associates, Three ADP Boulevard, Roseland, New Jersey 07068.

Dwight B. Crane, Director. Professor, Graduate School of Business Administration, Harvard University; a Director of Peer Review Analysis, Inc. His address is Graduate School of Business Administration, Harvard University, Boston, Massachusetts 02163.

James J. Crisona, Director. Attorney; formerly a Justice of the Supreme Court of the State of New York. His address is 118 East 60th Street, New York, New York 10022.

Robert A. Frankel, Director. Management Consultant; retired Vice President of The Reader's Digest Association, Inc. His address is 102 Grand Street, Croton-on-Hudson, New York 10520.

Dr. Paul Hardin, Director. Chancellor of the University of North Carolina at Chapel Hill; a Director of The Summit Bancorporation. His address is University of North Carolina, 103 S. Building, Chapel Hill, North Carolina 27599.

Stephen E. Kaufman, Director. Attorney. His address is 277 Park Avenue, New York, New York 10172.

Joseph J. McCann, Director. Financial Consultant; formerly Vice President of Ryan Homes, Inc. His address is 200 Oak Park Place, Pittsburgh, Pennsylvania 15243.

*Heath B. McLendon, Chairman of the Board and Investment Officer. Executive Vice President of Smith Barney Shearson and Chairman of Smith Barney Strategy Advisers Inc.; prior to July 1993, Senior Executive Vice President of Shearson Lehman Brothers Inc. ("Shearson Lehman Brothers"); Vice Chairman of Shearson Asset Management, a member of the Asset Management Group of Shearson Lehman Brothers; a Director of PanAgora Asset Management, Inc. and PanAgora Asset Management Limited. His address is Two World Trade Center, New York, New York 10048.

Stephen J. Treadway, President. Executive Vice President and Director of Smith Barney Shearson; Director and President of Mutual Management Corp. and Smith, Barney Advisers, Inc.; and Trustee of Corporate Realty Income Trust I. His address is 1345 Avenue of the Americas, New York, New York 10105.

Richard P. Roelofs, Executive Vice President. Managing Director of Smith Barney Shearson; President of Smith Barney Shearson Strategy Advisers Inc.; prior to July 1993, Senior Vice President of Shearson Lehman Brothers; Vice President of Shearson Lehman Investment Strategy Advisors Inc., an investment advisory affiliate of Shearson Lehman Brothers. His address is Two World Trade Center, New York, New York 10048.

Lawrence T. McDermott, Vice President and Investment Officer. Managing Director of Greenwich Street Advisors; prior to July 1993, Managing Director of Shearson Lehman Advisors. His address is Two World Trade Center, New York, New York 10048.

Karen L. Mahoney-Malcomson, Investment Officer. Senior Vice President of Greenwich Street Advisors; prior to July 1993, Vice President of Shearson Lehman Advisors. Her address is Two World Trade Center, New York, New York 10048.

Vincent Nave, Treasurer. Senior Vice President of Boston Advisors and Boston Safe. His address is One Boston Place, Boston, Massachusetts 02108.

Francis J. McNamara, III, Secretary. Senior Vice President and General Counsel of Boston Advisors; prior to June 1989, Vice President and Associate Counsel of Boston Advisors. His address is One Boston Place, Boston, Massachusetts 02108.

Each Director also serves as a director, trustee or general partner of other mutual funds for which Smith Barney Shearson serves as principal underwriter. As of February 1, 1994, the Directors and officers of the Fund, as a group, owned less than 1% of the outstanding common stock of the Fund.

No director, officer or employee of Smith Barney Shearson or Boston Advisors or of any parent or subsidiary receives any compensation from the Fund for serving as an officer or Director of the Fund. The Fund pays each Director who is not an officer, director or employee of Smith Barney Shearson or Boston Advisors or any of their affiliates a fee of $2,000 per annum plus $500 per meeting attended and reimburses them for travel and out-of-pocket expenses. For the fiscal year ended December 31, 1993, such fees and expenses totalled $41,687.

INVESTMENT ADVISER -- GREENWICH STREET ADVISORS
ADMINISTRATOR -- BOSTON ADVISORS

Greenwich Street Advisors serves as investment adviser to the Fund pursuant to a written agreement dated July 30, 1993 (the "Advisory Agreement"), which was most recently approved by the Board of Directors, including a majority of those Directors who are not "interested persons" of the Fund or Greenwich Street Advisors, on April 7, 1993. The services provided by Greenwich Street Advisors under the Advisory Agreement are described in the Prospectus. Greenwich Street Advisors bears all expenses in connection with the performance of its services. Greenwich Street Advisors is a division of Mutual Management Corp., which is in turn a wholly owned subsidiary of Smith Barney Shearson Holdings Inc. ("Holdings"). Holdings is a wholly owned subsidiary of The Travelers Inc. (formerly known as Primerica Corporation.)

As compensation for Greenwich Street Advisors' services rendered to the Fund, the Fund pays a fee, computed daily and paid monthly at the following annual rates: .35% of the value of the Fund's average daily net assets up to $500 million and .32% of the value of the Fund's average daily net assets in excess of $500 million. For the 1991, 1992 and 1993 fiscal years, such fees amounted to $1,553,171, $1,754,263, and $2,218,952, respectively, in advisory fees.

Boston Advisors serves as the Fund's administrator pursuant to a written agreement dated March 21, 1993 (the "Administration Agreement"), which was most recently approved by the Board of Directors of the Fund, including a majority of the Directors who are not "interested persons" of the Fund or Boston Advisors, on July 21, 1993. Prior to May 21, 1993, Boston Advisors acted in the capacity as the Fund's sub-investment adviser and administrator. Boston Advisors is a wholly owned subsidiary of The Boston Company, Inc., ("TBC") a financial services holding company, which is in turn a wholly owned subsidiary of Mellon Bank Corporation ("Mellon"). Boston Advisors pays the salaries of all officers and employees who are employed by both it and the Fund.

Certain services provided to the Fund by Boston Advisors pursuant to the Administration Agreement are described in the Prospectus under "Management of the Fund." In addition to those services, Boston Advisors pays the salaries of all officers and employees who are employed by both it and the Fund, maintains office facilities for the Fund, furnishes the Fund with statistical and research data, clerical help and accounting, data processing, bookkeeping, internal auditing and legal services and certain other services required by the Fund, prepares reports to the Fund's shareholders, and prepares tax returns and reports to and filings with the Securities and Exchange Commission (the "SEC") and state blue sky authorities. Boston Advisors bears all expenses in connection with the performance of its services.

As compensation for Boston Advisors' services rendered to the Fund, the Fund pays a fee computed daily and paid monthly at the following annual rates: .20% of the value of the Fund's average daily net assets up to $500 million and .18% of the value of its average daily net assets in excess of $500 million. For the 1991, 1992 and 1993 fiscal years, such fees amounted to $887,526, $1,002,117 and $1,263,785, respectively, in sub-investment advisory and/or administration fees.

The Fund bears expenses incurred in its operation including: taxes, interest, brokerage fees and commissions, if any; fees of Directors who are not officers, directors, shareholders or employees of Smith Barney Shearson or Boston Advisors; SEC fees and state blue sky qualification fees; charges of custodian; transfer and dividend disbursing agent's fees; certain insurance premiums; outside auditing and legal expenses; costs of any independent pricing service; costs of maintaining corporate existence; costs attributable to investor services (including allocated telephone and personnel expenses); costs of preparation and printing of prospectuses for regulatory purposes and for distribution to shareholders; shareholders' reports and corporate meetings.

Greenwich Street Advisors and Boston Advisors have each agreed that if in any fiscal year the aggregate expenses of the Fund (including fees paid under the Advisory Agreement and the Administration Agreement, but excluding interest, taxes, brokerage and, with the prior written consent of the necessary state securities commissions, extraordinary expenses) exceed the expense limitation of any state having jurisdiction over the Fund, Greenwich Street Advisors and Boston Advisors will, to the extent required by state law, reduce their management fees by the amount of such excess expenses, such amount to be allocated between them in the proportion that their respective fees bear to the aggregate of such fees paid by the Fund. Any fee reductions will be reconciled on a monthly basis. The most restrictive state expense limitation applicable to the Fund would require

Greenwich Street Advisors and Boston Advisors to reduce their fees in any year that such expenses exceed 2.5% of the first $30 million of average net assets, 2% of the next $70 million of average net assets and 1.5% of the remaining average net assets. No fee reduction was required for the fiscal years ended December 31, 1991, 1992 and 1993.

COUNSEL AND AUDITORS

Willkie Farr & Gallagher serves as legal counsel to the Fund. The Directors who are not "interested persons" of the Fund have selected Stroock & Stroock & Lavan as their counsel.

Coopers & Lybrand, independent accountants, One Post Office Square, Boston, Massachusetts 02109, serve as auditors of the Fund and render an opinion on the Fund's financial statements annually.

INVESTMENT OBJECTIVE AND MANAGEMENT POLICIES

The Prospectus discusses the Fund's investment objective and the policies it employs to achieve that objective. The following discussion supplements the description of the Fund's investment policies in the Prospectus. For purposes of this Statement of Additional Information, obligations of non-New York municipal issuers, the interest on which is excluded from gross income for Federal income tax purposes, together with obligations of the State of New York and its political subdivisions, agencies and public authorities ("New York Municipal Securities"), are collectively referred to as "Municipal Bonds."

As noted in the Prospectus, the Fund is classified as a non-diversified investment company under the 1940 Act, which means that the Fund is not limited by the 1940 Act in the proportion of its assets that may be invested in the obligations of a single issuer. The identification of the issuer of Municipal Bonds generally depends upon the terms and conditions of the security. When the assets and revenues of an agency, authority, instrumentality or other political subdivision are separate from those of the government creating the issuing entity and the security is backed only by the assets and revenues of such entity, such entity would be deemed to be the sole issuer. Similarly, in the case of a private activity bond, if that bond is backed only by the assets and revenues of the nongovernmental user, then such nongovernmental user is deemed to be the sole issuer. If in either case, however, the creating government or some other entity guarantees a security, such a guarantee would be considered a separate security and would be treated as an issue of such government or other entity.

USE OF RATINGS AS INVESTMENT CRITERIA

In general, the ratings of Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Corporation ("S&P") represent the opinions of those agencies as to the quality of the Municipal Bonds and short-term investments which they rate. It should be emphasized, however, that such ratings are relative and subjective, are not absolute standards of quality and do not evaluate the market risk of securities. These ratings will be used by the Fund as initial criteria for the selection of portfolio securities, but the Fund also will rely upon the independent advice of Greenwich Street Advisors to evaluate potential investments. Among the factors that will be considered are the long-term ability of the issuer to pay principal and interest and general economic trends. To the extent the Fund invests in low-rated and comparable unrated securities, the Fund's achievement of its investment objective may be more dependent on Greenwich Street Advisors' credit analysis of such securities than would be the case for a portfolio consisting entirely of higher-rated securities. The Appendix contains information concerning the ratings of Moody's and S&P and their significance.

Subsequent to its purchase by the Fund, an issue of Municipal Bonds may cease to be rated or its rating may be reduced below the rating given at the time the securities were acquired by the Fund. Neither event will require the sale of such Municipal Bonds by the Fund, but Greenwich Street Advisors will consider such event in its determination of whether the Fund should continue to hold the Municipal Bonds. In addition, to the extent the ratings change as a result of changes in the rating systems or due to a corporate restructuring of Moody's or S&P, the Fund will attempt to use comparable ratings as standards for its investments in accordance with its investment objective and policies.

The Fund generally may invest up to 25% of its total assets in securities rated below investment grade, (i.e., lower than Baa, MIG 3 or Prime-1 by Moody's or BBB, SP-2 or A-1 by S&P, or in unrated securities of comparable quality). Such securities (a) will likely have some quality and protective characteristics that, in the judgment of the rating organization, are outweighed by large uncertainties or major risk exposures to adverse conditions and (b) are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation.

While the market values of low-rated and comparable unrated securities tend to react less to fluctuations in interest rate levels than the market values of higher-rated securities, the market values of certain low-rated and comparable unrated municipal securities also tend to be more sensitive than higher-rated securities to short-term corporate and industry developments and changes in economic conditions (including recession) in specific regions or localities or among specific types of issuers. In addition, low-rated securities and comparable unrated securities generally present a higher degree of credit risk. During an economic downturn or a prolonged period of rising interest rates, the ability of issuers of lower-rated and comparable unrated securities to service their payment obligations, meet projected goals or obtain additional financing may be impaired. The risk of loss due to default by such issuers is significantly greater because low-rated and comparable unrated securities generally are unsecured and frequently are subordinated to the prior payment of senior indebtedness. The Fund may incur additional expenses to the extent it is required to seek recovery upon a default in the payment of principal or interest on its portfolio holdings.

While the market for municipal securities is considered to be generally adequate, the existence of limited markets for particular low-rated and comparable unrated securities may diminish the Fund's ability to (a) obtain accurate market quotations for purposes of valuing such securities and calculating its net asset value and (b) sell the securities at fair value either to meet redemption requests or to respond to changes in the economy or in the financial markets. The market for certain low-rated and comparable unrated securities has not fully weathered a major economic recession. Any such recession, however, would likely disrupt severely the market for such securities and adversely affect the value of the securities and the ability of the issuers of these securities to repay principal and pay interest thereon.

Fixed-income securities, including low-rated securities and comparable unrated securities, frequently have call or buy-back features that permit their issuers to call or repurchase the securities from their holders, such as the Fund. If an issuer exercises these rights during periods of declining interest rates, the Fund may have to replace the security with a lower yielding security, thus resulting in a decreased return to the Fund.

TEMPORARY INVESTMENTS

When the Fund is maintaining a defensive position, the Fund may invest in short-term investments ("Temporary Investments") consisting of: (a) the following tax-exempt securities: notes of municipal issuers having, at the time of purchase, a rating within the three highest grades of Moody's or S&P or, if not rated, having an issue of outstanding Municipal Bonds rated within the three highest grades by Moody's or S&P; and (b) the following taxable securities: obligations of the United States government, its agencies or instrumentalities ("U.S. government securities"), including repurchase agreements with respect to such securities; other debt securities rated within the three highest grades by Moody's and S&P, commercial paper rated in the highest grade by either of such rating services; and certificates of deposit of domestic banks with assets of $1 billion or more. The Fund may invest in Temporary Investments for defensive reasons in anticipation of a market decline. At no time will more than 20% of the Fund's total assets be invested in Temporary Investments unless the Fund has adopted a defensive investment policy. The Fund intends, however, to purchase tax-exempt Temporary Investments pending the investment of the proceeds of the sale of portfolio securities or shares of the Fund's common stock, or in order to have highly liquid securities available to meet anticipated redemptions. Since the Fund's commencement of operations, the Fund has not found it necessary to purchase taxable Temporary Investments.

INVESTMENTS IN MUNICIPAL BOND INDEX FUTURES CONTRACTS AND OPTIONS ON INTEREST RATE FUTURES CONTRACTS

The Fund may invest in municipal bond index futures contracts and options on interest rate futures contracts that are traded on a domestic exchange or board of trade. Such investments may be made by the Fund solely for the purpose of hedging against changes in the value of its portfolio securities due to anticipated changes in interest rates and market conditions, and not for purposes of speculation. Further, such investments will be made only in unusual circumstances, such as when Greenwich Street Advisors anticipates an extreme change in interest rates or market conditions.

Municipal Bond Index Futures Contracts. Municipal Bond index futures contracts based on an index of 40 tax-exempt, long-term municipal bonds with an original issue size of at least $50 million and a rating of A- or higher by S&P or A or higher by Moody's began trading in mid-1985. No physical delivery of the underlying municipal bonds in the index is made.

The purpose of the acquisition or sale of a municipal bond index futures contract by the Fund, as the holder of long-term municipal securities, is to protect the Fund from fluctuations in interest rates on tax-exempt securities without actually buying or selling long-term municipal securities.

Unlike the purchase or sale of a Municipal Bond, no consideration is paid or received by the Fund upon the purchase or sale of a futures contract. Initially, the Fund will be required to deposit with the broker an amount of cash or cash equivalents equal to approximately 10% of the contract amount (this amount is subject to change by the board of trade on which the contract is traded and members of such board of trade may charge a higher amount). This amount is known as initial margin and is in the nature of a performance bond or good faith deposit on the contract which is returned to the Fund upon termination of the futures contract, assuming that all contractual obligations have been satisfied. Subsequent payments, known as variation margin, to and from the broker, will be made on a daily basis as the price of the index fluctuates making the long and short positions in the futures contract more or less valuable, a process known as marking-to-market. At any time prior to the expiration of the contract, the Fund may elect to close the position by taking an opposite position, which will operate to terminate the Fund's existing position in the futures contract.

There are several risks in connection with the use of municipal bond index futures contracts as a hedging device. Successful use of municipal bond index futures contracts by the Fund is subject to Smith Barney Shearson ability to predict correctly movements in the direction of interest rates. Such predictions involve skills and techniques which may be different from those involved in the management of a long-term municipal bond portfolio. In addition, there can be no assurance that there will be a correlation between movements in the price of the municipal bond index and movements in the price of the Municipal Bonds which are the subject of the hedge. The degree of imperfection of correlation depends upon various circumstances, such as variations in speculative market demand for futures contracts and municipal securities, technical influences on futures trading, and differences between the municipal securities being hedged and the municipal securities underlying the municipal bond index futures contracts, in such respects as interest rate levels, maturities and creditworthiness of issuers. A decision of whether, when and how to hedge involves the exercise of skill and judgment and even a well-conceived hedge may be unsuccessful to some degree because of market behavior or unexpected trends in interest rates.

