

SECURITIES AND EXCHANGE COMMISSION

FORM DEFS14A

Definitive proxy statement for special meeting

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FILER

INEFFICIENT MARKET FUND INC

CIK: **856343** | IRS No.: **133540130** | State of Incorpor.: **MD** | Fiscal Year End: **1231**
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Mailing Address
388 GREENWICH ST
NEW YORK NY 10013

Business Address
1345 AVE OF THE AMERICAS
- 22ND FL
NEW YORK NY 10105
2126985344

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities
Exchange Act of 1934

Filed by the Registrant [XXX]
Filed by a Party other than the Registrant [
]

Check the appropriate box:

[] Preliminary Proxy Statement
[XXX] Definitive Proxy Statement
[] Definitive Additional Materials
[] Soliciting Material Pursuant to
Section 240.14a-11(c) or
Section 240.14a-12

THE INEFFICIENT-MARKET FUND, INC.
(Name of Registrant as Specified In Its
Charter)

CHRISTINA SYDOR, NANCY LE DONNE
(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate
box):

[] \$125 per Exchange Act Rules 0-11 (c)
(1)(ii), 14a-6
(i)(1), or 14a-6(j)(2) or the 1940
Act Rule 20a-1.
[] \$500 per each party to the
controversy pursuant to
Exchange Act Rule 14a-6(i)(3).
[] Fee computed on table below per
Exchange Act Rules
14a-6(i)(4) and 0-11.

1) Title of each class of securities to
which transaction
applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

4) Proposed maximum aggregate value of transaction:

Set forth the amount on which the filing fee is calculated and state how it was determined.

[] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a) (2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

THE INEFFICIENT-MARKET FUND, INC.
388 GREENWICH STREET
NEW YORK, NEW YORK 10013

Dear Stockholder,

An Important notice about The
Inefficient-Market Fund

The Annual Meeting of Stockholders of The
Inefficient-Market Fund,
Inc. will be held on July 7, 1995 at the
Fund's headquarters
located at 388 Greenwich Street, New York, New
York, 26th Floor at 4:00 pm.

Among other business matters to be discussed
at the meeting,
a proposal
concerning the investment management of The
Inefficient-Market Fund
will be presented.

The Proposal, which has been reviewed and
unanimously endorsed by
the Board of Directors of The
Inefficient-Market Fund, calls for
the Fund
to engage Travelers Investment Management
Company (TIMCO) as the
Fund's new investment advisor. The
recommendation reflects the
Board's desire to improve the Fund's
performance by broadening its
investment focus to include small- and
mid-capitalization companies. TIMCO is a
wholly owned subsidiary of Travelers Group and
currently manages more than \$950 million for
pension funds, registered investment companies
and variable annuity funds.

The Board of Directors believes that TIMCO's investment style is particularly well-suited to the Fund's direction and overall objective. In addition, the Board of Directors believes that the recommended proposal is in the best interests of The Inefficient-Market Fund's stockholders and will not have any material effect on the level of investment advisory fees nor incur any other additional extraordinary fees to the Fund.

Please complete, sign and mail the enclosed proxy card ... today!

We strongly urge you to participate by reviewing, completing and returning your proxy by no later than July 6, 1995 in the postage-paid envelope provided.

For more details about the proposal and other business to be discussed at the meeting, please refer to the enclosed proxy statement. If you sign and date your proxy card, but do not provide voting instructions, your shares will be voted FOR the proposal.

We thank you for your timely participation and look forward to serving your investment needs with Smith Barney Mutual Funds. If you have any questions, please call your Financial Consultant who will be pleased to assist you.

Sincerely,

/s/ Heath B. McLendon

Heath B. McLendon
Chairman of the Board
The Inefficient-Market Fund, Inc.

THE INEFFICIENT-MARKET FUND, INC.
388 GREENWICH STREET
NEW YORK, NEW YORK 10013

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on July 7, 1995

To the Stockholders of The Inefficient-Market Fund, Inc.:

The Annual Meeting of Stockholders of THE INEFFICIENT-MARKET FUND, INC. (the "Fund") will be held at the Fund's offices at 388 Greenwich Street, New York, New York, 26th Floor, on July 7, 1995 at 4:00 p.m. (New York time) for the following purposes:

1. To elect to the Board one class of directors consisting of three directors;
2. To consider and act upon the ratification of the selection of KPMG Peat Marwick LLP as independent auditors for the Fund;
3. To approve or disapprove a new investment advisory agreement between the Fund and Travelers Investment Management Company, a wholly-owned subsidiary of Smith Barney Holdings Inc., the parent company of the Fund's administrator, containing substantially the same terms and conditions, including the same level of fees, as the Fund's current investment advisory agreement; and
4. To transact such other business as may properly come before the meeting or any adjournments thereof.

The stock transfer books will not be closed, but in lieu thereof, the Board of Directors has fixed the close of business on April 26, 1995 as the record date for the determination of stockholders entitled to notice of, and to vote at, the meeting.

By Order of the Board of Directors

Christina T. Sydor, Secretary

New York, New York

June 6, 1995

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING IN PERSON OR BY PROXY; IF YOU DO NOT EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE PROVIDED FOR YOUR CONVENIENCE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

THE INEFFICIENT-MARKET FUND, INC.