Although the Fund intends to enter into futures contracts only if an active market exists for such contracts, there can be no assurance that an active market will exist for the contracts at any particular time. Most domestic futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day. The daily limit establishes the maximum amount the price of a futures contract may vary either up or down from the previous day's settlement price at the end of a trading session. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit. The daily limit governs only price movement during a particular trading day and therefore does not limit potential losses because the limit may prevent the liquidation of unfavorable positions. It is possible that futures contract prices could move to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and subjecting some futures traders to substantial losses. In such event, it will not be possible to close a futures position and, in the event of adverse price movements, the Fund would be required to make daily cash payments of variation margin. In such circumstances, an increase in the value of the portion of the portfolio being hedged, if any, may partially or completely offset losses on the futures contract. As described above, however, there is no guarantee the price of Municipal Bonds will, in fact, correlate with the price movements in the municipal bond index futures contract and thus provide an offset to losses on a futures contract.

If the Fund has hedged against the possibility of an increase in interest rates adversely affecting the value of Municipal Bonds held in its portfolio and rates decrease instead, the Fund will lose part or all of the benefit of the increased value of the Municipal Bonds it has hedged because it will have offsetting losses in its futures positions. In addition, in such situations, if the Fund has insufficient cash, it may have to sell securities to meet daily variation margin requirements. Such sales of securities may, but will not necessarily, be at increased prices which reflect the decline in interest rates. The Fund may have to sell securities at a time when it may be disadvantageous to do so.

When the Fund purchases municipal bond index futures contracts, an amount of cash and U.S. government securities equal to the market value of the futures contracts will be deposited in a segregated account with the Fund's custodian (and/or such other persons as appropriate) to collateralize the position and thereby insure that the use of such futures is not leveraged. In addition, the ability of the Fund to trade in municipal bond index futures contracts and options on interest rate futures contracts may be materially limited by the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), applicable to a regulated investment company. See "Taxes" below.

Options on Interest Rate Futures Contracts. The Fund may purchase put and call options on interest rate futures contracts which are traded on a domestic exchange or board of trade as a hedge against changes in interest rates, and may enter into closing transactions with respect to such options to terminate existing positions. The Fund will sell put and call options on interest rate futures contracts only as part of closing sale transactions to terminate its options positions. There is no guarantee such closing transactions can be effected.

Options on interest rate futures contracts, as contrasted with the direct investment in such contracts, give the purchaser the right, in return for the premium paid, to assume a position in interest rate futures contracts at a specified exercise price at any time prior to the expiration date of the options. Upon exercise of an option, the delivery of the futures position by the writer of the option to the holder of the option will be accompanied by delivery of the accumulated balance in the writer's futures margin account, which represents the amount by which the market price of the futures contract exceeds, in the case of a call, or is less than, in the case of a put, the exercise price of the option on the futures contract. The potential loss related to the purchase of an option on interest rate futures contracts is limited to the premium paid for the option (plus transaction costs). Because the value of the option is fixed at the point of sale, there are no daily cash payments to reflect changes in the value of the underlying contract; however, the value of the option does change daily and that change would be reflected in the net asset value of the Fund.

There are several risks relating to options on interest rate futures contracts. The ability to establish and close out positions on such options will be subject to the existence of a liquid market. In addition, the Fund's purchase of put or call options will be based upon predictions as to anticipated interest rate trends by Greenwich Street Advisors, which could prove to be inaccurate. Even if Greenwich Street Advisors' expectations are correct, there may be an imperfect correlation between the change in the value of the options and of the Fund's portfolio securities.

Repurchase Agreements. The Fund may enter into repurchase agreements with banks which are the issuers of instruments acceptable for purchase by the Fund and with certain dealers on the Federal Reserve Bank of New York's list of reporting dealers. Under the terms of a typical repurchase agreement, the Fund would acquire an underlying debt obligation for a relatively short period (usually not more than one week) subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. Under each repurchase agreement, the selling institution will be required to maintain the value of the securities subject to the repurchase agreement at not less than their repurchase price. Greenwich Street Advisors or Boston Advisors, acting under the supervision of the Board of Directors, reviews on an ongoing basis the value of the collateral and the creditworthiness of those banks and dealers with which the Fund enters into repurchase agreements to evaluate potential risks. Repurchase agreements could involve certain risks in the event of default or insolvency of the other party, including possible delays or restrictions upon the Fund's ability to dispose of the underlying securities, the risk of a possible decline in the value of the underlying securities during the period in which the Fund seeks to assert its rights to them, the risk of incurring expenses associated with asserting those rights and the risk of losing all or part of the income from the agreement.

INVESTMENT RESTRICTIONS

The Fund has adopted the following investment restrictions for the protection of shareholders. Restrictions 1 through 7 below cannot be changed without the approval of the holders of a majority of the outstanding shares of the Fund, defined as the lesser of (a) 67% of the Fund's shares present at a meeting if the holders of more than 50% of the outstanding shares are present in person or by proxy or (b) more than 50% of the Fund's outstanding shares. The remaining restrictions may be changed by the Fund's Board of Directors at any time.

The Fund will not:

1. Issue senior securities as defined in the 1940 Act and any rules and orders thereunder, except insofar as the Fund may be deemed to have issued senior securities by reason of: (a) borrowing money or purchasing securities on a when-issued or delayed-delivery basis; (b) purchasing or selling futures contracts and options on futures contracts and other similar instruments; and (c) issuing separate classes of shares.

2. Invest more than 25% of its total assets in securities, the issuers of which are in the same industry. For purposes of this limitation, U.S. government securities and securities of state or municipal governments and their political subdivisions are not considered to be issued by members of any industry.

3. Borrow money, except that the Fund may borrow from banks for temporary or emergency (not leveraging) purposes, including the meeting of redemption requests which might otherwise require the untimely disposition of securities, in an amount not exceeding 10% of the value of the Fund's total assets (including the amount borrowed) valued at market less liabilities (not including the amount borrowed) at the time the borrowing is made. Whenever borrowings exceed 5% of the value of the Fund's total assets, the Fund will not make additional investments.

4. Make loans. This restriction does not apply to: (a) the purchase of debt obligations in which the Fund may invest consistent with its investment objective and policies; (b) repurchase agreements; and (c) loans of its portfolio securities.

5. Engage in the business of underwriting securities issued by other persons, except to the extent that the Fund may technically be deemed to be an underwriter under the Securities Act of 1933, as amended, in disposing of portfolio securities.

6. Purchase or sell real estate, real estate mortgages, real estate investment trust securities, commodities or commodity contracts, but this shall not prevent the Fund from: (a) investing in securities of issuers engaged in the real estate business and securities which are secured by real estate or interests therein; (b) holding or selling real estate received in connection with securities it holds; or (c) trading in futures contracts and options on futures contracts.

7. Purchase any securities on margin (except for such short-term credits as are necessary for the clearance of purchases and sales of portfolio securities) or sell any securities short (except against the box). For purposes of this restriction, the deposit or payment by the Fund of initial or maintenance margin in connection with futures contracts and related options and options on securities is not considered to be the purchase of a security on margin.

8. Purchase or otherwise acquire any security if, as a result, more than 15% of its net assets would be invested in securities that are illiquid.

9. Purchase or sell oil and gas interests.

10. Invest more than 5% of the value of its total assets in the securities of issuers having a record, including predecessors, of less than three years of continuous operation, except U.S. government securities. For purposes of this restriction, issuers include predecessors, sponsors, controlling persons, general partners, guarantors and originators of underlying assets.

11. Invest in companies for the purpose of exercising control.

12. Invest in securities of other investment companies, except as they may be acquired as part of a merger, consolidation or acquisition of assets and except to the extent permitted by Section 12 of the 1940 Act (currently, up to 5% of the total assets of the Fund and no more than 3% of the total outstanding voting stock of any one investment company).

13. Engage in the purchase or sale of put, call, straddle or spread options or in writing such options, except that the Fund may purchase and sell options on interest rate futures contracts.

Certain restrictions listed above permit the Fund to engage in investment practices that the Fund does not currently pursue. The Fund has no present intention of altering its current investment practices as otherwise described in the Prospectus and this Statement of Additional Information and any future change in those practices would require Board approval and appropriate notice to shareholders. If any percentage restriction is complied with at the time of an investment, a later increase or decrease in the percentage of assets resulting from a change in the values of portfolio securities or in the amount of the Fund's assets will not constitute a violation of such restriction. In order to permit the sale of the Fund's shares in certain states, the Fund may make commitments more restrictive than the restrictions described above such as those regarding real estate limited partnerships. Should the Fund determine that any such commitment is no longer in the best interests of the Fund and its shareholders it will revoke the commitment by terminating sales of its shares in the state involved.

PORTFOLIO TRANSACTIONS

Newly issued securities normally are purchased directly from the issuer or from an underwriter acting as principal. Other purchases and sales usually are placed with those dealers from which it appears the best price or execution will be obtained; those dealers may be acting as either agents or principals. The purchase price paid by the Fund to underwriters of newly issued securities usually includes a concession paid by the issuer to the underwriter, and purchases of after-market securities from dealers normally are executed at a price between the bid and asked prices. The Fund has paid no brokerage commissions since its commencement of operations.

Allocation of transactions, including their frequency, to various dealers is determined by Greenwich Street Advisors in its best judgment and in a manner deemed fair and reasonable to shareholders. The primary considerations are availability of the desired security and the prompt execution of orders in an effective manner at the most favorable prices. Subject to these considerations, dealers that provide supplemental investment research and statistical or other services to Greenwich Street Advisors may receive orders for portfolio transactions by the Fund. Information so received is in addition to, and not in lieu of, services required to be performed by Greenwich Street Advisors and the fees of Greenwich Street Advisors are not reduced as a consequence of its receipt of such supplemental information. Such information may be useful to Greenwich Street Advisors in serving both the Fund and other clients and, conversely, supplemental information obtained by the placement of business of other clients may be useful to Greenwich Street Advisors in carrying out its obligations to the Fund.

The Fund will not purchase Municipal Bonds during the existence of any underwriting or selling group relating thereto of which Smith Barney Shearson is a member, except to the extent permitted by the SEC. Under certain circumstances, the Fund may be at a disadvantage because of this limitation in comparison with other investment companies which have a similar investment objective but which are not subject to such limitation.

While investment decisions for the Fund are made independently from those of the other accounts managed by Greenwich Street Advisors, investments of the type the Fund may make also may be made by those other accounts. When the Fund and one or more other accounts managed by Greenwich Street Advisors are prepared to invest in, or desire to dispose of, the same security, available investments or opportunities for sales will be allocated in a manner believed by Greenwich Street Advisors to be equitable to each. In some cases, this procedure may adversely affect the price paid or received by the Fund or the size of the position obtained or disposed of by the Fund.

PORTFOLIO TURNOVER

The Fund's portfolio turnover rate (the lesser of purchases or sales of portfolio securities during the year, excluding purchases or sales of short-term securities, divided by the monthly average value of portfolio securities) generally is not expected to exceed 100%, but the portfolio turnover rate will not be a limiting factor whenever the Fund deems it desirable to sell or purchase securities. Securities may be sold in anticipation of a rise in interest rates (market decline) or purchased in anticipation of a decline in interest rates (market rise) and later sold. In addition, a security may be sold and another security of comparable quality may be purchased at approximately the same time in order to take advantage of what the Fund believes to be a temporary disparity in the normal yield relationship between the two securities. These yield disparities may occur for reasons not directly related to the investment quality of particular issues or the general movement of interest rates, such as changes in the overall demand for or supply of various types of tax-exempt securities. For the 1992 and 1993 fiscal years, the Fund's portfolio turnover rates were 30%, and 20% respectively.

MUNICIPAL BONDS

GENERAL INFORMATION

Municipal Bonds generally are understood to include debt obligations issued to obtain funds for various public purposes, including the construction of a wide range of public facilities, refunding of outstanding obligations, payment of general operating expenses and extensions of loans to public institutions and facilities. Private activity bonds that are issued by or on behalf of public authorities to obtain funds to provide privately operated facilities are included within the term Municipal Bonds if the interest paid thereon qualifies as excludable from gross income (but not necessarily from alternative minimum taxable income) for Federal income tax purposes in the opinion of bond counsel to the issuer.

The yields on Municipal Bonds are dependent upon a variety of factors, including general economic and monetary conditions, general money market conditions, general conditions of the Municipal Bond market, the financial condition of the issuer, the size of a particular offering, the maturity of the obligation offered and the rating of the issue.

Municipal Bonds are also subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors, such as the Federal Bankruptcy Code, and laws, if any, that may be enacted by Congress or state legislatures extending the time for payment of principal or interest, or both, or imposing other constraints upon enforcement of the obligations or upon the ability of municipalities to levy taxes. There is also the possibility that as a result of litigation or other conditions, the power or ability of any one or more issuers to pay, when due, principal of and interest on its, or their, Municipal Bonds may be materially affected.

The Fund cannot predict what legislation, if any, with respect to New York Municipal Securities may be proposed in the New York State Legislature as regards the New York State or New York City personal income tax status of interest on such obligations, or which proposals, if any, might be enacted. Such proposals, if enacted, might materially adversely affect the availability of New York Municipal Securities for investment by the Fund and the value of the Fund's portfolio. In such event, the Fund would reevaluate its investment objective and policies and submit possible changes in the structure of the Fund for the consideration of shareholders.

WHEN-ISSUED SECURITIES

The Fund may purchase Municipal Bonds on a "when-issued" basis (i.e., for delivery beyond the normal settlement date at a stated price and yield). The payment obligation and the interest rate that will be received on the Municipal Bonds purchased on a when-issued basis are each fixed at the time the buyer enters into the commitment. Although the Fund will purchase Municipal Bonds on a when-issued basis only with the intention of actually acquiring the securities, the Fund may sell these securities before the settlement date if it is deemed advisable as a matter of investment strategy.

Municipal Bonds are subject to changes in value based upon the public's perception of the creditworthiness of the issuers and changes, real or anticipated, in the level of interest rates. In general, Municipal Bonds tend to appreciate when interest rates decline and depreciate when interest rates rise. Purchasing Municipal Bonds on a when-issued basis, therefore, can involve the risk that the yields available in the market when the delivery takes place actually may be higher than those obtained in the transaction itself. To account for this risk, a separate account of the Fund consisting of cash or liquid debt securities equal to the amount of the when-issued commitments will be established at the Fund's custodian bank. For the purpose of determining the adequacy of the securities in the account, the deposited securities will be valued at market or fair value. If the market or fair value of such securities declines, additional cash or securities will be placed in the account on a daily basis so that the value of the account will equal the amount of such commitments by the Fund. Placing securities rather than cash in the segregated account may have a leveraging effect on the Fund's net assets. That is, to the extent the Fund remains substantially fully invested in securities at the same time it has committed to purchase securities on a when-issued basis, there will be greater fluctuations in its net assets than if it had set aside cash to satisfy its purchase commitment. Upon the settlement date of the when-issued securities, the Fund will meet its obligations from then-available cash flow, sale of securities held in the segregated account, sale of other securities or, although it would not normally expect to do so, from the sale of the when-issued securities themselves (which may have a value greater or less than the Fund's payment obligations). Sales of securities to meet such obligations may involve the realization of capital gains, which are not exempt from Federal, New York State or New York City income taxes.

When the Fund engages in when-issued transactions, it relies on the seller to consummate the trade. Failure of the seller to do so may result in the Fund's incurring a loss or missing an opportunity to obtain a price considered to be advantageous.

SPECIAL CONSIDERATIONS RELATING TO NEW YORK MUNICIPAL SECURITIES

Some of the significant financial considerations relating to the Fund's investment in New York Municipal Securities are summarized below. This summary information is not intended to be a complete description and is principally derived from official statements relating to issues of New York Municipal Securities that were available prior to the date of this Statement of Additional Information. The accuracy and completeness of the information contained in those official statements have not been independently verified.

State Economy. New York State (the "State") is the second most populous state in the nation and has a relatively high level of personal wealth. The State's economy is diverse with a comparatively large share of the nation's finance, insurance, transportation, communications and services employment, and a comparatively small share of the nation's farming and mining activity. The State has a declining proportion of its workforce engaged in manufacturing, and an increasing proportion engaged in service industries. New York City (the "City"), which is the most populous city in the State and nation and is the center of the nation's largest metropolitan area, accounts for approximately 41% of both the State's population and personal income.

The State has historically been one of the wealthiest states in the nation. For decades, however, the State has grown more slowly than the nation as a whole, gradually eroding its relative economic affluence. The recession has been more severe in the State, owing to a significant retrenchment in the financial services industry, cutbacks in defense spending, and an overbuilt real estate market. There can be no assurance that the State economy will not experience worse-than-predicted results in the 1993-94 and 1994-95 fiscal years, with corresponding material and adverse effects on the State's projections of receipts and disbursements.

The unemployment rate in the State dipped below the national rate in the second half of 1981 and remained lower until 1991. The total employment growth rate in the State has been below the national average since 1984, and in 1992 the unemployment rate rose to 8.5%. State per capita personal income remains above the national average. State per capita income for 1992 was $23,534, which is 18.5% above the 1992 national average of $20,114. Between 1970 and 1980, the percentage by which the State's per capita income exceeded that of the national average fell from 19.8% to 8.1%, and the State dropped from fifth to eleventh in the nation in terms of per capita income. However, since 1980, the State's rate of per capita income growth was greater than that of the nation generally and the State's rank improved to fourth in 1990 and remained fourth in 1991 and 1992. Some analysts believe that the decline in jobs in both the City and State is the result of State and local taxation, which is among the highest in the nation, and which may cause corporations to locate outside the State. The current high level of taxes limits the ability of the State and the City to impose higher taxes in the event of future difficulties.

State Budget. The State Constitution requires the Governor to submit to the Legislature a balanced Executive Budget which contains a complete plan of expenditures for the ensuing fiscal year and all moneys and revenues estimated to be available therefor, accompanied by bills containing all proposed appropriations or reappropriations and any new or modified revenue measures to be enacted in connection with the Executive Budget. The entire plan constitutes the proposed State financial plan for that fiscal year. The Governor submits to the Legislature, on at least a quarterly basis, reports of actual receipts, revenues, disbursements, expenditures, tax refunds and reimbursements, and repayment of advances in form suitable for comparison with the State financial plan, together with explanations of deviations from the State financial plan. At such time, the Governor is required to submit any amendments to the State financial plan necessitated by such deviations.

The Governor released the recommended Executive Budget for the 1994-95 fiscal year on January 18, 1994. The Recommended 1994-95 State Financial Plan projected a balanced General Fund, with receipts and transfers from other funds projected at $33.422 billion, including $299 million carried over from the surplus anticipated for the State's 1993-94 fiscal year. Disbursements and transfers to other funds are projected at $33.399 billion and, in addition, the financial plan includes a $23 million repayment to the State's Tax Stabilization Reserve Fund. The Division of the Budget projects that at the close of the State's 1994-95 fiscal year, the balance in the Tax Stabilization Reserve Fund will be $157 million. The balance available in the Contingency Reserve Fund on April 1, 1994 is projected by the Division of the Budget at $311 million.

There can be no assurance that the Legislature will enact the Executive Budget as proposed, nor can there be any assurance that the Legislature will enact a budget for the State's 1994-95 fiscal year prior to the beginning of such fiscal year. In recent years, the Legislature has failed to enact a budget prior to the beginning of the State's fiscal year. A protracted delay in legislative enactment of the State's 1994-95 fiscal year budget may reduce the effectiveness of several of the actions proposed. The 1994-95 State Financial Plan, when formulated after enactment of the budget, would have to take into account any reduced savings arising from any late budget enactment.

The 1993-94 State Financial Plan issued on April 16, 1993 projected General Fund receipts and transfers from other funds at $32.367 billion and disbursements and transfers to other funds at $32.300 billion. Excess receipts of $67 million were to be used for a required repayment to the State's Tax Stabilization Reserve Fund.

The 1993-94 State Financial Plan was last revised on January 18, 1994 (the "Revised 1993-94 State Financial Plan"). This update now projects a surplus of $299 million, almost one percent of the General Fund. Positive developments affecting both receipts and disbursements contributed to this improved outlook for the current year.

The Revised 1993-94 State Financial Plan is based on a number of assumptions and projections. Because it is not possible to predict accurately the occurrence of all factors that may affect the Revised 1993-94 State Financial Plan, actual results may differ and have differed materially in recent years, from projections made at the outset of a fiscal year. There can be no assurance that the State will not face substantial potential budget gaps in future years resulting from a significant disparity between tax revenues projected from a lower recurring receipts base and the spending required to maintain State programs at current levels. To address any potential budgetary imbalance, the State may need to take significant actions to align recurring receipts and disbursements in future fiscal years.

Recent Financial Results. During its 1989-90, 1990-91 and 1991-92 fiscal years, the State incurred cash-basis operating deficits, prior to the issuance of short-term tax and revenue anticipation notes, owing to lower-than-projected receipts, which it believes to have been principally the result of a significant slowdown in the New York and regional economy, and with respect to the 1989-90 fiscal year, changes in taxpayer behavior caused by the Federal Tax Reform Act of 1986.

The General Fund is the principal operating fund of the State. It receives all State income that is not required by law to be deposited in another fund which for the State's 1993-94 fiscal year, comprises approximately 53% of total projected governmental fund receipts.

General Fund receipts, excluding transfers from other funds, totalled $28.818 billion in the State's 1991-92 fiscal year (before repayment of $1.081 billion of deficit notes issued in its 1990-91 fiscal year and before issuance of $531 million in deficit notes to close the 1991-92 fiscal year General Fund cash basis operating deficit) and $29.950 billion in the State's 1992-93 fiscal year (before repayment of $531 million in deficit notes issued to close the State's 1991-92 fiscal year General Fund cash basis deficit.) General Fund receipts in the State's 1993-94 fiscal year are estimated in the Revised 1993-94 State Financial Plan at $30.200 billion. Taxes account for 96% of estimated 1993-94 and 1994-95 General Fund receipts, with the balance comprised of miscellaneous receipts.

General Fund disbursements, exclusive of transfers to other funds, totalled $28.058 billion in the State's 1991-92 fiscal year and $29.068 billion in the State's 1992-93 fiscal year and are estimated and recommended to total $30.421 billion and $31.453 billion in the State's 1993-94 and 1994-95 fiscal years, respectively.

The State's financial position as shown in its Combined Balance Sheet as of March 31, 1993 included an accumulated deficit in its combined governmental funds of $681 million represented by liabilities of $12.864 billion and assets of $12.183 billion available to liquidate such liabilities.

Debt Limits and Outstanding Debt. There are a number of methods by which the State of New York may incur debt. Under the State Constitution, the State may not, with limited exceptions for emergencies, undertake long-term borrowing (i.e., borrowing for more than one year) unless the borrowing is authorized in a specific amount for a single work or purpose by the Legislature and approved by the voters. There is no limitation on the amount of long-term debt that may be so authorized and subsequently incurred by the State. The total amount of long-term State general obligation debt authorized but not issued as of December 31, 1993 was approximately $2.273 billion.

The State may undertake short-term borrowings without voter approval (a) in anticipation of the receipt of taxes and revenues, by issuing tax and revenue anticipation notes, and (b) in anticipation of the receipt of proceeds from the sale of duly authorized but unissued bonds, by issuing bond anticipation notes. The State may also, pursuant to specific constitutional authorization, directly guarantee certain obligations of the State's authorities and public benefit corporations ("Authorities"). Payments of debt service on New York State's general obligation and State-guaranteed bonds and notes are legally enforceable obligations of the State.

The State also employs two other types of long-term financing mechanisms which are State-supported but are not general obligations of the State: moral obligation and lease-purchase or contractual-obligation financing.

In 1990, as part of a State fiscal reform program, legislation was enacted creating the New York Local Government Assistance Corporation ("LGAC"), a public benefit corporation empowered to issue long-term obligations to fund certain payments to local governments traditionally funded through New York State's annual seasonal borrowing. The legislation empowered LGAC to issue its bonds and notes in an amount not in excess of $4.7 billion (exclusive of certain refunding bonds) plus certain other amounts. Over a period of years, the issuance of those long-term obligations, which will be amortized over no more than 30 years, is expected to result in eliminating the need for continuing short-term seasonal borrowing for those purposes. The legislation also imposed a cap on the annual seasonal borrowing of the State at $4.7 billion, less net proceeds of bonds issued by LGAC and bonds issued to provide for capitalized interest, except in cases where the Governor and the legislative leaders have certified both the need for additional borrowing and a schedule for reducing it to the cap. If borrowing above the cap is thus permitted in any fiscal year, it is required by law to be reduced to the cap by the fourth fiscal year after the limit was first exceeded. As of December 31, 1993, LGAC had issued its bonds to provide net proceeds of $3.581 billion and has been authorized to issue its bonds to provide net proceeds of up to an additional $275 million during the State's 1993-94 fiscal year. The Governor has recommended up to $315 million in additional bond issuances in the 1994-95 fiscal year. In April 1993, legislation was also enacted providing for significant changes in the long-term financing practices of the State and the Authorities.

The Legislature passed a proposed constitutional amendment that would permit the State, without a voter referendum but within a formula-based cap, to issue revenue bonds, which would be debt of the State secured solely by a pledge of certain State tax receipts (including those allocated to State funds dedicated for transportation purposes), and not by the full faith and credit of the State. In addition, the proposed amendment would require that State debt be incurred only for capital projects included in a multi-year capital financing plan and would prohibit lease-purchase and contractual-obligation financing mechanisms for State facilities. Public hearings have been held on the proposed constitutional amendment. The Governor has announced that he intends to submit changes to the proposed constitutional amendment. Before becoming effective, the proposed constitutional amendment must first be passed again by the next separately elected Legislature and then approved by the voters at a general election, so that it could not become effective at the earliest until January 1, after the general election in November 1995.

On March 26, 1990, S&P downgraded the State's (a) general obligation bonds from "AA-" to "A" and (b) commercial paper from "A-1+" to "A-1." Also downgraded was certain of the State's variously rated moral obligation, lease-purchase, guaranteed and contractual-obligation debt, including debt issued by certain New York State agencies. On August 27, 1990, S&P affirmed these ratings without change. On June 6, 1990, Moody's changed its ratings on all the State's outstanding general obligation bonds from "A1" to "A." On March 26, 1990, S&P changed its ratings on all the State's outstanding general obligation bonds from "AA-" to "A." On January 6, 1992, Moody's lowered from "A" to "Baa1" the ratings on certain appropriation-backed debt of the State of New York and its agencies. Approximately two-thirds of the State's tax-supported debt is affected by Moody's rating action. Moody's stated that the more secure general obligation, state-guaranteed and LGAC bonds continue to be rated "A" but are placed under review for possible downgrade over the coming months. On January 13, 1992, S&P lowered its rating on $4.8 billion of the State's general obligation bonds to "A-" from "A." Various agency debt, state moral obligations, contractual obligations, lease-purchase obligations and state guarantees are also affected by S&P's action. Additionally, under S&P's minimum-rating approach, New York local school district debt will now carry a minimum rating of "A-" rather than "A" and school districts currently rated "A" are placed on CreditWatch with negative implications. In taking these rating actions, Moody's and S&P variously cited continued economic deterioration, chronic operating deficits, mounting GAAP fund balance deficits and the legislative stalemate in seeking permanent and structurally sound fiscal operations. On January 15, 1992, S&P took further action by lowering the rating on the claims-paying ability of the State of New York Mortgage Agency Mortgage Insurance Fund to "BBB+" from "A-" following the January 13, 1992 downgrade of New York State's general obligation bond rating to "A-."

The State anticipates that its borrowings for capital purposes in its 1993-94 fiscal year will consist of approximately $456 million in general obligation bonds. In addition, it is anticipated that the State will issue $140 million in general obligation bonds for the purpose of redeeming outstanding bond anticipation notes. The Legislature has also authorized the issuance of up to $85 million in certificates of participation for equipment purchases and real property purposes during the State's 1993-94 fiscal year. The Governor has recommended the issuance of $413 million in bonds and new commercial paper issuances for capital purposes during the State's 1994-95 fiscal year. In addition, the State expects to issue $154 million in bonds for the purpose of redeeming outstanding bond anticipation notes. The Governor has also recommended authorization for the issuance of up to $67.8 million in certificates of participation during the State's 1994-95 fiscal year for personal property acquisitions. The projection of the State regarding its borrowings for the 1993-94 and 1994-95 fiscal years may change if circumstances require.

Payments for principal and interest due on general obligation bonds, interest due on bond anticipation notes and on tax and revenue anticipation notes, and contractual-obligation and lease-purchase commitments were $1.783 billion and $2.045 billion in the aggregate, for New York State's 1991-92 and 1992-93 fiscal years, respectively, and are estimated and recommended to be $2.167 billion and $2.459 billion for the State's 1993-94 and 1994-95 fiscal years, respectively. These figures do not include interest payable on either State General Obligation Refunding Bonds issued on July 30, 1992, to the extent that such interest is to be paid from an escrow fund established with the proceeds of such bonds or New York State's installment payments relating to the issuance of certificates of participation.

New York State has never defaulted on any of its general obligation indebtedness or its obligations under lease-purchase or contractual-obligation financing arrangements and has never been called upon to make any direct payments pursuant to its guarantees. There has never been a default on any moral obligation debt of any Authority.

Litigation. Certain litigation pending against the State or its officers or employees could have a substantial or long-term adverse effect on New York State finances. Among the more significant of these cases are those that involve (a) the validity of agreements and treaties by which various Indian tribes transferred title to the State of certain land in central and upstate New York; (b) certain aspects of New York State's Medicaid policies and its rates and regulations, including reimbursements to providers of mandatory and optional Medicaid services; (c) contamination in the Love Canal area of Niagara Falls; (d) an action against the State and City officials alleging inadequate shelter allowances to maintain proper housing; (e) challenges to the practice of reimbursing certain Office of Mental Health patient care expenses from the client's Social Security benefits; (f) alleged responsibility of the State's officials to assist in remedying racial segregation in the City of Yonkers; (g) a challenge to the methods by which the State reimburses localities for the administrative costs of food stamp programs; (h) an action in which the State is a third party defendant, for injunctive or other appropriate relief, concerning liability for the maintenance of stone groins constructed along certain areas of Long Island's shoreline; (i) action by school districts and their employees challenging the constitutionality of Chapter 175 of the Laws of 1990 which deferred school district contributions to the public retirement system and reduced by like amount state aid to the school districts; (j) challenges to portions of Public Health Law, which imposed a 13% surcharge on inpatient hospital bills paid by commercial insurers and employee welfare benefit plans and portions of Chapter 55 of the Laws of 1992 requiring hospitals to impose and remit to the State an 11% surcharge on hospital bills paid by commercial insurers, and which required health maintenance organizations to remit to the State a surcharge of up to 9%; and (k) a challenge to provisions of the Public Health Law and implementing regulations that imposed a bad debt and charity care allowance on all hospital bills and a 13% surcharge on inpatient bills paid by employee welfare benefit plans.

A number of cases have also been instituted against the State challenging the constitutionality of various public authority financing programs.

In a proceeding commenced on August 6, 1991 (Schulz, et al. v. State of New York, et al., Supreme Court, Albany County), petitioners challenge the constitutionality of two bonding programs of the New York State Thruway Authority authorized by Chapters 166 and 410 of the Laws of 1991. In addition, petitioners challenge the fiscal year 1991-92 judiciary budget as having been enacted in violation of Sections 1 and 2 of Article VII of the State Constitution. The defendants' motion to dismiss the action on procedural grounds was denied by order of the Supreme Court dated January 2, 1992. By order dated November 5, 1992, the Appellate Division, Third Department, reversed the order of the Supreme Court and granted defendants' motion to dismiss on grounds of standing and mootness. By order dated September 16, 1993, on motion to reconsider, the Appellate Division, Third Department, ruled that plaintiffs have standing to challenge the bonding program authorized by Chapter 166 of the laws of 1991. The proceeding is presently pending in Supreme Court, Albany County.

In Schulz, et al. v. State of New York, et al., commenced May 24, 1993, Supreme Court, Albany County, petitioners challenge, among other things, the constitutionality of, and seek to enjoin certain highway, bridge and mass transportation bonding programs of the New York State Thruway Authority and the Metropolitan Transportation Authority authorized by Chapter 56 of the Laws of 1993. Petitioners contend that the application of State tax receipts held in dedicated transportation funds to pay debt service on bonds of the Thruway Authority and of the Metropolitan Transportation Authority violates Sections 8 and 11 of Article VII and Section 5 of Article X of the State Constitution and due process provisions of the State and Federal Constitutions. By order dated July 27, 1993, the Supreme Court granted defendants' motions for summary judgment, dismissed the complaint, and vacated the temporary restraining order previously issued. By decision dated October 21, 1993, the Appellate Division, Third Department, affirmed the judgment of the Supreme Court. Plaintiffs' appeal of the decision of the Appellate Division is pending in the Court of Appeals.

Several actions challenging the constitutionality of legislation enacted during the 1990 legislative session which changed actuarial funding methods for determining state and local contributions to state employee retirement systems have been decided against the State. The U.S. Supreme Court's decision in a case challenging the State's possession of certain property taken pursuant to the State's Abandoned Property Law may result in the State having to make certain significant payments during the 1993-94 fiscal year or thereafter.

The legal proceedings noted above involve State finances, State programs and miscellaneous tort, real property and contract claims in which the

State is a defendant and the monetary damages sought are substantial. These proceedings could affect adversely the financial condition of the State in the 1993-94 and 1994-95 fiscal years or thereafter. Adverse developments in these proceedings or the initiation of new proceedings could affect the ability of the State to maintain a balanced Revised 1993-94 State Financial Plan. An adverse decision in any of these proceedings could exceed the amount of the Revised 1993-94 State Financial Plan reserve for the payment of judgments and, therefore, could affect the ability of the State to maintain a balanced Revised 1993-94 State Financial Plan. In its audited financial statements for the 1992-93 fiscal year, the State reported its estimated liability for awarded and anticipated unfavorable judgments to be $721 million.

Although other litigation is pending against the State, except as described above, no current litigation involves the State's authority, as a matter of law, to contract indebtedness, issue its obligations, or pay such indebtedness when it matures, or affects the State's power or ability, as a matter of law, to impose or collect significant amounts of taxes and revenues.

Authorities. The fiscal stability of the State is related to the fiscal stability of its Authorities, which generally have responsibility for financing, constructing and operating revenue-producing public benefit facilities. Authorities are not subject to the constitutional restrictions on the incurrence of debt which apply to the State itself, and may issue bonds and notes within the amounts of, and as otherwise restricted by, their legislative authorization. As of September 30, 1993, the latest data available, there were 18 Authorities that had outstanding debt of $100 million or more. The aggregate outstanding debt, including refunding bonds, of these 18 Authorities was $63.5 billion as of September 30, 1993, of which approximately $7.7 billion was moral obligation debt and approximately $19.3 billion was financed under lease-purchase or contractual-obligation financing arrangements.