388 GREENWICH STREET
NEW YORK, NEW YORK 10013

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JULY 7, 1995

INTRODUCTION

This proxy statement is furnished in connection with the

solicitation by
the Board of Directors (the "Board") of The
Inefficient-Market
Fund,
Inc. (the "Fund") of proxies to be voted at
the Annual Meeting of
Stockholders (the "Meeting") of the Fund to
be held at the Fund's
offices at 388 Greenwich Street, New York, New
York, 26th Floor, on
July 7, 1995 at 4:00 p.m. (New York time), and
at any adjournments
thereof, for the purposes set forth in the
accompanying Notice of
Annual Meeting of Stockholders. The cost of
soliciting proxies will be borne by
the Fund. In addition, certain officers,
directors and employees
of the Fund and Smith Barney Inc., 388
Greenwich Street, New York, N.Y. 10013 ("Smith
Barney") (none of whom will receive additional
compensation therefor) may solicit proxies in
person or by
telephone, telegraph, or mail.
The Annual Report of the Fund, including
audited financial
statements for the fiscal year ended December
31, 1994 has previously been furnished to all
shareholders of the Fund. This proxy statement
is first
being mailed to shareholders on or about June
6, 1995.
The Fund will provide additional copies of the
annual report to any shareholder upon request
by calling the Fund at 1-800-224-7523.

All properly executed proxies received prior
to the Meeting will be
voted at the Meeting in accordance with the
instructions marked thereon or otherwise as
provided therein. Unless instructions to the
contrary
are marked, shares represented by the proxies
will be voted "FOR" all the
proposals. Proposal 1 requires for approval
the affirmative vote of
a plurality of the votes cast at the Meeting
with a quorum present, in person or by proxy
by the shareholders of the Fund voting on the
matter. Proposals 2 and 3 require for approval
the affirmative vote of a majority of the

votes cast at the Meeting with a quorum present, in person or by proxy by the shareholders of the Fund voting on the matter. Abstentions and broker non-votes (that is, proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owner or other persons entitled to vote shares on a particular matter with respect to which the brokers or nominees do not have discretionary power) will be treated as shares that are present but which have not been voted. For this reason, abstentions and broker non-votes will have the effect of a "no" vote for purposes of obtaining the requisite approval of each proposal. Any proxy may be revoked at any time prior to the exercise thereof by submitting another proxy bearing a later date or by giving written notice to the Secretary of the Fund at the Fund's address indicated above or by voting in person at the Meeting. The Board knows of no business other than that specifically mentioned in the Notice of Meeting which will be presented for consideration at the Meeting. If any other matters are properly presented, it is the intention of the persons named in the enclosed proxy to vote in accordance with their best judgment.

The Board of Directors of the Fund has fixed the close of business on April 26, 1995 as the record date for the determination of stockholders of the Fund entitled to notice of and to vote at the Meeting or any adjournment thereof. Stockholders of the Fund on that date will be entitled to one vote on each matter for each share held and a fractional vote with respect to fractional shares with no cumulative voting rights. At the close of business on April 26, 1995, the Fund had outstanding 4,384,000 shares of Common Stock, par value \$.001 per share, the only authorized class of stock, of which 520,000 shares (11.86%) were held in accounts,

but not beneficially owned by, Smith Barney International Inc., 388 Greenwich Street, New York, NY 10013. As of April 26, 1995 the following single shareholder or "group" (as that term is used in Section 13(d) of the Securities Exchange Act of 1934) held in accounts, but not beneficially owned 5% or more of the Fund's outstanding shares: Cede & Co., P.O. Box 20, Bowling Green Station, New York, NY 10274 (4,298,735 shares - 98.06%).

The principal executive offices of the Fund are located at 388 Greenwich Street, New York, New York 10013. The enclosed proxy and this proxy statement are first being sent to the Fund's stockholders on or about June 6, 1995.

In the event that sufficient votes in favor of the proposals set forth in the Notice of Meeting and this Proxy Statement are not received by the time scheduled for the Meeting, the persons named as proxies may move one or more adjournments of the Meeting to permit further solicitation of proxies with respect to any such proposals. In determining whether to adjourn the Meeting, the following factors may be considered: the nature of the proposals that are the subject of the Meeting, the percentage of votes actually cast; the percentage of negative votes actually cast; the nature of any further solicitation and the information to be provided to shareholders with respect to the reasons for the solicitation. Any such adjournment will require the affirmative vote of a majority of the shares present at the Meeting. The persons named as proxies will vote in favor of such adjournment those shares which they are entitled to vote and which have voted in favor of such proposals.

PROPOSAL NO. 1.

ELECTION OF DIRECTORS

The Board of Directors of the Fund is classified into three classes. The directors serving in Class II have terms expiring at the Annual Meeting; each Class II director currently serving on the Board has been nominated by the Board of Directors for re-election at the Meeting to serve until the 1998 Annual Meeting of Stockholders or until their successors have been duly elected and qualified.

The Board of Directors of the Fund knows of no reason why any of the Class II nominees listed below will be unable to serve, but in the event of any such unavailability, the proxies received will be voted for such substitute nominees as the Board of Directors may recommend.

Certain information concerning the directors is set forth below.

All of the individuals listed are currently directors of the Fund and, except as indicated, each individual has held the office shown or other offices in the same company for the last five years. Directors affiliated with Smith Barney and considered an "interested person" as defined in the Investment Company Act of 1940, as amended (the "1940 Act") are indicated by an asterisk(*).

Persons Nominated for Election as Directors

Name

Principal Occupations
During Past Five Years,
Other Directorships, and Age

Number and
Percentage of Fund
Shares Beneficially Owned
on April 26, 1995

CLASS II DIRECTORS

Francis P. Martin

Director since 1989 Practicing physician;
Director of ten
investment companies associated with Smith
Barney. Formerly President of the Nassau
Physicians' Fund, Inc.; 70. None

Roderick C. Rasmussen

Director since 1989 Investment Counselor;
Director of ten
investment companies associated with Smith
Barney. Formerly Vice President of Dresdner
and Company Inc. (investment counselors); 68.
None

Bruce D. Sargent*

Director since 1991 Managing Director of
Smith Barney, and Vice President and Director
of Smith Barney Mutual Funds Management Inc.
("SBMFM"), Smith Barney Funds, Inc., and Smith
Barney World Funds, Inc.; 51. 306(a)

(a) Represents shares owned by members of this
director's family.

The remainder of the Board constitutes the
Class III and Class I
directors, none of whom will stand for
election at the Meeting, as
their terms will expire in 1996 and 1997,
respectively.

Directors Continuing in Office

Name

Principal Occupations
During Past Five Years,
Other Directorships, and Age

Number and
Percentage of Fund
Shares Beneficially Owned
on April 26, 1995

CLASS III DIRECTORS

Ralph D. Creasman

Director since 1989 Retired; Director of ten investment companies associated with Smith Barney. Formerly, Chairman, President and Chief Executive Officer of Lionel D. Edie & Co., Inc. (investment counselors), Chairman of Edie International S.A. and President and Director of Edie Ready Assets Trust, Fundamerica of Japan, Edie Special Growth Fund and Edie Capital Fund; 73.

None

Donald R. Foley

Director since 1989 Retired; Director of ten investment companies associated with Smith Barney. Formerly Vice President of Edwin Bird Wilson, Incorporated (advertising); 72.

None

John P. Toolan

Director since 1989 Retired; Director of ten investment companies associated with Smith Barney. Formerly, Director and Chairman of Smith Barney Trust Company, Director of Smith

Barney, Mutual Management Corp. ("MMC") and SBMF. Prior to 1992, Senior Executive Vice President, Director and Member of the Executive Committee of Smith Barney and formerly President of Loeb Rhodes, Hornblower & Co. and predecessor securities firms; 64.
None

Heath B. McLendon*

Director since 1995 Managing Director of Smith Barney; Director of forty-one investment companies associated with Smith Barney; President of the Manager; Chairman of the Board of Smith Barney Strategy Advisors Inc.; prior to July 1993, Senior Executive Vice President of Shearson Lehman Brothers; Vice Chairman of the Board of Asset Management; 61.

200

CLASS I DIRECTORS

Joseph H. Fleiss

Director since 1989 Retired; Director of ten investment companies associated with Smith Barney. Formerly Senior Vice President of Citibank, Manager of Citibank's Bond Investment Portfolio and Money Desk, and a Director of Citicorp Securities Co., Inc.; 77. None

C. Richard Youngdahl

Director since 1989 Retired; Director of ten investment companies associated with Smith Barney. Formerly Chairman of the Board of Pensions Lutheran Church in America, Chairman of the Board and Chief Executive Officer of Aubrey G. Lanston & Co. (dealers in U. S. Government Securities) and President of the Association of Primary Dealers in U.S. Government Securities; 79.
1,092

(less than 1%)

Paul Hardin

Director since 1994 Chancellor of the University of North Carolina at Chapel Hill, University of North Carolina; Director of twelve investment companies associated with Smith Barney; Director of The Summit Bancorporation; 63.
None

Jessica Bibliowicz*

Director since 1995 Executive Vice President of Smith Barney;
Director of twelve investment companies associated with Smith Barney, President of forty investment companies associated with Smith Barney. Prior to January 1994, Director of Sales and Marketing for Prudential Mutual Funds; prior to September 1991, First Vice President, Asset Management Division of Shearson Lehman Brothers Inc.; 35.
None

As of April 26, 1995 all directors and officers as a group (17 persons) beneficially owned less than 1% of the shares outstanding of the Fund.

Section 16(a) of the Securities Exchange Act of 1934 requires the Fund's officers and directors, and persons who beneficially own more than ten percent of a registered class of the Fund's equity securities, to file reports of ownership with the Securities and Exchange Commission, the American Stock Exchange and the Fund. Based solely upon its review of the copies of such forms received by it and written representations from such persons, the Fund believes that, during fiscal year 1994, all

filing requirements applicable to such persons were complied with.

The Fund has no compensation or nominating committee of the Board of Directors, or any committee performing similar functions. The Fund has an audit committee composed of all the directors who are not interested persons of the Fund or Smith Barney (the "independent directors") which is charged with recommending a firm of independent auditors to the Fund and reviewing accounting matters with the auditors. The audit committee met once during the fiscal year ended December 31, 1994. All of the members of the Audit Committee attended the meeting.

The following table shows the compensation paid by the Fund to each incumbent director during the Fund's last fiscal year. Only the independent directors receive remuneration from the Fund for acting as a director. Aggregate fees (including reimbursement for travel and out-of-pocket expenses) of \$27,100 were paid to such directors by the Fund during the fiscal year ended December 31, 1994. Fees for independent directors who are directors of a group of funds sponsored by Smith Barney are set at \$40,000 per annum plus \$100 per portfolio for each day of Board meetings attended. The annual retainer fee is allocated among the funds based on the relative net assets of each individual fund or portfolio. None of the officers of the Fund received any compensation from the Fund for such period. Officers and interested directors of the Fund are compensated by Smith Barney.