Authorities are generally supported by revenues generated by the projects financed or operated, such as fares, user fees on bridges, highway tolls and rentals for dormitory rooms and housing. In recent years, however, the State has provided financial assistance through appropriations, in some cases of a recurring nature, to certain of the 18 Authorities for operating and other expenses and, in fulfillment of its commitments on moral obligation indebtedness or otherwise, for debt service. This operating assistance is expected to continue to be required in future years. The State provided $947.4 million and $955.5 million in financial assistance to the 18 Authorities during the State's 1991-92 and 1992-93 fiscal years, respectively, and expects to provide approximately $1,171.3 million and $1,387.8 million in financial assistance to these Authorities in its 1993-94 and 1994-95 fiscal years, respectively. The amounts set forth above exclude, however, amounts provided for capital construction and pursuant to lease-purchase or contractual-obligation (including service contract debt) financing arrangements.

Experience has shown that if an Authority suffers serious financial difficulties, both the ability of the State and the Authorities to obtain financing in the public credit markets and the market price of the State's outstanding bonds and notes may be adversely affected. The Housing Finance Agency and the Urban Development Corporation have in the past required substantial amounts of assistance from the State to meet debt service costs or to pay operating expenses. Further assistance, possibly in increasing amounts, may be required for these, or other, Authorities in the future. In addition, certain statutory arrangements provide for State local assistance payments otherwise payable to localities to be made under certain circumstances to certain Authorities. The State has no obligation to provide additional assistance to localities whose local assistance payments have been paid to Authorities under these arrangements. However, in the event that such local assistance payments are so diverted, the affected localities could seek additional State funds.

New York City and Other Localities. The fiscal health of the State is closely related to the fiscal health of its localities, particularly the City of New York, which has required and continues to require significant financial assistance from the State. The City's independently audited operating results for each of its 1981 through 1993 fiscal years, which end on June 30, show a General Fund surplus reported in accordance with GAAP. In addition, the City's financial statements for the 1993 fiscal year received an unqualified opinion from the City's independent auditors, the eleventh consecutive year the City has received such an opinion.

In 1975, the City suffered a fiscal crisis that impaired the borrowing ability of both the City and the State. In that year the City lost access to public credit markets. The City was not able to sell short-term notes to the public again until 1979.

On February 11, 1991, Moody's lowered its rating on the City's general obligation bonds to "Baa1" from "A." Moody's expressed doubts about whether the City's January 16, 1991 financial plan presented a "reasonable program to achieve budget balance in fiscal 1991 and 1992 and assure long-term structural integrity." Moody's stated "the enormity of the current problem, the severity of required expenditure cuts, the substantial revenue enhancements that will be required to achieve balance, the vulnerability to exogenous factors, and the extremely short time frame within which all this must be accomplished introduce substantial new risk to the City's short- and long-term credit outlook." On April 29, 1991, S&P downgraded the City's outstanding $1.3 billion of general obligation revenue and anticipation notes from "SP-1" to "SP-2." S&P also announced a rating of "SP-2" for the City's offering of $1.25 billion of general obligation revenue anticipation notes. The lower ratings of S&P "reflect the City's aggravated short-term cash position for fiscal 1991, the unusually high level of total revenue anticipation note exposure resulting from the State's delay in passing its budget and distributing fiscal aid, and continued pressure on revenues and expenditures due to prevailing economic conditions." On April 30, 1991, Moody's assigned a rating of "MIG-2" to the same offering of $1.25 billion of general obligation revenue anticipation notes. Moody's stated that "although an increasingly strained financial outlook for both the City and the State complicates the State budget adoption process, this rating on revenue anticipation notes relies explicitly on the expectation that the State is fully cognizant of the consequences of further untimely delays in state budget adoption and will act responsibly. Failure of the State to find a timely resolution to the budget process will have severe implications for the normal financial performance of the City and other local governments in the State." On October 7, 1991, Moody's again assigned a "MIG-2" rating to the City's $1.25 billion of revenue anticipation notes, fiscal 1992, Series A.

Moody's stated in its January 6, 1992 downgrade of certain State obligations that while such action did not directly affect the bond ratings of local governments in the State, the impact of the State's fiscal stringency on local government bond ratings will be assessed on a case-by-case basis. On June 22, 1992, Moody's gave its "MIG-1" rating to the City's $1.4 billion revenue anticipation notes and tax anticipation notes citing the City's "markedly improved" short-term credit position.

On July 6, 1993, S&P reaffirmed the City's "A-" rating on $20.4 billion of general obligation bonds stating that "[t]he City has identified additional gap-closing measures that have recurring value and will reduce next year's budget gap . . . by approximately $400 million." Officials at Moody's also indicated that there were no plans to alter its "Baa1" rating on the City's general obligation bonds.

The City is heavily dependent on State and Federal assistance to cover insufficiencies in its revenues. There can be no assurance that in the future Federal and State assistance will enable the City to make up its budget deficits. To help alleviate the City's financial difficulties, the Legislature created the Municipal Assistance Corporation ("MAC") in 1975. MAC is authorized to issue bonds and notes payable from certain stock transfer tax revenues, from the City's portion of the State sales tax derived in the City and from State per capita aid otherwise payable by the State to the City. Failure by the State to continue the imposition of such taxes, the reduction of the rate of such taxes to rates less than those in effect on July 2, 1975, failure by the State to pay such aid revenues and the reduction of such aid revenues below a specified level are included among the events of default in the resolutions authorizing MAC's long-term debt. The occurrence of an event of default may result in the acceleration of the maturity of all or a portion of MAC's debt. As of September 30, 1993, MAC had outstanding an aggregate of approximately $5.304 billion of its bonds. MAC bonds and notes constitute general obligations of MAC and do not constitute an enforceable obligation or debt of either the State or the City. Under its enabling legislation, MAC's authority to issue bonds and notes (other than refunding bonds and notes) expired on December 31, 1984. Legislation has been passed by the legislature which would, under certain conditions, permit MAC to issue up to $1.465 billion of additional bonds, which are not subject to a moral obligation provision.

Since 1975, the City's financial condition has been subject to oversight and review by the New York State Financial Control Board (the "Control Board") and since 1978 the City's financial statements have been audited by independent accounting firms. To be eligible for guarantees and assistance, the City is required during a "control period" to submit annually for Control Board approval, and when a control period is not in effect for Control Board review, a financial plan for the next four fiscal years covering the City and certain agencies showing balanced budgets determined in accordance with GAAP. The State also established the Office of the State Deputy Comptroller for New York City ("OSDC") to assist the Control Board in exercising its powers and responsibilities. On June 30, 1986, the City satisfied the statutory requirements for termination of the control period. This means that the Control Board's powers of approval are suspended, but the Board continues to have oversight responsibilities.

On November 23, 1993, the City adopted and submitted to the Control Board a modification to its 1994-1997 Financial Plan (the "November Modification") incorporating various re-estimates of revenues and expenditures. For fiscal year 1994, the November Modification includes additional resources stemming primarily from the City comptroller's fiscal year 1993 annual audit, savings from a reduction in prior years' accrued expenditures, and higher State and federal aid resulting from claims by the City for reimbursement of various social services costs. These resources were used to fund new needs in the November Modification including higher costs in the uniformed agencies, at the Board of Education ("BOE") and for certain social services, the unlikelihood of the sale of certain City assets, and lower estimates of miscellaneous and other revenues. After taking these adjustments into account, the November Modification projected a balanced budget for fiscal year 1994, based upon revenues of $31.585 billion. For fiscal years 1995, 1996 and 1997, the November Modification projected budget gaps of $1.730 billion, $2,513 billion and $2.699 billion, respectively. These gaps are higher by about $450 million in fiscal year 1995 and by about $700 million in each of fiscal years 1996 and 1997 than in the 1994-97 Financial Plan, primarily on account of the non-recurring value of the fiscal year 1994 revenue adjustments, the loss of certain one-time resources funding BOE fiscal year 1994 spending needs, and the reclassification of anticipated State aid from the baseline revenue estimates to the gap-closing program. To offset these larger gaps, the November Modification relies on additional City, State and other actions.

On December 21, 1993, the staff of the Control Board issued its report on the November Modification. The report stated that the plan was now more realistic in terms of the gaps it portrayed and the solutions it offered. However, the solutions were mostly limited to fiscal year 1994 while the gap for fiscal year 1995 had been increased by $450 million. Beginning in fiscal year 1995, budget gaps will average over $2 billion annually. Therefore, the staff recommended that prompt action to replace many current-year one-shots with recurring savings was critical. The staff advocated a vigorous and effective strategy to restructure revenues and expenditures, accompanied by a convincingly detailed plan of implementation. The report focused attention on the need for the City to closely examine its capital spending priorities, including appropriate funding for ongoing maintenance, implementation of a stretch-out of capital commitments, and development of a written debt policy. In addition, the report noted that administrative other-than-personal-service expenditures have not shared in past spending reduction and must begin to do so, and that the City must assemble a coherent labor policy that integrates productivity initiatives with wage increases and headcount reductions. The report concluded that actions taken in the next few months are critical to reverse the expansion that has occurred since the fiscal year 1994 budget was adopted.

On December 1, 1993, a three-member panel appointed by then Mayor David Dinkins to address the City's structural budget imbalance released a report setting forth its findings and recommendations. In its report, the panel noted that budget imbalance is likely to be greater than the City now projects by $255 million in fiscal year 1995, rising to nearly $1.5 billion in fiscal year 1997. The report provided a number of options that the City should consider in addressing the structural balance issue such as severe cuts in City-funded personnel levels, increases in residential property taxes and the sales tax, and the imposition of bridge tolls and solid waste collection fees. The report also noted that additional State action will be required in many instances to allow the City to cut its budget without grave damage to basic services.

OSDC issued a report on the City's economy on November 23, 1993. The report concluded that the four-year old recession in New York City was ending, and that Wall Street industries were leading the turn-around with increased levels of activity, profits, compensation and employment. The report indicated that the slow process of ending the local recession has been influenced by the slow rate of expansion in the nation and the recessions in Europe and Japan, which have hurt the City's key export industries of finance, advertising, communications, law and medicine. However, the report noted that improvements are now evident in these areas. In addition, the report noted that the local rate of inflation has dropped below that of the nation, leasing activity for primary office space has increased, the rate of decline in retail sales has slowed and unemployment, while still high, has declined two percentage points over the last year. The report projected that overall employment levels in the City's private sector industries would be higher by early 1994. However, it also indicated that the recovery in the local economy would likely be a slow process, in many ways mirroring the recent experience on the national level.

Estimates of the City's revenues and expenditures are based on numerous assumptions and are subject to various uncertainties. If expected federal or State aid is not forthcoming, if unforeseen developments in the economy significantly reduce revenues derived from economically sensitive taxes or necessitate increased expenditures for public assistance, if the City should negotiate wage increases for its employees greater than the amounts provided for in the City's financial plan or if other uncertainties materialize that reduce expected revenues or increase projected expenditures, then, to avoid operating deficits, the City may be required to implement additional actions, including increases in taxes and reductions in essential City services. The City might also seek additional assistance from New York State.

The City requires certain amounts of financing for seasonal and capital spending purposes. The City has issued $1.75 billion of notes for seasonal financing purposes during its 1994 fiscal year. The City's capital financing program projects long-term financing requirements of approximately $18.5 billion for the City's fiscal years 1994 through 1997 and other fixed assets. The major capital requirements include expenditures for the City's water supply and sewage disposal systems, roads, bridges, mass transit, schools, hospitals and housing. In addition to financing for new purposes, the City and the New York City Municipal Water Finance Authority have issued refunding bonds totalling $1.5 billion in fiscal year 1994.

Certain localities, in addition to the City, could have financial problems leading to requests for additional State assistance during the State's 1993-94 and 1994-95 fiscal years and thereafter. The potential impact on the State of such requests by localities is not included in the projections of the State receipts and disbursements in the State's 1993-94 and 1994-95 fiscal years.

Fiscal difficulties experienced by the City of Yonkers ("Yonkers") resulted in the creation of the Financial Control Board for the City of Yonkers (the "Yonkers Board") by the State in 1984. The Yonkers Board is charged with oversight of the fiscal affairs of Yonkers. Future actions taken by the Governor or the Legislature to assist Yonkers could result in allocation of State resources in amounts that cannot yet be determined.

Municipalities and school districts have engaged in substantial short-term and long-term borrowings. In 1992, the total indebtedness of all localities in the State was approximately $35.2 billion, of which $19.5 billion was debt of the City (excluding $5.9 billion in MAC debt); a small portion (approximately $71.6 million) of the $35.2 billion of indebtedness represented borrowing to finance budgetary deficits and was issued pursuant to enabling State legislation. State law requires the comptroller to review and make recommendations concerning the budgets of those local government units other than the City authorized by State law to issue debt to finance deficits during the period that such deficit financing is outstanding. Seventeen localities had outstanding indebtedness for deficit financing at the close of their fiscal year ending in 1992.

In 1992, an unusually large number of local government units requested authorization for deficit financings. According to the State's comptroller, ten local government units were authorized to issue deficit financing in the aggregate amount of $131.1 million. The current session of the Legislature may receive as many or more requests for deficit-financing authorizations as a result of deficits previously incurred by local governments. Although the comptroller has indicated that the level of deficit financing requests is unprecedented, such developments are not expected to have a material adverse effect on the financial condition of the State.

Certain proposed Federal expenditure reductions would reduce, or in some cases eliminate, Federal funding of some local programs and accordingly might impose substantial increased expenditure requirements on affected localities. If the State, the City or any of the Authorities were to suffer serious financial difficulties jeopardizing their respective access to the public credit markets, the marketability of notes and bonds issued by localities within the State could be adversely affected. Localities also face anticipated and potential problems resulting from certain pending litigation, judicial decisions and long-range economic trends. The longer-range problems of declining urban population, increasing expenditures and other economic trends could adversely affect localities and require increasing State assistance.

PURCHASE OF SHARES

VOLUME DISCOUNTS

The schedule of sales charges on Class A shares described in the Prospectus applies to purchases made by any "purchaser," which is defined to include the following: (a) an individual; (b) an individual, his or her immediate family purchasing shares for his or her own account; (c) a trustee or other fiduciary purchasing shares for a single trust estate or single fiduciary account; (d) a pension, profit-sharing or other employee benefit plan qualified under Section 401(a) of the Code and qualified employee benefit plans of employers who are "affiliated persons" of each other within the meaning of the 1940 Act; (e) tax-exempt organizations enumerated in Section 501(c) (3) or (13) of the Code; (f) any other organized group of persons, provided that the organization has been in existence for at least six months and was organized for a purpose other than the purchase of investment company securities at a discount; or (g) a trustee or other professional fiduciary (including a bank, or an investment adviser registered with the SEC under the Investment Advisers Act of 1940) purchasing shares of the Fund for one or more trust estates or fiduciary accounts. Purchasers who wish to combine purchase orders to take advantage of volume discounts on Class A shares should contact their Smith Barney Shearson Financial Consultants.

COMBINED RIGHT OF ACCUMULATION

Reduced sales charges, in accordance with the schedule in the Prospectus, apply to any purchase of Class A shares if the aggregate investment in Class A shares of the Fund and in Class A shares of other funds in the Smith Barney Shearson Group of Funds that are sold with a sales charge, including the purchase being made, of any "purchaser" (as defined above) is $25,000 or more. The reduced sales charge is subject to confirmation of the shareholder's holdings through a check of appropriate records. The Fund reserves the right to terminate or amend the combined right of accumulation at any time after notice to shareholders. For further information regarding the right of accumulation, shareholders should contact their Smith Barney Shearson Financial Consultants.

DETERMINATION OF PUBLIC OFFERING PRICE

The Fund offers its shares to the public on a continuous basis. The public offering price per Class A share of the Fund is equal to the net asset value per share at the time of purchase plus a sales charge based on the aggregate amount of the investment. The public offering price per Class B share (and Class A share purchases, including applicable rights of accumulation, equalling or exceeding $1 million), is equal to the net asset value per share at the time of purchase and no sales charge is imposed at the time of purchase. A contingent deferred sales charge ("CDSC"), however, is imposed on certain redemptions of (a) Class B shares and (b) Class A shares when purchased in amounts equalling or exceeding $1 million. The method of computing the public offering price is shown in the Fund's financial statements incorporated by reference into this Statement of Additional Information.

REDEMPTION OF SHARES

The right of redemption may be suspended or the date of payment postponed (a) for any period during which the New York Stock Exchange, Inc. ("NYSE") is closed (other than for customary weekend or holiday closings), (b) when trading in the markets that the Fund normally utilizes is restricted, or an emergency exists, as determined by the SEC, so that disposal of the Fund's investments or determination of net asset value is not reasonably practicable or (c) for such other periods as the SEC by order may permit for protection of the Fund's shareholders.

DISTRIBUTION IN KIND

If the Fund's Board of Directors determines that it would be detrimental to the best interests of the remaining shareholders of the Fund to make a redemption payment wholly in cash, the Fund may pay, in accordance with rules adopted by the SEC, any portion of a redemption in excess of the lesser of $250,000 or 1% of the Fund's net assets by a distribution in kind of portfolio securities in lieu of cash. Portfolio securities issued in a distribution in kind will be readily marketable, although shareholders receiving distributions in kind may incur brokerage commissions when subsequently disposing of those securities.

AUTOMATIC CASH WITHDRAWAL PLAN

An automatic cash withdrawal plan (the "Withdrawal Plan") is available to shareholders who own shares with a value of at least $10,000 and who wish to receive specific amounts of cash periodically. Withdrawals of at least $50 monthly may be made under the Withdrawal Plan by redeeming as many shares of the Fund as may be necessary to cover the stipulated withdrawal payment. Any applicable CDSC will not be waived on amounts withdrawn by shareholders that exceed 2% per month of the value of a shareholder's shares at the time the Withdrawal Plan commences. To the extent withdrawals exceed dividends, distributions and appreciation of a shareholder's investment in the Fund, there will be a reduction in the value of the shareholder's investment and continued withdrawal payments will reduce the shareholder's investment and may ultimately exhaust it. Withdrawal payments should not be considered as income from investment in the Fund. Furthermore, as it generally would not be advantageous to a shareholder to make additional investments in the Fund at the same time he or she is participating in the Withdrawal Plan, purchases by such shareholder in amounts of less than $5,000 will not ordinarily be permitted.