Compensation Table

Name of Person

Aggregate

Compensation
from Fund

Pension or
Retirement Benefits
Accrued as part of
Fund Expenses

Total
Compensation
from Fund and
Fund Complex Paid
to Directors

Number of Funds
for which Director
serves within
Fund Complex

Jessica M. Bibliowicz*
\$0
\$0
\$0
12

Ralph D. Creasman
3,600
0
51,500
10

Joseph H. Fleiss
3,600
0
50,900
10

Donald R. Foley
3,600
0
51,500
10

Paul Hardin
1,900
0
[XP** [AP27,800**

[XP** [AP12**

Heath B. McLendon*

0
0
0
41

Francis P. Martin

3,600
0
51,500
10

Roderick C. Rasmussen

3,600
0
51,500
10

Bruce D. Sargent*

0
0
0
3

John P. Toolan

3,600
0
51,500
10

C. Richard Youngdahl

3,600
0
51,500
10

[XP*[AP* Designates an "interested director".
** Reflects the compensation paid to Dr.
Hardin and the number of
funds within the Fund Complex for which Dr.
Hardin serves as a
director as of the date of this Proxy
Statement. For the fiscal
year ended December 31, 1994, Mr. Hardin
served as a director of 25 funds within the
Fund Complex and was paid \$96,400.

During the Fund's last fiscal year five meetings of the Board of Directors were held. No director attended less than 75% of these meetings of the Board.

The following is a list of the current executive officers of the Fund, all of whom have been elected by the directors to serve until their respective successors are elected:

Name

Offices and
Positions
Held
with Fund

Period
Offices
Held

Principal Occupations
During Past Five
Years and Age

Jessica Bibliowicz
President
1995
(see table of directors above)

Ayako Weissman
Vice President
1989 to 1991
1994 to date
Managing Director of Smith Barney and
Portfolio Manager of the Income and Growth
Portfolio of Smith Barney Funds, Inc.;37.

Ellen Cardozo Sonsino
Vice President
1989 to date
Managing Director of Smith Barney and
Senior Portfolio Manager in the Capital
Management Division.
Formerly a Vice President/Senior Investment
Analyst with ABD Securities Corporation; prior
to that, a Vice President with Lionel D. Edie
& Co., Inc.; 41.

Lewis E. Daidone
Treasurer
1990 to date
Managing Director of Smith Barney,
Director and Senior Vice President of SBMFM
and Senior Vice
President and Treasurer of other investment
companies associated
with Smith Barney. Prior to January 1990,
Senior Vice President and
Chief Financial Officer of Cortland Financial
Group, Inc. and Vice
President and Treasurer of its associated
investment companies and
subsidiary broker-dealer; 37.

Name

Offices and
Positions
Held
with Fund

Period
Offices
Held

Principal Occupations
During Past Five
Years and Age

Christina T. Sydor
Secretary
1989 to date
Managing Director of Smith Barney. General
Counsel and Secretary of SBMFM and Secretary
of other investment
companies associated with Smith Barney; 44.

Thomas M. Reynolds
Controller and
Assistant Secretary
1991 to date
Director of Smith Barney in the Asset
Management Division, and Controller and
Assistant Secretary of
other investment companies associated with
Smith Barney. Prior to
September 1991, Assistant Treasurer of Aquila
Management Corporation and its associated
investment companies; 35.

Anthony J. Pace
Assistant
Controller
1992 to date
Vice President of Smith Barney in the Asset
Management Division, and Assistant Controller
of other investment
companies associated with Smith Barney; 29.

As of April 26, 1995 the directors and
officers of the Fund as a
group beneficially owned less than 1% of the
outstanding shares of Common Stock of
Travelers Group ("Travelers"), the ultimate
parent of Smith Barney.

The Board of Directors recommends that you
vote "FOR" the nominees.

PROPOSAL NO. 2.

RATIFICATION OF SELECTION OF INDEPENDENT
AUDITORS

KPMG Peat Marwick LLP ("KPMG") have been selected as the independent auditors to audit the accounts of the Fund for and during the fiscal year ending December 31, 1995 by a majority of the independent directors by a vote cast in person subject to ratification by the stockholders at the Meeting (the entire Board concurred in the selection). KPMG also serves as the independent auditors for other investment companies associated with Smith Barney and for Travelers. KPMG has no direct or material indirect financial interest in the Fund, Smith Barney, its parent, Travelers, or any other investment company sponsored by Smith Barney or its affiliates. If the Fund receives a written request from any stockholder at least five days prior to the Meeting stating that the stockholder will be present in person at the Meeting and desires to ask questions of the auditors concerning the Fund's financial statements, the Fund will arrange to have a representative of KPMG present at the Meeting who will respond to appropriate questions and have an opportunity to make a statement. The affirmative vote of a majority of shares present and voting at the meeting is required to ratify the selection of KPMG. The Board of Directors recommends that the stockholders vote "FOR" the ratification of the selection of independent auditors.

PROPOSAL NO. 3.

TO APPROVE OR DISAPPROVE A NEW INVESTMENT ADVISORY AGREEMENT BETWEEN TRAVELERS INVESTMENT MANAGEMENT COMPANY AND THE FUND, CONTAINING SUBSTANTIALLY THE SAME TERMS AND CONDITIONS, INCLUDING THE SAME LEVEL OF FEES, AS THE FUND'S CURRENT INVESTMENT ADVISORY AGREEMENT.

For the reasons and based on an extensive analysis of factors described below, the Directors of the Fund unanimously determined, subject to approval by the shareholders of the Fund, to enter into a new investment advisory agreement (the "New Agreement") between the Fund and Travelers Investment Management Company ("TIMCO"), a wholly owned subsidiary of Smith Barney Holdings Inc. ("Holdings"), which in turn is a wholly owned subsidiary of Travelers, the ultimate parent company of the Fund's administrator. Smith Barney Inc. (the "Current Adviser") is currently the Fund's investment adviser pursuant to an investment advisory agreement dated December 18, 1989 (the "Current Agreement"). The New Agreement contains substantially the same terms and conditions, including the same investment advisory fee, contained in the Current Agreement. If approved by shareholders, the New Agreement will continue initially for a two-year period and would continue automatically for successive annual periods thereafter; provided such continuance is approved at least annually by: (a) a majority of the Board who are not interested persons of the Fund (as the term is used in the Investment Company Act of 1940, as amended (the "1940 Act")) and (b) a majority of the full Board of Directors or a majority of the outstanding voting securities of the Fund, as defined in the 1940 Act.

The Current Adviser

Smith Barney Inc., 388 Greenwich Street, New York, N.Y. 10013 ("Smith Barney" or the "Current Adviser") is currently the investment adviser of the Fund. The Current Adviser is a wholly owned subsidiary of Holdings, which is, in turn, a wholly owned subsidiary of Travelers. The principal executive offices of Holdings and Travelers are located at 388 Greenwich Street, 26th Floor, New York, N.Y. 10013. The Current Agreement was approved by shareholders on November 2, 1990. Under the terms of the Current

Agreement, the Fund pays an investment advisory fee at an annual rate of 0.75% of the Fund's average daily net assets. The advisory fee is higher than those paid by most other investment companies. During the fiscal year ended December 31, 1994, the Fund paid Smith Barney \$402,574 in investment advisory fees.

Smith Barney is a registered investment adviser and a registered broker/dealer incorporated in 1960 under the laws of the State of Delaware. Smith Barney was formed through the merger of Smith Barney, Harris Upham & Co. Incorporated and Shearson Lehman Brothers Incorporated in 1993. Prior to that time, Smith Barney, Harris Upham & Co. Incorporated (or its predecessor firms) had operated as an investment banking and brokerage firm since 1873. Smith Barney is engaged in the securities underwriting and securities and commodities brokerage business with over 480 branch offices throughout the world and more than 27,000 employees. Smith Barney is a member of the New York Stock Exchange and other major securities and commodities exchanges. It acts as sponsor of numerous unit investment trust funds and as a principal underwriter of other investment companies.

Smith Barney, in addition to participating as a member of various selling groups or as agent of other investment companies, executes orders on behalf of investment companies for the purchase and sale of their securities and sells securities to such companies as a broker or dealer in securities. Smith Barney acts as investment adviser to various individual and institutional clients whose portfolios include corporate, United States Government and municipal securities. Affiliates of Smith Barney are investment managers of other investment companies, including money market funds, with assets in excess of \$54 billion.

The name of each director of Smith Barney is as follows: Robert F.

Greenhill, Chairman and Chief Executive Officer; James Dimon, Chief Operating Officer; Robert Druskin, Vice Chairman and Chief Administrative Officer; Steven D. Black, Vice Chairman and Deputy Chief Operating Officer; Jeffrey B. Lane, Vice Chairman; Robert H. Lessin, Vice Chairman; Michael B. Panitch, Vice Chairman; Jack L. Rivkin, Vice Chairman; James S. Boshart, III, Managing Director; Robert A. Case, Managing Director; and John F. Lyness, Managing Director. The address of each director is 388 Greenwich Street, New York, NY 10013.

Under the Advisory Agreement the Fund is responsible for the costs of its operations. During the fiscal year ended December 31, 1994 an aggregate of \$251,579 of operating expenses (excluding interest and advisory fees) was accrued and/or paid by the Fund. Of this amount, \$134,191 was accrued and/or paid to Mutual Management Corp. ("MMC"), an affiliate of the Current Adviser, during this period for administration services provided to the Fund pursuant to an Administration Agreement with the Fund dated as of December 18, 1989, which provides that MMC shall be paid a fee calculated at the annual rate of 0.25% per annum of the Fund's average daily net assets paid monthly. No change is contemplated in the Administration Agreement as a result of the proposed change in investment adviser.

The Proposed Investment Adviser

TIMCO was founded over 25 years ago as an investment adviser responsible for providing investment advice to investment companies and private accounts. The investment professionals at TIMCO, which has been a registered investment adviser since 1971, have extensive experience in developing and managing equity portfolios with objectives

similar to the Portfolio's objectives. Exhibit B to this Proxy Statement identifies investment companies that invest in equities for which TIMCO serves as investment adviser, the fees charged by TIMCO and the size of each such investment company. Under the terms of these various investment advisory agreements, TIMCO provides portfolio advice and assistance with respect to the selection, acquisition, holding and disposal of securities and receives compensation based on direct and indirect costs it incurs in performing such services.

The name, position with TIMCO and principal occupation of each executive officer and director of TIMCO are set forth in the following table. The business address of TIMCO and Messrs. Kelley, Bhagat, Hurwitz and Willey is One Tower Square, Hartford, CT 06183-2030. The business address of Messrs. Lane, McLendon, Day and Churm is 388 Greenwich Street, New York, NY 10013.