Shareholders who wish to participate in the Withdrawal Plan and who hold their shares in certificate form must deposit their share certificates with TSSG as agent for Withdrawal Plan members. All dividends and distributions on shares in the Withdrawal Plan are reinvested automatically at net asset value in additional shares of the Fund. All applications for participation in the Withdrawal Plan must be received by TSSG as Withdrawal Plan agent no later than the eighth day of the month to be eligible for participation beginning with that month's withdrawal. The Withdrawal Plan will not be carried over on exchanges between funds or classes of the Fund ("Classes"). A new Withdrawal Plan application is required to establish the Withdrawal Plan in the new fund or Class. For additional information, shareholders should contact their Smith Barney Shearson Financial Consultants.

DISTRIBUTOR

Smith Barney Shearson serves as the Fund's distributor on a best efforts basis pursuant to a written agreement dated July 30, 1993 (the "Distribution Agreement"). For the 1991, 1992 and 1993 fiscal years, Smith Barney Shearson received $1,589,566, $2,199,014 and $5,438,327, respectively, in sales charges from the sale of Fund's Class A shares, and did not reallow any portion thereof to dealers.

Smith Barney Shearson forwards investors' funds for the purchase of shares five business days after the placement of purchase orders (i.e., the "settlement date"). When payment is made by the investor before the settlement date unless otherwise directed by the investor, the funds may be held as a free credit balance in the investor's brokerage account, and Smith Barney Shearson may benefit from the temporary use of the funds. The investor may designate another use for the funds prior to settlement date, such as an investment in a money market fund (other than Smith Barney Shearson Money Market Fund) in the Smith Barney Shearson Group of Funds. If the investor instructs Smith Barney Shearson to invest the funds in a money market fund in the Smith Barney Shearson Group of Funds, the amount of the investment will be included as part of the average daily net assets of both the Fund and the money market fund, and affiliates of Smith Barney Shearson which serve the funds in an investment advisory capacity will benefit from the fact they are receiving investment management fees from both such investment companies, computed on the basis of their average daily net assets. The Fund's Board of Directors has been advised of the benefits to Smith Barney Shearson resulting from five-day settlement procedures and will take such benefits into consideration when reviewing the Advisory and Distribution Agreements for continuance.

DISTRIBUTION ARRANGEMENTS

Shares of the Fund are distributed on a best efforts basis by Smith Barney Shearson as exclusive sales agent of the Fund pursuant to the Distribution Agreement. To compensate Smith Barney Shearson for the services it provides and for the expense it bears under the Distribution Agreement, the Fund has adopted a services and distribution plan (the "Plan") pursuant to Rule 12b-1 under the 1940 Act. Under the Plan, the Fund pays Smith Barney Shearson a service fee, accrued daily and paid monthly, calculated at the annual rate of .15% of the value of the Fund's average daily net assets attributable to Class A and Class B shares. In addition, Class B shares pay a distribution fee primarily intended to compensate Smith Barney Shearson for its initial expense of paying financial consultants a commission upon sales of the respective shares. The Class B distribution fees are calculated at the annual rate of .50% of the value of the Fund's average net assets attributable to the shares of the Class. For the period from November 6, 1992 through December 31, 1992, the Fund's Class A and Class B shares paid $118,993 and $2,039, respectively, in service fees. For the same period, the Fund's Class B shares paid $6,798 in distribution fees. For the fiscal year ended December 31, 1993, the Fund's Class A and Class B shares paid $848,117 and $122,937, respectively in service fees. For the same period the Fund's Class B shares paid $409,790 in distribution fees.

Under its terms, the Plan continues from year to year, provided such continuance is approved annually by vote of the Fund's Board of Directors, including a majority of the Directors who are not interested persons of the Fund and who have no direct or indirect financial interest in the operation of the Plan or in the Distribution Agreement (the "Independent Directors"). The Plan may not be amended to increase the amount of the service and distribution fees without shareholder approval, and all amendments of the Plan also must be approved by the Directors and the Independent Directors in the manner described above. The Plan may be terminated at any time with respect to a Class, without penalty, by vote of a majority of the Independent Directors or by a vote of a majority of the outstanding voting securities of the Class (as defined in the 1940 Act). Pursuant to the Plan, Smith Barney Shearson will provide the Fund's Board of Directors with periodic reports of amounts expended under the Plan and the purpose for which such expenditures were made.

VALUATION OF SHARES

The Prospectus discusses the time at which the net asset value of shares of each Class is determined for purposes of sales and redemptions. Because of the differences in distribution fees and Class-specific expenses, the per share net asset value of each Class will differ. The following is a description of the procedures used by the Fund in valuing its assets.

The valuation of the Fund's assets is made by Boston Advisors after consultation with an independent pricing service (the "Service") approved by the Fund's Board of Directors. When, in the judgment of the Service, quoted bid prices for investments are readily available and are representative of the bid side of the market, these investments are valued at the mean between the quoted bid prices and asked prices. Investments for which, in the judgment of the Service, there is no readily obtainable market quotation (which may constitute a majority of the portfolio securities) are carried at fair value as determined by the Service. For the most part, such investments are liquid and may be readily sold. The Service may employ electronic data processing techniques and/or a matrix system to determine valuations. The procedures of the Service are reviewed periodically by the officers of the Fund under the general supervision and responsibility of the Board of Directors, which may replace any such Service at any time if it determines it to be in the best interests of the Fund to do so.

EXCHANGE PRIVILEGE

Except as noted below, shareholders of any fund in the Smith Barney Shearson Group of Funds may exchange all or part of their shares for shares of the same Class of other funds in the Smith Barney Shearson Group of Funds, to the extent such shares are offered for sale in the shareholder's state of residence, on the basis of relative net asset value per share at the time of exchange as follows:

A. Class A shares of any fund purchased with a sales charge may be exchanged for Class A shares of any of the other funds and the sales charge differential, if any, will be applied. Class A shares of any fund may be exchanged without a sales charge for shares of the funds that are offered without a sales charge. Class A shares of any fund purchased without a sales charge may be exchanged for shares sold with a sales charge, and the appropriate sales charge differential will be applied.

B. Class A shares of any fund acquired by a previous exchange of shares purchased with a sales charge may be exchanged for Class A shares of any of the other funds, and the sales charge differential, if any, will be applied.

C. Class B shares of any fund may be exchanged without a sales charge. Class B shares of the Fund exchanged for Class B shares of another fund will be subject to the higher applicable CDSC of the two funds and, for purposes of calculating CDSC rates and conversion periods, will be deemed to have been held since the date the shares being exchanged were purchased.

Dealers other than Smith Barney Shearson must notify TSSG of the investor's prior ownership of Class A shares of Smith Barney Shearson High Income Fund and the account number in order to accomplish an exchange of shares of the High Income Fund under paragraph B above.

The exchange privilege enables shareholders to acquire shares of the same Class in a fund with different investment objectives when they believe that a shift between funds is an appropriate investment decision. This privilege is available to shareholders resident in any state in which the fund shares being acquired may legally be sold. Prior to any exchange, the shareholder should obtain and review a copy of the current prospectus of each fund into which an exchange is being considered. Prospectuses may be obtained from any Smith Barney Shearson Financial Consultant.

Upon receipt of proper instructions and all necessary supporting documents, shares submitted for exchange are redeemed at the then-current net asset value and, subject to any applicable CDSC, the proceeds are immediately invested, at a price as described above, in shares of the fund being acquired. Smith Barney Shearson reserves the right to reject any exchange request. The exchange privilege may be modified or terminated at any time after written notice to shareholders.

PERFORMANCE DATA

From time to time, the Fund may quote yield or total return of a Class in advertisements or in reports and other communications to shareholders. To the extent any advertisement or sales literature of the Fund describes the expenses or performance of any Class, it will also disclose such information for the other Class.

YIELD

A Class' 30-day yield figure for a Class of shares, as described below and shown in the Prospectus, is calculated according to a formula prescribed by the SEC. The formula can be expressed as follows:

$$YIELD = 2\ [(a-b/cd + 1)6 - 1]$$

Where: a = dividends and interest earned during the period.

b = expenses accrued for the period (net of reimbursement).

c = the average daily number of shares outstanding during the period that were entitled to receive dividends.

d = the maximum offering price per share on the last day of the period.

For the purpose of determining the interest earned (variable "a" in the formula) on debt obligations that were purchased by the Fund at a discount or premium, the formula generally calls for amortization of the discount or premium; the amortization schedule will be adjusted monthly to reflect changes in the market values of the debt obligations.

The Fund's equivalent taxable 30-day yield for a Class of shares is computed by dividing that portion of the Class' 30-day yield which is tax-exempt by one minus a stated income tax rate and adding the product to that portion, if any, of the Class' yield that is not tax-exempt.

The Fund's Class B yield for the 30-day period ended December 31, 1993 was 4.05%. The tax equivalent yield for Class B shares for this period was 6.65% assuming the payment of Federal income taxes at a rate of 31% and New York state and city taxes at a combined rate of 11.785%.

The yields on municipal securities are dependent upon a variety of factors, including general economic and monetary conditions, conditions of the municipal securities market, size of a particular offering, maturity of the obligation offered and rating of the issue. Investors should recognize that, in periods of declining interest rates, the Fund's yield for each Class of shares will tend to be somewhat higher than prevailing market rates, and in periods of rising interest rates the Fund's yield for each Class of shares will tend to be somewhat lower. In addition, when interest rates are falling, the inflow of net new money to the Fund from the continuous sale of its shares will likely be invested in portfolio instruments producing lower yields than the balance of the Fund's portfolio, thereby reducing the current yield of the Fund. In periods of rising interest rates, the opposite can be expected to occur.

AVERAGE ANNUAL TOTAL RETURN

"Average annual total return" figures are computed according to a formula prescribed by the SEC. The formula can be expressed as follows:

$$P (1+T)n = ERV$$

Where: P = a hypothetical initial payment of $1,000.

T = average annual total return.

n = number of years.

ERV = Ending Redeemable Value of a hypothetical $1,000 investment made at the beginning of a 1-, 5- or 10-year period at the end of the 1-, 5- or 10-year period (or fractional portion thereof), assuming reinvestment of all dividends and distributions.

The average annual total return for Class B shares for the periods indicated were as follows:

5.83% per annum for the one-year period beginning January 1, 1993 through December 31, 1993.

7.60% per annum during the period the Fund commenced selling Class B shares on November 6, 1992 through December 31, 1993.

Average annual total return figures assume that the maximum applicable CDSC assessed by the Fund has been deducted from the hypothetical investment. If the maximum applicable CDSC had not been deducted from the investment at the time of redemption the average annual total return for the Class B shares would have been 10.33% and 11.03%, respectively.

AGGREGATE TOTAL RETURN

Aggregate total return figures, as described below, represent the cumulative change in the value of an investment in the Class for the specified period and are computed by the following formula:

$$ERV-P / P$$

Where: P = a hypothetical initial payment of $10,000.

ERV = Ending Redeemable Value of a hypothetical $10,000 investment made at the beginning of a 1-, 5- or 10-year period at the end of the 1-, 5- or 10-year period (or fractional portion thereof), assuming reinvestment of all dividends and distributions.

The aggregate total return for Class B shares was as follows for the period indicated:

10.33% for the period from January 1, 1993 through December 31, 1993.

12.79% for the period from November 6, 1992 through December 31, 1993.

The aggregate total return figure does not assume that the maximum 4.0% CDSC assessed by the Fund has been deducted from the investment at the time of purchase. If the maximum CDSC had been deducted at the time of purchase, the Fund's aggregate total return for the same period would have been 5.83% and 8.79%, respectively.

Performance will vary from time to time depending upon market conditions, the composition of the Fund's portfolio and operating expenses and the expenses exclusively attributable to the Class. Consequently, any given performance quotation should not be considered representative of the Class' performance for any specified period in the future. Because performance will vary, it may not provide a basis for comparing an investment in the Class with certain bank deposits or other investments that pay a fixed yield for a stated period of time. Investors comparing a Class' performance with that of other mutual funds should give consideration to the quality and maturity of the respective investment company's portfolio securities.

TAXES

As described above and in the Prospectus, the Fund is designed to provide investors with current income which is excluded from gross income for Federal income tax purposes and exempt from New York State and New York City personal income taxes. The Fund is not intended to constitute a balanced investment program and is not designed for investors seeking capital gains or maximum tax-exempt income irrespective of fluctuations in principal. Investment in the Fund would not be suitable for tax-exempt institutions, qualified retirement plans, H.R. 10 plans and individual retirement accounts because such investors would not gain any additional tax benefit from the receipt of tax-exempt income.

The following is a summary of selected Federal income tax considerations that may affect the Fund and its shareholders. The summary is not intended as a substitute for individual tax advice and investors are urged to consult their own tax advisors as to the tax consequences of an investment in the Fund.

The Fund has qualified and intends to continue to qualify each year as a regulated investment company under the Code. Provided that the Fund (a) is a regulated investment company and (b) distributes at least 90% of its taxable net investment income (including, for this purpose, its net realized short-term capital gains) and 90% of its tax-exempt interest income (reduced by certain expenses), the Fund will not be liable for Federal income taxes to the extent its taxable net investment income and its net realized long- and short-term capital gains are distributed to its shareholders. Although the Fund expects to be relieved of all or substantially all Federal and state income or franchise taxes, depending upon the extent of its activities in states and localities in which its offices are maintained, in which its agents or independent contractors are located or in which it is otherwise deemed to be conducting business, that portion of the Fund's income which is treated as earned in any such state or locality could be subject to state and local tax. Any such taxes paid by the Fund would reduce the amount of income and gains available for distribution to shareholders. All net investment income and net capital gains earned by the Fund will be reinvested automatically in additional shares of the same Class of the Fund at net asset value, unless the shareholder elects to receive dividends and distributions in cash.

Because the Fund will distribute exempt-interest dividends, interest on indebtedness incurred by a shareholder to purchase or carry Fund shares is not deductible for Federal income and New York State and New York City personal income tax purposes. If a shareholder receives exempt-interest dividends with respect to any share and if such share is held by the shareholder for six months or less, then any loss on the sale or exchange of such share may, to the extent of such exempt-interest dividends, be disallowed. In addition, the Code may require a shareholder, if he or she receives exempt-interest dividends, to treat as taxable income a portion of certain otherwise non-taxable social security and railroad retirement benefit payments. Furthermore, that portion of any exempt-interest dividend paid by the Fund which represents income derived from private activity bonds held by the Fund may not retain its tax-exempt status in the hands of a shareholder who is a "substantial user" of a facility financed by such bonds, or a "related person" thereof. Moreover, as noted in the Fund's Prospectus, some or all of the Fund's dividends may be a specific preference item, or a component of an adjustment item, for purposes of the Federal individual and corporate alternative minimum taxes. In addition, the receipt of dividends and distributions from the Fund also may affect a foreign corporate shareholder's Federal "branch profits" tax liability and the Federal "excess net passive income" tax liability of a shareholder of a Subchapter S corporation. Shareholders should consult their own tax advisors as to whether they are (a) substantial users with respect to a facility or related to such users within the meaning of the Code or (b) subject to a Federal alternative minimum tax, the Federal environmental tax, the Federal branch profits tax or the Federal excess net passive income tax.

As described above and in the Fund's Prospectus, the Fund may invest in municipal bond index futures contracts and options on interest rate futures contracts. The Fund anticipates that these investment activities will not prevent the Fund from qualifying as a regulated investment company. As a general rule, these investment activities will increase or decrease the amount of long-term and short-term capital gains or losses realized by the Fund and, accordingly, will affect the amount of capital gains distributed to the Fund's shareholders.

For Federal income tax purposes, gain or loss on the futures contracts and options described above (collectively referred to as "section 1256 contracts") is taxed pursuant to a special "mark-to-market" system. Under the mark-to-market system, the Fund may be treated as realizing a greater or lesser amount of gains or losses than actually realized. As a general rule, gain or loss on section 1256 contracts is treated as 60% long-term capital gain or loss and 40% short-term capital gain or loss, and, accordingly, the mark-to-market system will generally affect the amount of capital gains or losses taxable to the Fund and the amount of distributions taxable to a shareholder. Moreover, if the Fund invests in both section 1256 contracts and offsetting positions in such contracts, then the Fund might not be able to receive the benefit of certain recognized losses for an indeterminate period of time. The Fund expects that its activities with respect to section 1256 contracts and offsetting positions in such contracts (a) will not cause it or its shareholders to be treated as receiving a materially greater amount of capital gains or distributions than actually realized or received and (b) will permit it to use substantially all of the losses of the Fund for the fiscal years in which the losses actually occur.

Any net long-term capital gains realized by the Fund will be distributed annually as described in the Prospectus. Such distributions ("capital gain dividends") will be taxable to shareholders as long-term capital gains, regardless of how long a shareholder has held Fund shares, and will be designated as capital gain dividends in a written notice mailed by the Fund to shareholders after the close of the Fund's taxable year. If a shareholder receives a capital gain dividend with respect to any share and if the share has been held by the shareholder for six months or less, then any loss (to the extent not disallowed pursuant to the other six-month rule described above relating to exempt-interest dividends) on the sale or exchange of such share will be treated as a long-term capital loss to the extent of the capital gain dividend.