Name

Position with TIMCO

Principal Occupation

Jeffrey B. Lane
Chairman of the Board
Director and Vice Chairman of Smith Barney

Kent A. Kelley
Director and Chief Executive Officer

Chief Executive Officer and
Portfolio Manager

Sandip A. Bhagat
Director and President
President and Portfolio
Manager

Heath B. McLendon
Director
(See Table of directors above)

Jacob E. Hurwitz
Vice President
Portfolio Manager

Daniel B. Willey
Vice President
Head Trader

Michael J. Day
Treasurer
Controller of Smith Barney

James W. Churm
Secretary
Senior Vice President and Managing
Counsel of Smith Barney

Evaluation by the Board and Reasons for the
Proposal

On May 16, 1995, the Board of Directors met in person at a meeting called for the purpose of considering, among other things, the New Agreement with TIMCO. The Board also considered at that time the continuation of the Fund's Current Agreement with Smith Barney and various other possible alternatives. The Board reviewed materials furnished by TIMCO that described, among other matters, TIMCO and its affiliates, senior personnel, portfolio managers, analysts and others, its method of operations, investment

philosophy, performance record and financial condition. Representatives of TIMCO met with the Board to discuss in depth the written materials and to respond to questions from the Board and its independent counsel. The Board of Directors of the Fund determined to terminate the Fund's Current Agreement with Smith Barney and to enter into the New Agreement with TIMCO subject to the approval of shareholders. In so doing, a variety of factors were evaluated. The Board reviewed Smith Barney's investment performance on behalf of the Fund and the past investment performance of TIMCO in managing portfolios of funds with objectives and policies similar to those of the Fund and evaluated such performance against various indices and industry standards. The Board considered the fact that TIMCO specializes in quantitative equity management and uses a disciplined approach to common stock management in the small/mid capitalization segments of the equity market. It also considered TIMCO's systematic approach to stock selection that employs a set of sophisticated valuation and earnings models to identify stocks that have a high probability of outperforming the small and mid-cap sectors of the market. The Board felt that TIMCO's investment style, which is to emphasize stocks that appear undervalued relative to fundamental measures based on discounted cash flow analysis and also demonstrate a current trend of improving earnings, would be an excellent match with the Fund's objective of investing in equity securities of companies that are believed to be inefficiently valued and

therefore have good potential for capital appreciation. After carefully evaluating the foregoing material and factors, the Board of Directors of the Fund who were not interested persons of the Fund approved, subject to shareholder approval, the New Agreement with TIMCO containing substantially identical terms and conditions as the Current Agreement, and recommended its approval by the Fund's shareholders.

The Proposed Agreement

A copy of the form of the New Agreement is set forth as Exhibit A to this Proxy Statement. Under its terms, TIMCO, subject to the supervision and approval of the Fund's Board, would manage the Fund's investments in accordance with its investment objective and policies. As investment adviser, TIMCO would be responsible for making investment decisions concerning assets, supplying investment research and portfolio management services and placing orders to purchase and sell assets on behalf of the Fund. TIMCO would receive a fee that is computed daily and paid monthly at the annual rate of 0.75% of the value of the Fund's average daily net assets. This advisory fee is higher than those paid by most other investment companies. With the exception of the identity of the investment adviser and the commencement and termination dates, the provisions of the New Agreement and the Current Agreement with Smith Barney are virtually identical.

Under the terms of the New Agreement, TIMCO bears all expenses in connection with its performance. Other expenses incurred in the operation of the Fund will continue to be borne by the Fund, including: taxes, interest, brokerage fees and commissions, if any; fees of the Board members who are not "interested persons" as defined in the 1940 Act; blue sky qualification fees; charges of custodian and transfer and dividend disbursing agents; certain insurance premiums; outside auditing and legal expenses; costs of preparation and printing of shareholders' reports; costs incurred in connection with meetings of the shareholders of the Fund, and its other business and operating expenses and any extraordinary expenses. The New Agreement provides that in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard for its obligations thereunder, TIMCO shall not be liable for any act or omission in the course of or in connection with the rendering of its services thereunder.

The New Agreement provides that it will continue in effect for a period of two years from its effective date, and if not sooner terminated, will continue in effect for successive periods of 12 months thereafter, provided that each continuance is specifically approved at least annually by both (1) the vote of majority of the Fund's Board or the vote of a majority of the outstanding voting securities of the Fund (as such term is defined in the 1940 Act) and (2) by the vote of a majority of the directors who are not parties to such Agreement or interested persons (as such term is defined in the 1940

Act) of any such party, cast in person at a meeting called for the purpose of voting on such approval. The New Agreement may be terminated as a whole at any time by the Fund, without the payment of any penalty, upon the vote of a majority of the Fund's Board or a majority of the outstanding voting securities of the Fund or by the Adviser, on 60 days' written notice by either party to the other. The New Agreement will terminate automatically in the event of its assignment (as such term is defined in the 1940 Act and the rules thereunder).

Required Vote

Approval of the New Agreement requires the affirmative vote of a "majority of the outstanding voting securities" of the Fund. The term "majority of the outstanding voting securities" of the Fund, as defined in the 1940 Act, means an affirmative vote of the lesser of: (a) 67% of the voting securities of the Fund present at the Meeting if more than 50% of the outstanding shares are present in person or by proxy at the Meeting; and (b) more than 50% of the outstanding voting securities of the Fund. If the New Agreement is not approved by the shareholders of the Fund, Smith Barney will continue to serve as investment adviser to the Fund and the Board of Directors will consider other appropriate actions in the best interests of the Fund. The Board of Directors recommends that the stockholders vote "FOR" the approval of the new investment advisory agreement.

Portfolio Transactions and Brokerage

Subject to policies established by the Board of Directors of the Fund, the investment adviser (currently, Smith Barney and after approval of the New Agreement, TIMCO) will arrange for the execution of the Fund's portfolio transactions and the allocation of brokerage. In executing portfolio transactions, the investment adviser

will seek to obtain the most favorable execution of portfolio transactions, that is, the best combination of net price and prompt reliable execution. In the investment adviser's opinion it is not possible to determine in advance that any particular broker will actually be able to effect the most favorable execution because, in the context of a constantly changing market, order execution involves judgments as to price, volume, the trend and breadth of the market, the possibility of a block transaction, and the broker's activity in the security as well as its general record for prompt, competent and reliable service in all aspects of order processing, execution and settlement as well as anticipated commission rates.

A substantial portion of the securities in which the Fund will invest may be traded in the over-the-counter markets, and the Fund intends to deal directly with the dealers who make markets in the securities involved, except in those circumstances where better prices and execution are otherwise available. Under the 1940 Act, persons affiliated with the Fund are prohibited from dealing with the Fund as principal in the purchase and sale of securities. Transactions in the over-the-counter markets usually involve transactions with dealers acting as principal for their own account. The Fund will not deal with affiliated persons as principal; however, affiliated persons of the Fund may serve as its

broker
in over-the-counter markets and other
transactions conducted on an
agency basis in accordance with the 1940 Act.

The investment adviser has no obligation to
deal with any broker or
group of brokers in the execution of
transactions. The Fund's
portfolio
transactions may be effected through Smith
Barney provided it is
consistent with the policy of obtaining the
most favorable
execution. The
Fund's Board of Directors has adopted
procedures in conformity with
Rule 17e-1 under the 1940 Act to ensure that
all brokerage
commissions
paid to Smith Barney are reasonable and fair.

In allocating brokerage among other brokers
who are believed to be
capable of providing equally favorable
execution, the Fund may
also
take into consideration the fact that a
particular broker may, in
addition
to execution capability, provide other
services to the Fund such as
research and statistical information. It is
not possible to place
a dollar
value on such services, other than services
provided by third
parties, nor
does their availability reduce the investment
adviser's expenses in a determinable amount.
These various services may, however, be useful
to the investment adviser in connection with
its services rendered to the
Fund or to other advisory clients and not all
such services may be
used in connection with the Fund.

During the fiscal year ended December 31,
1994, the Fund paid \$61,633 in brokerage
commissions, of which \$5,380 (8.73 %) was paid

to Smith Barney for services in connection with trades that were directed to Smith Barney, but executed by unaffiliated brokers and not for research or statistical services. During the same period, Smith Barney effected 4.27% of the total dollar amount of transactions involving the payment of commissions.

DEADLINE FOR STOCKHOLDER PROPOSALS

Stockholder proposals intended to be presented at the 1996 Annual Meeting of the Stockholders of the Fund must be received by February 5, 1996 to be included in the proxy statement and the form of proxy relating to that meeting.

OTHER MATTERS

The management knows of no other matters which are to be brought before the Meeting. However, if any other matters not now known or determined properly come before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy in accordance with their judgment on such matters.

All proxies received will be voted in favor of all the proposals, unless otherwise directed therein.

By Order of the Board of Directors,

Christina T. Sydor
Secretary

June 6, 1995

act as investment
adviser
to the Fund on the terms set forth in this
Agreement. The Adviser
accepts such appointment and agrees to render
the services herein
described, for the compensation herein
provided.

2. Subject to the supervision of the Board of
Directors of the
Fund (the
"Board"), the Adviser shall manage the
investment of the Fund
assets
and provide investment research advice and
supervision of the
Fund's
portfolio in accordance with the Fund's
investment objective,
policies
and restrictions as stated in the Fund's
Registration Statement
under the
1940 Act as it may be amended from time to
time (the Fund's
"Registration Statement") and subject to the
following
understandings:

(a) The Adviser shall provide supervision of
the Fund's
investments and

determine from time to time the investments or
securities that will
be
purchased, retained, sold or loaned by the
Fund, and the portion of
the
assets that will be invested in securities or
otherwise.

In determining the securities to be purchased
or sold by the Fund,
the
Adviser shall place orders with respect to
portfolio securities
either
directly with the issuer or with or through
such persons, brokers
(including Smith Barney Inc.) or dealers in

conformity with the
policy
with respect to brokerage as set forth in the
Fund's Registration
Statement or as the Board may direct from time
to time. It is
understood
that it may be desirable for the Fund that
the Adviser have access
to
supplemental investment and market research
and security and
economic
analysis provided by brokers who may execute
brokerage transactions
at
a higher cost to the Fund than may result when
allocating brokerage
to
other brokers on the basis of seeking the best
price and best
execution.

Therefore, the Adviser is authorized to place
orders for the
purchase and
sale of securities for the Fund with such
brokers, subject to
review by
the Fund's Board from time to time with
respect to the extent and
continuation of this practice. It is
understood that the services
provided
by such brokers may be useful to the Adviser
or its affiliates in
connection with their services to other
clients.

(b) The Adviser shall use its best judgment
in the performance of
its
duties
under this Agreement.

(c) The Adviser undertakes to perform its
duties and obligations
under
this
Agreement in conformity with the Prospectus of
the Fund, with the
requirements of the 1940 Act and all other
applicable Federal and
state

laws and regulations and with the instructions and directions of the Board.