If a shareholder (a) incurs a sales charge in acquiring Fund shares, (b) disposes of those shares within 90 days and (c) acquires shares in a mutual fund for which the otherwise applicable sales charge is reduced by reason of a reinvestment right (that is, exchange privilege), the original sales charge increases the shareholder's tax basis in the original shares only to the extent that the otherwise applicable sales charge for the second acquisition is not reduced. The portion of the original sales charge that does not increase the shareholder's tax basis in the original shares would be treated as incurred with respect to the second acquisition and, as a general rule, would increase the shareholder's tax basis in the newly acquired shares. Furthermore, the same rule also applies to a disposition of the newly acquired or redeemed shares made within 90 days of the second acquisition. This provision prevents a shareholder from immediately deducting the sales charge by shifting his or her investment in a family of mutual funds.

Each shareholder will receive after the close of the calendar year an annual statement as to the Federal income tax and New York State and New York City personal income tax status of his or her dividends and distributions from the Fund for the prior calendar year. These statements also will designate the amount of exempt-interest dividends that is a specified preference item for purposes of the Federal individual and corporate alternative minimum taxes. Each shareholder also will receive, if appropriate, various written notices after the close of the Fund's prior taxable year as to the Federal income tax status of his or her dividends and distributions which were received from the Fund during the Fund's prior taxable year. Shareholders should consult their tax advisors as to any other state and local taxes that may apply to these dividends and distributions. The dollar amounts of dividends excluded or exempt from Federal income taxation or New York State and City personal income taxation and the dollar amount subject to Federal income taxation or New York State and City personal income taxation, if any, will vary for each shareholder depending upon the size and duration of each shareholder's investment in the Fund. In the event the Fund derives taxable net investment income, it intends to designate as taxable dividends the same percentage of each day's dividend as its actual taxable net investment income bears to its total net investment income earned on that day. Therefore, the percentage of each day's dividend designated as taxable, if any, may vary from day to day.

If a shareholder fails to furnish a correct taxpayer identification number, fails to report fully dividend or interest income or fails to certify that he or she has provided a correct taxpayer identification number and that he or she is not subject to backup withholding, then the shareholder may be subject to a 31% backup withholding tax with respect to (a) taxable dividends and distributions, and (b) the proceeds of any redemptions of Fund shares. An individual's taxpayer identification number is his or her social security number. The backup withholding tax is not an additional tax and may be credited against a taxpayer's regular Federal income tax liability.

The foregoing is only a summary of certain tax considerations generally affecting the Fund and its shareholders, and is not intended as a substitute for careful tax planning. Individuals are often exempt from state and local personal income taxes on distributions of tax-exempt interest income derived from obligations of issuers located in the state in which they reside when these distributions are received directly from these issuers, but are usually subject to such taxes on income derived from obligations of issuers located in other jurisdictions. Shareholders are urged to consult their tax advisors with specific reference to their own Federal, state and local tax situations.

CUSTODIAN AND TRANSFER AGENT

Boston Safe, a wholly owned subsidiary of TBC, is located at One Boston Place, Boston, Massachusetts 02108, and serves as the Fund's custodian pursuant to a custody agreement. Under the custody agreement, Boston Safe holds the Fund's portfolio securities and keeps all necessary accounts and records. For its services, Boston Safe receives a monthly fee based upon the month-end market value of securities held in custody and also receives certain securities transaction charges. The assets of the Fund are held under bank custodianship in compliance with the 1940 Act.

TSSG is located at Exchange Place, Boston, Massachusetts 02109, and pursuant to a transfer agency agreement serves as the Fund's transfer agent. Under the transfer agency agreement, TSSG maintains the shareholder account records for the Fund, handles certain communications between shareholders and the Fund, and distributes dividends and distributions payable by the Fund. For these services, TSSG receives a monthly fee computed on the basis of the number of shareholder accounts it maintains for the Fund during the month, and is reimbursed for out-of-pocket expenses.

FINANCIAL STATEMENTS

The Fund's Annual Report for the fiscal year ended December 31, 1993 is incorporated into this Statement of Additional Information by reference in its entirety.

APPENDIX

Description of S&P and Moody's ratings:

S&P RATINGS FOR MUNICIPAL BONDS

S&P's Municipal Bond ratings cover obligations of states and political subdivisions. Ratings are assigned to general obligation and revenue bonds. General obligation bonds are usually secured by all resources available to the municipality and the factors outlined in the rating definitions below are weighed in determining the rating. Because revenue bonds in general are payable from specifically pledged revenues, the essential element in the security for a revenue bond is the quantity and quality of the pledged revenues available to pay debt service.

Although an appraisal of most of the same factors that bear on the quality of general obligation bond credit is usually appropriate in the rating analysis of a revenue bond, other factors are important, including particularly the competitive position of the municipal enterprise under review and the basic security covenants. Although a rating reflects S&P's judgment as to the issuer's capacity for the timely payment of debt service, in certain instances it may also reflect a mechanism or procedure for an assured and prompt cure of a default, should one occur, i.e., an insurance program, Federal or state guarantee or the automatic withholding and use of state aid to pay the defaulted debt service.

AAA

Prime -- These are obligations of the highest quality. They have the strongest capacity for timely payment of debt service.

General Obligation Bonds -- In a period of economic stress, the issuers will suffer the smallest declines in income and will be least susceptible to autonomous decline. Debt burden is moderate. A strong revenue structure appears more than adequate to meet future expenditure requirements. Quality of management appears superior.

Revenue Bonds -- Debt service coverage has been, and is expected to remain, substantial. Stability of the pledged revenues is also exceptionally strong, due to the competitive position of the municipal enterprise or to the nature of the revenues. Basic security provisions (including rate covenant, earnings test for issuance of additional bonds, and debt service reserve requirements) are rigorous. There is evidence of superior management.

AA

High Grade -- The investment characteristics of general obligation and revenue bonds in this group are only slightly less marked than those of the prime quality issues. Bonds rated "AA" have the second strongest capacity for payment of debt service.

A

Good Grade -- Principal and interest payments on bonds in this category are regarded as safe. This rating describes the third strongest capacity for payment of debt service. It differs from the two higher ratings because:

General Obligation Bonds -- There is some weakness, either in the local economic base, in debt burden, in the balance between revenues and expenditures, or in quality of management. Under certain adverse circumstances, any one such weakness might impair the ability of the issuer to meet debt obligations at some future date.

Revenue Bonds -- Debt service coverage is good, but not exceptional. Stability of the pledged revenues could show some variations because of increased competition or economic influences on revenues. Basic security provisions, while satisfactory, are less stringent. Management performance appears adequate.

BBB

Medium Grade -- Of the investment grade ratings, this is the lowest.

General Obligation Bonds -- Under certain adverse conditions, several of the above factors could contribute to a lesser capacity for payment of debt service. The difference between "A" and "BBB" ratings is that the latter shows more than one fundamental weakness, or one very substantial fundamental weakness, whereas the former shows only one deficiency among the factors considered.

Revenue Bonds -- Debt coverage is only fair. Stability of the pledged revenues could show substantial variations, with the revenue flow possibly being subject to erosion over time. Basic security provisions are no more than adequate. Management performance could be stronger.

BB, B, CCC and CC

Bonds rated BB, B, CCC and CC are regarded, on balance, as predominately speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation and CC the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

C

The rating C is reserved for income bonds on which no interest is being paid.

D

Bonds rated D are in default, and payment of interest and/or repayment of principal is in arrears.

S&P's letter ratings may be modified by the addition of a plus or a minus sign, which is used to show relative standing within the major rating categories, except in the AAA-Prime Grade category.

S&P RATINGS FOR MUNICIPAL NOTES

Municipal notes with maturities of three years or less are usually given note ratings (designated SP-1, -2 or -3) by S&P to distinguish more clearly the credit quality of notes as compared to bonds. Notes rated SP-1 have a very strong or strong capacity to pay principal and interest. Those issues determined to possess overwhelming safety characteristics are given the designation of SP-1+. Notes rated SP-2 have a satisfactory capacity to pay principal and interest.

MOODY'S RATINGS FOR MUNICIPAL BONDS

Aaa

Bonds which are Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa

Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A

Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium-grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa

Bonds which are rated Baa are considered as medium-grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba

Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B

Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa

Bonds that are rated Caa are of poor standing. These issues may be in default or present elements of danger may exist with respect to principal or interest.

Ca

Bonds that are rated Ca represent obligations which are speculative in a high degree. These issues are often in default or have other marked shortcomings.

C

Bonds that are rated C are the lowest rated class of bonds, and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody's applies the numerical modifiers 1, 2 and 3 in each generic rating classification from Aa through Baa. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

MOODY'S RATINGS FOR MUNICIPAL NOTES

Moody's ratings for state and municipal notes and other short-term loans are designated Moody's Investment Grade (MIG) and for variable rate demand obligations are designated Variable Moody's Investment Grade (VMIG). This distinction is in recognition of the differences between short-term credit risk and long-term credit risk. Loans bearing the designation MIG 1 or VMIG 1 are of the best quality, enjoying strong protection by established cash flows of funds for their servicing, superior liquidity support or from established and broad-based access to the market for refinancing or both. Loans bearing the designation MIG 2 or VMIG 2 are of high quality, with ample margins of protection although not as large as the preceding group. Loans bearing the designation MIG 3 or VMIG 3 are of favorable quality, with all security elements accounted for but lacking the undeniable strength of the preceding grades. Liquidity and flow may be narrow and market access for refinancing is likely to be less well established.

DESCRIPTION OF S&P A-1+ AND A-1 COMMERCIAL PAPER RATING

The rating A-1+ is the highest, and A-1 the second highest, commercial paper rating assigned by S&P. Paper rated A-1+ must have either the direct credit support of an issuer or guarantor that possesses excellent long-term operating and financial strengths combined with strong liquidity characteristics (typically, such issuers or guarantors would display credit quality characteristics which would warrant a senior bond rating of "AA-" or higher), or the direct credit support of an issuer or guarantor that possesses above-average long-term fundamental operating and financing capabilities combined with ongoing excellent liquidity characteristics. Paper rated A-1 by S&P has the following characteristics: liquidity ratios are adequate to meet cash requirements; long-term senior debt is rated "A" or better; the issuer has access to at least two additional channels of borrowing; basic earnings and cash flow have an upward trend with allowance made for unusual circumstances; typically, the issuer's industry is well established and the issuer has a strong position within the industry; and the reliability and quality of management are unquestioned.

DESCRIPTION OF MOODY'S PRIME-1 COMMERCIAL PAPER RATING

The rating Prime-1 is the highest commercial paper rating assigned by Moody's. Among the factors considered by Moody's in assigning ratings are the following: (a) evaluation of the management of the issuer; (b) economic evaluation of the issuer's industry or industries and an appraisal of speculative-type risks which may be inherent in certain areas; (c) evaluation of the issuer's products in relation to competition and customer acceptance; (d) liquidity; (e) amount and quality of long-term debt; (f) trend of earnings over a period of ten years; (g) financial strength of a parent company and the relationships which exist with the issuer; and (h) recognition by the management of obligations which may be present or may arise as a result of public interest questions and preparations to meet such obligations.

SMITH BARNEY SHEARSON
NEW YORK MUNICIPALS FUND INC.
Two World Trade Center
New York, New York 10048

Fund 13,194

Smith Barney Shearson
NEW YORK
MUNICIPALS FUND INC.

STATEMENT OF
ADDITIONAL INFORMATION

MARCH 1, 1994

SMITH BARNEY SHEARSON

SMITH BARNEY SHEARSON NEW YORK MUNICIPALS FUND INC.

PART C

Item 24. Financial Statements and Exhibits

(a) Financial Statements

Included in Part A:

Financial Highlights

Included in Part B:

The Registrant's Annual Report for the fiscal year ended December 31, 1993 and the Report of Independent Accountants dated February 11, 1994 are incorporated by reference to the Definitive 30b2-1 filed on March 1, 1994 as Accession # 0000053798-94-000108.

Included in Part C:

Consent of Independent Accountants

(b) Exhibits

All references are to the Registrant's registration statement on Form N-1A as filed with the Securities and Exchange Commission on October 6, 1983. File Nos. 2-87001 and 811-3869 (the "Registration Statement").

(1) Registrant's Articles of Incorporation and all Amendments are incorporated by reference to Post-Effective Amendment No. 19 filed on December 29, 1993 ("Post-Effective Amendment No. 19)

(2) Registrant's By-Laws are incorporated by reference to Pre-Effective Amendment No. 1.

(3) Not Applicable.

(4) Registrant's form of stock certificate for Class A and Class B shares is incorporated by reference to Post-Effective Amendment No. 16.

(5) Investment Advisory Agreement between the Registrant and Greenwich Street Advisors dated July 30, 1993, is incorporated by reference to Post-Effective Amendment No. 19.

(6) Distribution Agreement between the Registrant and Smith Barney Shearson Inc., dated July 30, 1993, is incorporated by reference to Post-Effective Amendment No. 19.

(7) Not Applicable.

(8) Custodian Agreement between the Registrant and Boston Safe Deposit and Trust Company ("Boston Safe") is incorporated by reference to Pre-Effective Amendment No. 1.

(9) (a) Transfer Agency Agreement between the Registrant and Boston Safe dated August 2, 1993 is filed herein.

(b) Administration Agreement between the Registrant and The Boston Company Advisors, Inc. dated May 21, 1993, is incorporated by reference to Post-Effective No. 19.

(10) Not Applicable.

(11)(a) Consent of Independent Accountants is filed herein.

(b) Consent of Morningstar Mutual Fund Values is incorporated by reference to Post-Effective Amendment No. 16.

(12) Not Applicable.

(13) Not Applicable.

(14) Not Applicable.

(15) Services and Distribution Plan pursuant to Rule 12b-1 between the Registrant and Smith Barney Shearson dated July 30, 1993, is incorporated by reference to Post-Effective Amendment No. 19

(16) Performance Data is incorporated by reference to Post-Effective Amendment No. 10.

Item 25. Persons Controlled by or Under Common Control with Registrant

None.

Item 26. Number of Holders of Securities

(1) Title of Class	(2) Number of Record Holders by Class as of February 11, 1994
Common Stock par value $.01 per share	Class A- 11,274 Class B- 4,786

Item 27. Indemnification

Under the Registrant's corporate charter and Maryland law, directors and officers of the Registrant are not liable to the Registrant or its stockholders except for receipt of an improper personal benefit or active and deliberate dishonesty The Registrant's corporate charter requires that it indemnify its directors and officers against liabilities unless it is proved that a director or officer acted in bad faith or with active and deliberate dishonesty or received a improper personal benefit. These indemnification provisions are subject to the limitation under the Investment Company Act of 1940, as amended, that no director or officer may be protected against liability for willful misfeasance, bad faith, gross negligence or reckless disregard for the duties of his office.

Item 28(a). Business and Other Connections of Investment Adviser

Investment Adviser - - Greenwich Street Advisors

Greenwich Street Advisors, through its predecessors, has been in the investment counseling business since 1934 and is a division of Mutual Management Corp. ("MMC"). MMC was incorporated in 1978 and is a wholly owned subsidiary of Smith Barney Shearson Holdings Inc. ("Holdings"), which is in turn a wholly owned subsidiary of The Travelers Inc. (formerly known as Primerica Corporation) ("Travelers").

The list required by this Item 28 of officers and directors of MMC and Greenwich Street Advisors, together with information as to any other business, profession, vocation or employment of a substantial nature engaged in by such officers and directors during the past two fiscal years, is incorporated by reference to Schedules A and D of FORM ADV filed by MMC on behalf of Greenwich Street Advisors pursuant to the Advisers Act (SEC File No. 801-14437).

Prior to the close of business on July 30, 1993 (the "Closing"), Shearson Lehman Advisors, a member of the Asset Management Group of Shearson Lehman Brothers Inc. ("Shearson Lehman Brothers"), served as the Registrant's investment adviser. On the Closing, Travelers and Smith Barney, Harris Upham & Co. Incorporated acquired the domestic retail brokerage and asset management businesses of Shearson Lehman Brothers, which included the business of the Registrant's prior investment adviser. Shearson Lehman Brothers was a wholly owned subsidiary of Shearson Lehman Brothers Holdings Inc. ("Shearson Holdings"). All of the issued and outstanding common stock of Shearson Holdings (representing 92% of the voting stock) was held by American Express Company. Information as to any past business vocation or employment of a substantial nature engaged in by officers and directors of Shearson Lehman Advisors can be located in Schedules A and D of FORM ADV filed by Shearson Lehman Brothers on behalf of Shearson Lehman

Advisors prior to July 30, 1993. (SEC FILE NO. 801-3701)

1/27/94

Item 29. Principal Underwriters

Smith Barney Shearson Inc. ("Smith Barney Shearson") currently acts as distributor for Smith Barney Shearson Managed Municipals Fund Inc., Smith Barney Shearson New York Municipals Fund Inc., Smith Barney Shearson California Municipals Fund Inc., Smith Barney Shearson Massachusetts Municipals Fund, Smith Barney Shearson Global Opportunities Fund, Smith Barney Shearson Aggressive Growth Fund Inc., Smith Barney Shearson Appreciation Fund Inc., Smith Barney Shearson Small Capitalization Fund, Smith Barney Shearson Worldwide Prime Assets Fund, Smith Barney Shearson Short-Term World Income Fund, Smith Barney Shearson Principal Return Fund, Smith Barney Shearson Municipal Money Market Fund Inc., Smith Barney Shearson Daily Dividend Fund Inc., Smith Barney Shearson Government and Agencies Fund Inc., Smith Barney Shearson Managed Governments Fund Inc., Smith Barney Shearson New York Municipal Money Market Fund, Smith Barney Shearson California Municipal Money Market Fund, Smith Barney Shearson Income Funds, Smith Barney Shearson Equity Funds, Smith Barney Shearson Investment Funds Inc., Smith Barney Shearson Precious Metals and Minerals Fund Inc., Smith Barney Shearson Telecommunications Trust, Smith Barney Shearson Arizona Municipals Fund Inc., Smith Barney Shearson New Jersey Municipals Fund Inc., The USA High Yield Fund N.V., Garzarelli Sector Analysis Portfolio N.V., The Advisors Fund L.P., Smith Barney Shearson Fundamental Value Fund Inc., Smith Barney Shearson Series Fund, The Trust for TRAK Investments, Smith Barney Shearson Income Trust, Smith Barney Shearson FMA R Trust, Smith Barney Shearson Adjustable Rate Government Income Fund, Smith Barney Shearson Florida Municipals Fund, Smith Barney Funds, Inc., Smith Barney Equity Funds, Inc., Smith Barney Muni Funds, Smith Barney World Funds, Inc., Smith Barney Money Funds, Inc., Smith Barney Tax Free Money Fund, Inc., Smith Barney Variable Account Funds, Smith Barney U.S. Dollar Reserve Fund (Cayman), Worldwide Special Fund, N.V., Worldwide Securities Limited, (Bermuda), and various series of unit investment trusts.

Smith Barney Shearson is a wholly owned subsidiary of Smith Barney Shearson Holdings Inc., which in turn is a wholly owned subsidiary of The Travelers Inc. The information required by this Item 29 with respect to each director, officer and partner of Smith Barney Shearson is incorporated by reference to Schedule A of FORM BD filed by Smith Barney Shearson pursuant to the Securities Exchange Act of 1934 (SEC File No. 812-8510).

1/27/94

Item 30. Location of Accounts and Records

(1) Smith Barney Shearson New York Municipals Fund Inc.
Two World Trade Center
New York, New York 10048

(2) Greenwich Street Advisors
Two World Trade Center

New York, New York 10048

(3) The Boston Company Advisors, Inc.
One Boston Place
Boston, Massachusetts 02108

(4) Boston Safe Deposit and Trust Company
One Boston Place
Boston, Massachusetts 02108

(5) The Shareholder Services Group, Inc.
One Exchange Place
Boston, Massachusetts 02109

Item 31. Management Services

Not Applicable.

Item 32. Undertakings

None.

Rule 485(b) Certification

The Registrant hereby certifies that it meets all requirements for effectiveness pursuant to Rule 485(b) under the Securities Act of 1933, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended, the Registrant, SMITH BARNEY SHEARSON NEW YORK MUNICIPALS FUND INC., has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Boston, Commonwealth of Massachusetts on the 28th day of February, 1994.

SMITH BARNEY SHEARSON
NEW YORK MUNICIPALS FUND INC.

By:/s/ Heath B. McLendon*
Heath B. McLendon, Chief Executive Officer

Signature	Title	Date
/s/ Heath B. McLendon* Heath B. McLendon	Director Chairman of the Board (Chief Executive Officer)	2/28/94
/s/ Vincent Nave* Vincent Nave	Treasurer (Chief Financial and Accounting Officer)	2/28/94

/s/ Herbert Barg*
Herbert Barg Director
2/28/94

/s/ Alfred J. Bianchetti*
Alfred J. Bianchetti Director
2/28/94

/s/ Robert E. Borgesen*
Robert E. Borgesen Director
2/28/94

Martin Brody Director
2/28/94

/s/ Dwight B. Crane*
Dwight B. Crane Director
2/28/94

/s/ James J. Crisona*
James J. Crisona Director
2/28/94

/s/ Robert A. Frankel*
Robert A. Frankel Director
2/28/94

Signature	Title	Date

/s/ Peter H. Gallary Director
2/28/94
Peter H. Gallary

/s/ Dr. Paul Hardin*
Dr. Paul Hardin Director
2/28/94

Stephen E. Kaufman Director
2/28/94

/s/ Joseph J. McCann*
Joseph J. McCann Director
2/28/94

*Signed by Lee D. Augsburger, their
duly authorized attorney-in-fact,
pursuant to power of attorney dated
April 22, 1993

/s/ Lee D. Augsburger______
Lee D. Augsburger

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EXHIBIT 9 (a)

TRANSFER AGENCY AND REGISTRAR AGREEMENT

AGREEMENT, dated as of August 2, 1993, between Smith Bareny Shearson New York Municipals Fund Inc., (the "Fund"), a corporation organized under the laws of Maryland and having its principal place of business at Two World Trade Center, New york, New York 10048 and THE SHAREHOLDER SERVICES GROUP, INC. (MA) (the "Transfer Agent"), a Massachusetts corporation with principal offices at One Exchange Place, 53 State Street, Boston, Massachusetts 02109.

W I T N E S S E T H

That for and in consideration of the mutual covenants and promises hereinafter set forth, the Fund and the Transfer Agent agree as follows:

1. Definitions. Whenever used in this Agreement, the following words and phrases, unless the context otherwise requires, shall have the following meanings:

(a) "Articles of Incorporation" shall mean the Articles of Incorporation, Declaration of Trust, Partnership Agreement, or similar organizational document as the case may be, of the Fund as the same may be amended from time to time.

(b) "Authorized Person" shall be deemed to include any person, whether or not such person is an officer or employee of the Fund, duly authorized to give Oral Instructions or Written Instructions on behalf of the Fund as indicated in a certificate furnished to the Transfer Agent pursuant to Section 4(c) hereof as may be received by the Transfer Agent from time to time.

(c) "Board of Directors" shall mean the Board of Directors, Board of Trustees or, if the Fund is a limited partnership, the General Partner(s) of the Fund, as the case may be.

(d) "Commission" shall mean the Securities and Exchange Commission.

(e) "Custodian" refers to any custodian or subcustodian of securities and other property which the Fund may from time to time deposit, or cause to be deposited or held under the name or account of such a custodian pursuant to a Custodian Agreement.

(f) "Fund" shall mean the entity executing this Agreement, and if it is a series fund, as such term is used in the 1940 Act, such term shall mean each series of the Fund hereafter created, except that appropriate documentation with respect to each series must be presented to the Transfer Agent before this Agreement shall become effective with respect to each such series.

(g) "1940 Act" shall mean the Investment Company Act of 1940.

(h) "Oral Instructions" shall mean instructions, other than Written Instructions, actually received by the Transfer Agent from a person reasonably believed by the Transfer Agent to be an Authorized Person;

(i) "Prospectus" shall mean the most recently dated Fund Prospectus and Statement of Additional Information, including any supplements thereto if any, which has become effective under the Securities Act of 1933 and the 1940 Act.

(j) "Shares" refers collectively to such shares of capital stock, beneficial interest or limited partnership interests, as the case may be, of the Fund as may be issued from time to time and, if the Fund is a closed-end or a series fund, as such terms are used in the 1940 Act any other classes or series of stock, shares of beneficial interest or limited partnership interests that may be issued from time to time.

(k) "Shareholder" shall mean a holder of shares of capital stock, beneficial interest or any other class or series, and also refers to partners of limited partnerships.

(l) "Written Instructions" shall mean a written communication signed by a person reasonably believed by the Transfer Agent to be an Authorized Person and actually received by the Transfer Agent. Written Instructions shall include manually executed originals and authorized electronic transmissions, including telefacsimile of a manually executed original or other process.

2. Appointment of the Transfer Agent. The Fund hereby appoints and constitutes the Transfer Agent as transfer agent, registrar and dividend disbursing agent for Shares of the Fund and as shareholder servicing agent for the Fund. The Transfer Agent accepts such appointments and agrees to perform the duties hereinafter set forth.

3. Compensation.

(a) The Fund will compensate or cause the Transfer Agent to be compensated for the performance of its obligations hereunder in accordance with the fees set forth in the written schedule of fees annexed hereto as Schedule A and incorporated herein. The Transfer Agent will transmit an invoice to the Fund as soon as practicable after the end of each calendar month which will be detailed in accordance with Schedule A, and the Fund will pay to the Transfer Agent the amount of such invoice within thirty (30) days after the Fund's receipt of the invoice.

In addition, the Fund agrees to pay, and will be billed separately for, reasonable out-of-pocket expenses incurred by the Transfer Agent in the performance of its duties hereunder. Out-of-pocket expenses shall include, but shall not be limited to, the items specified in the written schedule of out-of-pocket charges annexed hereto as Schedule B and incorporated herein. Unspecified out-of-pocket expenses shall be limited to those out-of-pocket expenses reasonably incurred by the Transfer Agent in the performance of its obligations hereunder. Reimbursement by the Fund for expenses incurred by the Transfer Agent in any month shall be made as soon as practicable but no later than 15 days after the receipt of an itemized bill from the Transfer Agent.

(b) Any compensation agreed to hereunder may be adjusted from time to time by attaching to Schedule A, a revised fee schedule executed and dated by the parties hereto.

4. Documents. In connection with the appointment of the Transfer Agent the Fund shall deliver or caused to be delivered to the Transfer Agent the

following documents on or before the date this Agreement goes into effect, but in any case within a reasonable period of time for the Transfer Agent to prepare to perform its duties hereunder:

(a) If applicable, specimens of the certificates for Shares of the Fund;

(b) All account application forms and other documents relating to Shareholder accounts or to any plan, program or service offered by the Fund;

(c) A signature card bearing the signatures of any officer of the Fund or other Authorized Person who will sign Written Instructions or is authorized to give Oral Instructions.

(d) A certified copy of the Articles of Incorporation, as amended;

(e) A certified copy of the By-laws of the Fund, as amended;

(f) A copy of the resolution of the Board of Directors authorizing the execution and delivery of this Agreement;

(g) A certified list of Shareholders of the Fund with the name, address and taxpayer identification number of each Shareholder, and the number of Shares of the Fund held by each, certificate numbers and denominations (if any certificates have been issued), lists of any accounts against which stop transfer orders have been placed, together with the reasons therefore, and the number of Shares redeemed by the Fund; and

(h) An opinion of counsel for the Fund with respect to the validity of the Shares and the status of such Shares under the Securities Act of 1933, as amended.

5. Further Documentation. The Fund will also furnish the Transfer Agent with copies of the following documents promptly after the same shall become available:

(a) each resolution of the Board of Directors authorizing the issuance of Shares;

(b) any registration statements filed on behalf of the Fund and all pre-effective and post-effective amendments thereto filed with the Commission;

(c) a certified copy of each amendment to the Articles of Incorporation or the By-laws of the Fund;

(d) certified copies of each resolution of the Board of Directors or other authorization designating Authorized Persons; and

(e) such other certificates, documents or opinions as the Transfer Agent may reasonably request in connection with the performance of its duties hereunder.

6. Representations of the Fund. The Fund represents to the Transfer Agent that all outstanding Shares are validly issued, fully paid and non-assessable. When Shares are hereafter issued in accordance with the terms of the Fund's Articles of Incorporation and its Prospectus, such Shares shall be validly issued, fully paid and non-assessable.

7. Distributions Payable in Shares. In the event that the Board of Directors of the Fund shall declare a distribution payable in Shares, the Fund shall deliver or cause to be delivered to the Transfer Agent written notice of such declaration signed on behalf of the Fund by an officer thereof, upon which the Transfer Agent shall be entitled to rely for all purposes, certifying (i) the identity of the Shares involved, (ii) the number of Shares involved, and (iii) that all appropriate action has been taken.

8. Duties of the Transfer Agent. The Transfer Agent shall be responsible for administering and/or performing those functions typically performed by a transfer agent; for acting as service agent in connection with dividend and distribution functions; and for performing shareholder account and administrative agent functions in connection with the issuance, transfer and redemption or repurchase (including coordination with the Custodian) of Shares in accordance with the terms of the Prospectus and applicable law. The operating standards and procedures to be followed shall be determined from time to time by agreement between the Fund and the Transfer Agent and shall initially be as described in Schedule C attached hereto. In addition, the Fund shall deliver to the Transfer Agent all notices issued by the Fund with respect to the Shares in accordance with and pursuant to the Articles of Incorporation or By-laws of the Fund or as required by law and shall perform such other specific duties as are set forth in the Articles of Incorporation including the giving of notice of any special or annual meetings of shareholders and any other notices required thereby.

9. Record Keeping and Other Information. The Transfer Agent shall create and maintain all records required of it pursuant to its duties hereunder and as set forth in Schedule C in accordance with all applicable laws, rules and regulations, including records required by Section 31(a) of the 1940 Act. All records shall be available during regular business hours for inspection and use by the Fund. Where applicable, such records shall be maintained by the Transfer Agent for the periods and in the places required by Rule 31a-2 under the 1940 Act.

Upon reasonable notice by the Fund, the Transfer Agent shall make available during regular business hours such of its facilities and premises employed in connection with the performance of its duties under this Agreement for reasonable visitation by the Fund, or any person retained by the Fund as may be necessary for the Fund to evaluate the quality of the services performed by the Transfer Agent pursuant hereto.

10. Other Duties. In addition to the duties set forth in Schedule C, the Transfer Agent shall perform such other duties and functions, and shall be paid such amounts therefor, as may from time to time be agreed upon in writing between the Fund and the Transfer Agent. The compensation for such other duties and functions shall be reflected in a written amendment to Schedule A or B and the duties and functions shall be reflected in an amendment to Schedule C, both dated and signed by authorized persons of the parties hereto.

11. Reliance by Transfer Agent; Instructions

(a) The Transfer Agent will have no liability when acting upon Written or Oral Instructions believed to have been executed or orally communicated by an Authorized Person and will not be held to have any notice of any change of authority of any person until receipt of a Written Instruction thereof from the Fund pursuant to Section 4(c). The Transfer Agent will also have no liability when processing Share certificates which it reasonably believes to bear the proper manual or facsimile signatures of the officers of the Fund and the proper countersignature of the Transfer Agent.

(b) At any time, the Transfer Agent may apply to any Authorized Person of the Fund for Written Instructions and may seek advice from legal counsel for the Fund, or its own legal counsel, with respect to any matter arising in connection with this Agreement, and it shall not be liable for any action taken or not taken or suffered by it in good faith in accordance with such Written Instructions or in accordance with the opinion of counsel for the Fund or for the Transfer Agent. Written Instructions requested by the Transfer Agent will be provided by the Fund within a reasonable period of time. In addition, the Transfer Agent, its officers, agents or employees, shall accept Oral Instructions or Written Instructions given to them by any person representing or acting on behalf of the Fund only if said representative is an Authorized Person. The Fund agrees that all Oral Instructions shall be followed within one business day by confirming Written Instructions, and that the Fund's failure to so confirm shall not impair in any respect the Transfer Agent's right to rely on Oral Instructions. The Transfer Agent shall have no duty or obligation to inquire into, nor shall the Transfer Agent be responsible for, the legality of any act done by it upon the request or direction of a person reasonably believed by the Transfer Agent to be an Authorized Person.

(c) Notwithstanding any of the foregoing provisions of this Agreement, the Transfer Agent shall be under no duty or obligation to inquire into, and shall not be liable for: (i) the legality of the issuance or sale of any Shares or the sufficiency of the amount to be received therefor; (ii) the legality of the redemption of any Shares, or the propriety of the amount to be paid therefor; (iii) the legality of the declaration of any dividend by the Board of Directors, or the legality of the issuance of any Shares in payment of any dividend; or (iv) the legality of any recapitalization or readjustment of the Shares.

12. Acts of God, etc. The Transfer Agent will not be liable or responsible for delays or errors by acts of God or by reason of circumstances beyond its control, including acts of civil or military authority, national emergencies, labor difficulties, mechanical breakdown, insurrection, war, riots, or failure or unavailability of transportation, communication or power supply, fire, flood or other catastrophe.

13. Duty of Care and Indemnification. Each party hereto (the "Indemnifying Party') will indemnify the other party (the "Indemnified Party") against and hold it harmless from any and all losses, claims, damages, liabilities or expenses of any sort or kind (including reasonable counsel fees and expenses) resulting from any claim, demand, action or suit or other proceeding (a "Claim") unless such Claim has resulted from a negligent failure to act or omission to act or bad faith of the Indemnified Party in the performance of its duties hereunder. In addition, the Fund will indemnify the Transfer Agent against and hold it harmless from any Claim, damages, liabilities or expenses (including reasonable counsel fees) that is a result of: (i) any action taken in accordance with Written or Oral Instructions, or any other instructions, or share certificates reasonably believed by the Transfer Agent to be genuine and to be signed, countersigned or executed, or orally communicated by an Authorized Person; (ii) any action taken in accordance with written or oral advice reasonably believed by the Transfer Agent to have been given by counsel for the Fund or its own counsel; or (iii) any action taken as a result of any error or omission in any record (including but not limited to magnetic tapes, computer printouts, hard copies and microfilm copies) delivered, or caused to be delivered by the Fund to the Transfer Agent in connection with this Agreement.

In any case in which the Indemnifying Party may be asked to indemnify or hold the Indemnified Party harmless, the Indemnifying Party shall be advised of all pertinent facts concerning the situation in question. The Indemnified Party will notify the Indemnifying Party promptly after identifying any situation which it believes presents or appears likely to present a claim for indemnification against the Indemnifying Party although the failure to do so shall not prevent recovery by the Indemnified Party. The Indemnifying Party shall have the option to defend the Indemnified Party against any Claim which may be the subject of this indemnification, and, in the event that the Indemnifying Party so elects, such defense shall be conducted by counsel chosen by the Indemnifying Party and satisfactory to the Indemnified Party, and thereupon the Indemnifying Party shall take over complete defense of the Claim and the Indemnified Party shall sustain no further legal or other expenses in respect of such Claim. The Indemnified Party will not confess any Claim or make any compromise in any case in which the Indemnifying Party will be asked to provide indemnification, except with the Indemnifying Party's prior written consent. The obligations of the parties hereto under this Section shall survive the termination of this Agreement.

14. Consequential Damages. In no event and under no circumstances shall either party under this Agreement be liable to the other party for indirect loss of profits, reputation or business or any other special damages under any provision of this Agreement or for any act or failure to act hereunder.

15. Term and Termination.

(a) This Agreement shall be effective on the date first written above and shall continue until Augusst 2, 1994, and thereafter shall automatically continue for successive annual periods ending on the anniversary of the date first written above, provided that it may be terminated by either party upon written notice given at least 60 days prior to termination.

(b) In the event a termination notice is given by the Fund, it shall be accompanied by a resolution of the Board of Directors, certified by the Secretary of the Fund, designating a successor transfer agent or transfer agents. Upon such termination and at the expense of the Fund, the Transfer Agent will deliver to such successor a certified list of shareholders of the Fund (with names and addresses), and all other relevant books, records, correspondence and other Fund records or data in the possession of the Transfer Agent, and the Transfer Agent will cooperate with the Fund and any successor transfer agent or agents in the substitution process.

16. Confidentiality. Both parties hereto agree that any non public information obtained hereunder concerning the other party is confidential and may not be disclosed to any other person without the consent of the other party, except as may be required by applicable law or at the request of the Commission or other governmental agency. The parties further agree that a breach of this provision would irreparably damage the other party and accordingly agree that each of them is entitled, without bond or other security, to an injunction or injunctions to prevent breaches of this provision.

17. Amendment. This Agreement may only be amended or modified by a written instrument executed by both parties.

18. Subcontracting. The Fund agrees that the Transfer Agent may, in its discretion, subcontract for certain of the services described under this Agreement or the Schedules hereto; provided that the appointment of any such

Transfer Agent shall not relieve the Transfer Agent of its responsibilities hereunder.

19. Miscellaneous.

(a) Notices. Any notice or other instrument authorized or required by this Agreement to be given in writing to the Fund or the Transfer Agent, shall be sufficiently given if addressed to that party and received by it at its office set forth below or at such other place as it may from time to time designate in writing.

To the Fund:

Smith Barney Shearson New York Municipals Fund Inc.
Two World Trade Center, Floor 100
New York, NY 10048
Attention: Richard Roelofs

To the Transfer Agent:

The Shareholder Services Group
One Exchange Place
53 State Street
Boston, Massachusetts 02109
Attention: Robert F. Radin, President

with a copy to TSSG Counsel

(b) Successors. This Agreement shall extend to and shall be binding upon the parties hereto, and their respective successors and assigns, provided, however, that this Agreement shall not be assigned to any person other than a person controlling, controlled by or under common control with the assignor without the written consent of the other party, which consent shall not be unreasonably withheld.

(c) Governing Law. This Agreement shall be governed exclusively by the laws of the State of New York without reference to the choice of law provisions thereof. Each party hereto hereby agrees that (i) the Supreme Court of New York sitting in New York County shall have exclusive jurisdiction over any and all disputes arising hereunder; (ii) hereby consents to the personal jurisdiction of such court over the parties hereto, hereby waiving any defense of lack of personal jurisdiction; and (iii) appoints the person to whom notices hereunder are to be sent as agent for service of process.

(d) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original; but such counterparts shall, together, constitute only one instrument.

(e) Captions. The captions of this Agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect.

(f) Use of Transfer Agent's Name. The Fund shall not use the name of the Transfer Agent in any Prospectus, Statement of Additional Information, shareholders' report, sales literature or other material relating to the Fund in a manner not approved prior thereto in writing; provided, that the Transfer Agent need only receive notice of all reasonable uses of its name which merely refer in accurate terms to its appointment hereunder or which are required by any government agency or applicable law or rule. Notwithstanding the foregoing, any reference to the Transfer Agent shall include a statement to the effect that it is a wholly owned subsidiary of First Data Corporation.

(g) Use of Fund's Name. The Transfer Agent shall not use the name of the Fund or material relating to the Fund on any documents or forms for other than internal use in a manner not approved prior thereto in writing; provided, that the Fund need only receive notice of all reasonable uses of its name which merely refer in accurate terms to the appointment of the Transfer Agent or which are required by any government agency or applicable law or rule.

(h) Independent Contractors. The parties agree that they are independent contractors and not partners or co-venturers.

(i) Entire Agreement; Severability. This Agreement and the Schedules attached hereto constitute the entire agreement of the parties hereto relating to the matters covered hereby and supersede any previous agreements. If any provision is held to be illegal, unenforceable or invalid for any reason, the remaining provisions shall not be affected or impaired thereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers, as of the day and year first above written.

SMITH BARNEY SHEARSON CALIFORNIA MUNICIPALS FUND

By: /s/ Richard P. Roelofs
Title: President

THE SHAREHOLDER SERVICES GROUP, INC.

By: /s/ Michael G. McCarthy
Title Vice President

A-1

Transfer Agent Fee

Schedule A

Class A shares

The Fund shall pay the Transfer Agent an annualized fee of $11.00 per shareholder account that is open during any monthly period. Such fee shall be billed by the Transfer Agent monthly in arrears on a prorated basis of 1/12 of the annualized fee for all accounts that are open during such a month.

The Fund shall pay the Transfer Agent an additional fee of $.125 per closed account per month applicable to those shareholder accounts which close in a given month and remain closed through the following month-end billing cycle. Such fee shall be billed by the Transfer Agent monthly in arrears.

Class B shares

The Fund shall pay the Transfer Agent an annualized fee of $12.50 per shareholder account that is open during any monthly period. Such fee shall be billed by the Transfer Agent monthly in arrears on a prorated basis of 1/12 of the annualized fee for all accounts that are open during such a month.

The Fund shall pay the Transfer Agent an additional fee of $.125 per closed account per month applicable to those shareholder accounts which close in a given month and remain closed through the following month-end billing cycle. Such fee shall be billed by the Transfer Agent monthly in arrears.

Class C shares

The Fund shall pay the Transfer Agent an annualized fee of $8.50 per shareholder account that is open during any monthly period. Such fee shall be billed by the Transfer Agent monthly in arrears on a prorated basis of 1/12 of the annualized fee for all accounts that are open during such a month.

The Fund shall pay the Transfer Agent an additional fee of $.125 per closed account per month applicable to those shareholder accounts which close in a given month and remain closed through the following month-end billing cycle. Such fee shall be billed by the Transfer Agent monthly in arrears.

Class D shares

The Fund shall pay the Transfer Agent an annualized fee of $9.50 per shareholder account that is open during any monthly period. Such fee shall be billed by the Transfer Agent monthly in arrears on a prorated basis of 1/12 of the annualized fee for all accounts that are open during such a month.

The Fund shall pay the Transfer Agent an additional fee of $.125 per closed account per month applicable to those shareholder accounts which close in a given month and remain closed through the following month-end billing cycle. Such fee shall be billed by the Transfer Agent monthly in arrears.

Schedule B

OUT-OF-POCKET EXPENSES

The Fund shall reimburse the Transfer Agent monthly for applicable out-of-pocket expenses, including, but not limited to the following items:

- Microfiche/microfilm production
- Magnetic media tapes and freight
- Printing costs, including certificates, envelopes, checks and stationery

- Postage (bulk, pre-sort, ZIP+4, barcoding, first class) direct pass through to the Fund
- Due diligence mailings
- Telephone and telecommunication costs, including all lease, maintenance and line costs
- Proxy solicitations, mailings and tabulations
- Daily & Distribution advice mailings
- Shipping, Certified and Overnight mail and insurance
- Year-end form production and mailings
- Terminals, communication lines, printers and other equipment and any expenses incurred in connection with such terminals and lines
- Duplicating services
- Courier services
- Incoming and outgoing wire charges
- Federal Reserve charges for check clearance
- Record retention, retrieval and destruction costs, including, but not limited to exit fees harged by third party record keeping vendors
- Third party audit reviews
- Insurance
- Such other miscellaneous expenses reasonably incurred by the Transfer Agent in performing its duties and responsibilities under this Agreement.

The Fund agrees that postage and mailing expenses will be paid on the day of or prior to mailing as agreed with the Transfer Agent. In addition, the Fund will promptly reimburse the Transfer Agent for any other unscheduled expenses incurred by the Transfer Agent whenever the Fund and the Transfer Agent mutually agree that such expenses are not otherwise properly borne by the Transfer Agent as part of its duties and obligations under the Agreement.

Schedule C

DUTIES OF THE TRANSFER AGENT

1. Shareholder Information. The Transfer Agent or its agent shall maintain a record of the number of Shares held by each holder of record which shall include name, address, taxpayer identification and which shall indicate whether such Shares are held in certificates or uncertificated form.

2. Shareholder Services. The Transfer Agent or its agent will investigate all inquiries from shareholders of the Fund relating to Shareholder accounts and will respond to all communications from Shareholders and others relating to its duties hereunder and such other correspondence as may from time to time be mutually agreed upon between the Transfer Agent and the Fund. The Transfer Agent shall provide the Fund with reports concerning shareholder inquires and the responses thereto by the Transfer Agent, in such form and at such times as are agreed to by the Fund and the Transfer Agent.

3. Share Certificates.

(a) At the expense of the Fund, it shall supply the Transfer Agent or its agent with an adequate supply of blank share certificates to meet the Transfer Agent or its agent's requirements therefor. Such Share certificates shall be properly signed by facsimile. The Fund agrees that, notwithstanding the death, resignation, or removal of any officer of the Fund whose signature appears on such certificates, the Transfer Agent or its agent may continue to countersign certificates which bear such signatures until otherwise directed by Written Instructions.

(b) The Transfer Agent or its agent shall issue replacement Share certificates in lieu of certificates which have been lost, stolen or destroyed, upon receipt by the Transfer Agent or its agent of properly executed affidavits and lost certificate bonds, in form satisfactory to the Transfer Agent or its agent, with the Fund and the Transfer Agent or its agent as obligees under the bond.

(c) The Transfer Agent or its agent shall also maintain a record of each certificate issued, the number of Shares represented thereby and the holder of record. With respect to Shares held in open accounts or uncertificated form, i.e., no certificate being issued with respect thereto, the Transfer Agent or its agent shall maintain comparable records of the record holders thereof, including their names, addresses and taxpayer identification. The Transfer Agent or its agent shall further maintain a stop transfer record on lost and/or replaced certificates.

4. Mailing Communications to Shareholders; Proxy Materials. The Transfer Agent or its agent will address and mail to Shareholders of the Fund, all reports to Shareholders, dividend and distribution notices and proxy material for the Fund's meetings of Shareholders. In connection with meetings of Shareholders, the Transfer Agent or its Agent will prepare Shareholder lists, mail and certify as to the mailing of proxy materials, process and tabulate returned proxy cards, report on proxies voted prior to meetings, act as inspector of election at meetings and certify Shares voted at meetings.

5. Sales of Shares

(a) Suspension of Sale of Shares. The Transfer Agent or its agent shall not be required to issue any Shares of the Fund where it has received a Written Instruction from the Fund or official notice from any appropriate authority that the sale of the Shares of the Fund has been suspended or discontinued. The existence of such Written Instructions or such official notice shall be conclusive evidence of the right of the Transfer Agent or its agent to rely on such Written Instructions or official notice.

(b) Returned Checks. In the event that any check or other order for the payment of money is returned unpaid for any reason, the Transfer Agent or its agent will: (i) give prompt notice of such return to the Fund or its designee; (ii) place a stop transfer order against all Shares issued as a result of such check or order; and (iii) take such actions as the Transfer Agent may from time to time deem appropriate.

6. Transfer and Repurchase

(a) Requirements for Transfer or Repurchase of Shares. The Transfer Agent or its agent shall process all requests to transfer or redeem Shares in accordance with the transfer or repurchase procedures set forth in the Fund's Prospectus.

The Transfer Agent or its agent will transfer or repurchase Shares upon receipt of Oral or Written Instructions or otherwise pursuant to the Prospectus and Share certificates, if any, properly endorsed for transfer or redemption, accompanied by such documents as the Transfer Agent or its agent reasonably may deem necessary.

The Transfer Agent or its agent reserves the right to refuse to transfer or repurchase Shares until it is satisfied that the endorsement on the instructions is valid and genuine. The Transfer Agent or its agent also reserves the right to refuse to transfer or repurchase Shares until it is satisfied that the requested transfer or repurchase is legally authorized, and it shall incur no liability for the refusal, in good faith, to make transfers or repurchases which the Transfer Agent or its agent, in its good judgement, deems improper or unauthorized, or until it is reasonably satisfied that there is no basis to any claims adverse to such transfer or repurchase.

(b) Notice to Custodian and Fund. When Shares are redeemed, the Transfer Agent or its agent shall, upon receipt of the instructions and documents in proper form, deliver to the Custodian and the Fund or its designee a notification setting forth the number of Shares to be repurchased. Such repurchased shares shall be reflected on appropriate accounts maintained by the Transfer Agent or its agent reflecting outstanding Shares of the Fund and Shares attributed to individual accounts.

(c) Payment of Repurchase Proceeds. The Transfer Agent or its agent shall, upon receipt of the moneys paid to it by the Custodian for the repurchase of Shares, pay such moneys as are received from the Custodian, all in accordance with the procedures described in the written instruction received by the Transfer Agent or its agent from the Fund.

The Transfer Agent or its agent shall not process or effect any repurchase with respect to Shares of the Fund after receipt by the Transfer Agent or its agent of notification of the suspension of the determination of the net asset value of the Fund.

7. Dividends

(a) Notice to Agent and Custodian. Upon the declaration of each dividend and each capital gains distribution by the Board of Directors of the Fund with respect to Shares of the Fund, the Fund shall furnish or cause to be furnished to the Transfer Agent or its agent a copy of a resolution of the Fund's Board of Directors certified by the Secretary of the Fund setting forth the date of the declaration of such dividend or distribution, the ex-dividend date, the date of payment thereof, the record date as of which shareholders entitled to payment shall be determined, the amount payable per Share to the shareholders of record as of that date, the total amount payable to the Transfer Agent or its agent on the payment date and whether such dividend or distribution is to be paid in Shares of such class at net asset value.

On or before the payment date specified in such resolution of the Board of Directors, the Custodian of the Fund will pay to the Transfer Agent sufficient cash to make payment to the shareholders of record as of such payment date.

(b) Insufficient Funds for Payments. If the Transfer Agent or its agent does not receive sufficient cash from the Custodian to make total dividend and/or distribution payments to all shareholders of the Fund as of the record date, the Transfer Agent or its agent will, upon notifying the Fund, withhold payment to all Shareholders of record as of the record date until sufficient cash is provided to the Transfer Agent or its agent.

Exhibit 1 to Schedule C

Summary of Services

The services to be performed by the Transfer Agent or its agent shall be as follows:

A. DAILY RECORDS

Maintain daily the following information with respect to each Shareholder account as received:

- o Name and Address (Zip Code)
- o Class of Shares
- o Taxpayer Identification Number
- o Balance of Shares held by Agent
- o Beneficial owner code: i.e., male, female, joint tenant, etc.
- o Dividend code (reinvestment)
- o Number of Shares held in certificate form

B. OTHER DAILY ACTIVITY

o Answer written inquiries relating to Shareholder accounts (matters relating to portfolio management, distribution of Shares and other management policy questions will be referred to the Fund).

o Process additional payments into established Shareholder accounts in accordance with Written Instruction from the Agent.

o Upon receipt of proper instructions and all required documentation, process requests for repurchase of Shares.

o Identify redemption requests made with respect to accounts in which Shares have been purchased within an agreed-upon period of time for determining whether good funds have been collected with respect to such purchase and process as agreed by the Agent in accordance with written instructions set forth by the Fund.

o Examine and process all transfers of Shares, ensuring that all transfer requirements and legal documents have been supplied.

o Issue and mail replacement checks.

o Open new accounts and maintain records of exchanges between accounts

C. DIVIDEND ACTIVITY

o Calculate and process Share dividends and distributions as instructed by the Fund.

o Compute, prepare and mail all necessary reports to Shareholders or various authorities as requested by the Fund. Report to the Fund reinvestment plan share purchases and determination of the reinvestment price.

D. MEETINGS OF SHAREHOLDERS

o Cause to be mailed proxy and related material for all meetings of Shareholders. Tabulate returned proxies (proxies must be adaptable to mechanical equipment of the Agent or its agents) and supply daily reports when sufficient proxies have been received.

o Prepare and submit to the Fund an Affidavit of Mailing.

o At the time of the meeting, furnish a certified list of Shareholders, hard copy, microfilm or microfiche and, if requested by the Fund, Inspection of Election.

E. PERIODIC ACTIVITIES

o Cause to be mailed reports, Prospectuses, and any other enclosures requested by the Fund (material must be adaptable to mechanical equipment of Agent or its agents).

o Receive all notices issued by the Fund with respect to the Preferred Shares in accordance with and pursuant to the Articles of Incorporation and the Indenture and perform such other specific duties as are set forth in the Articles of Incorporation including a giving of notice of a special meeting and notice of redemption in the circumstances and otherwise in accordance with all relevant provisions of the Articles of Incorporation.

g/shared/domestic/clients/shearson/funds/nymu/tranag

EXHIBIT 11 (a)

CONSENT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of

Smith Barney Shearson New York Municipals Fund Inc.:

We hereby consent to the following with respect to Post-Effective Amendment No. 20 to the Registration Statement on Form N-1A (File No. 2-87001) under the Securities Act of 1933, as amended, of Smith Barney Shearson New York Municipals Fund Inc.:

1. The incorporation by reference of our report dated February 11, 1994 accompanying the Annual Report for the fiscal year ended December 31, 1993 of Smith Barney Shearson New York Municipals Fund Inc., in the Statement of Additional Information.

2. The reference to our firm under the heading "Financial Highlights" in the Prospectus.

3. The reference to our firm under the heading "Counsel and Auditors" in the Statement of Additional Information.

COOPERS & LYBRAND

Boston, Massachusetts

February 28, 1994