(d) The Adviser shall maintain such books and records with respect to the Fund's portfolio transactions and such books and records required to be maintained by the Adviser pursuant to the Rules of the Commission under the 1940 Act and the Adviser shall render to the Fund's Board such periodic and special reports as the Board may reasonably request.

The Adviser agrees that all records that it maintains for the Fund are the property of the Fund and it will surrender promptly to the Fund any of such records upon the Fund's request.

(e) The Adviser shall provide the Fund's Administrator on each business day with information relating to all transactions concerning the Fund's portfolio.

3. The Adviser will bear all of its expenses of its employees and overhead in connection with its duties under this Agreement. It will also pay all directors' fees and salaries of the Fund's directors and officers who are affiliated persons (as such term is defined in the 1940 Act) of the Adviser.

Except for the expenses specifically assumed by the Adviser, the Fund will pay all of its expenses, including,

without limitation, fees
of the
directors not affiliated with the Adviser or
its affiliates and
board
meeting expenses; fees of the Adviser and of
Smith Barney Mutual
Funds Management Inc. (or any successor) as
the Administrator;
interest
charges; taxes; charges and expenses of the
Fund's legal counsel
and
independent accountants, and of the transfer
agent, registrar and
dividend
disbursing agent of the Fund; expenses of
repurchasing Shares;
expenses
of printing and mailing share certificates,
stockholder reports,
notices,
proxy statements and reports to governmental
offices; brokerage and
other expenses connected with the execution,
recording and
settlement of
portfolio security transactions; expenses
connected with
negotiating,
effecting purchases or sales or registering
privately issued
portfolio
securities; fees and expenses of the Fund's
custodians for all
services to
the Fund, including safekeeping of funds and
securities and
maintaining
required books and accounts; expenses of
calculating and publishing
the
net asset value of the Fund's Shares; expenses
of membership in
investment company associations; expenses of
fidelity bonding and
other
insurance premiums; expenses of stockholders'
meetings; SEC and
state
blue sky registration fees; American Stock

Exchange listing fees;
fees
payable to the National Association of
Securities Dealers, Inc. in
connection with this offering; and its other
business and
operating
expenses.

4. For the services provided and the expenses
assumed pursuant to
this
Agreement, the Fund will pay to the Adviser a
monthly fee in
arrears
equal to 0.75% per annum of the Fund's
average daily net assets
during
the month.

5. The Adviser shall authorize and permit any
of its directors,
officers and employees who may be elected as
directors or officers of the Fund to serve in
the capacities in which they are elected.

6. The Adviser shall not be liable for any
error of judgment or
for any loss suffered by the Fund in
connection with the matters to which this
Agreement relates, except a loss resulting
from a breach of fiduciary
duty with respect to the receipt of
compensation for services (in
which
case any award of damages shall be limited to
the period and the
amount
set forth in Section 36(b)(3) of the 1940 Act)
or a loss resulting
from
willful misfeasance, bad faith or gross
negligence on its part in
the
performance of its duties or from reckless
disregard by it of its
obligations and duties under this Agreement.

7. This Agreement shall continue in effect
for a period of two
years

from its effective date, and if not sooner terminated, will continue in effect for successive periods of 12 months thereafter, provided that each continuance is specifically approved at least annually in conformity with the requirements of the 1940 Act. This Agreement may be terminated as a whole at any time by the Fund, without the payment of any penalty, upon the vote of a majority of the Fund's Board of Directors or the vote of a majority of the outstanding voting securities (as defined in the 1940 Act) of the Fund, or by the Adviser, on 60 days' written notice by either party to the other. This Agreement shall terminate automatically in the event of its assignment (as such term is defined in the 1940 Act and the rules thereunder).

8. Nothing in this Agreement shall limit or restrict the right of any of the Adviser's directors, officers, or employees who may also be a director, officer or employee of the Fund to engage in any other business or to devote his time and attention in part to the management or other aspects of any business, whether of a similar or a dissimilar nature, nor limit or restrict the Adviser's right to engage in any other business or to render services of any kind to any other corporation, firm,

individual
or association. The investment advisory
services provided by the
Adviser
hereunder are not to be deemed exclusive, and
the Adviser shall be
free
to render similar services to others.

9. Any notice or other communication required
to be given pursuant
to
this Agreement shall be deemed duly given if
delivered or mailed
by
registered mail, postage prepaid, (i) to the
Adviser at One Tower
Square,
Hartford, Connecticut 06183, Attention: Chief
Executive Officer; or
(ii)
to the Fund at 388 Greenwich Street, New York,
New York 10013,
Attention: Secretary.

10. This Agreement shall be governed by and
construed in
accordance with the laws of the State of New
York.

11. Under a License Agreement dated December
18, 1989 between the
Fund and Smith Barney Inc., Smith Barney has
granted to the Fund
a
royalty-free, non-exclusive license to use
the name "The
Inefficient-Market Fund, Inc." in the United
States only in
connection
with the operation of an investment company.
It is further
provided in
the License Agreement that Smith Barney may
use or license the
above
term in connection with other investment
companies, subject to the
requirements of the 1940 Act, or any other
business enterprise
during

the term of such License Agreement or thereafter. The License Agreement is terminable by Smith Barney on sixty days' notice to the Fund or as soon as practicable thereafter. Upon such termination the Fund is required to change its name to one which does not include the term "Inefficient Market".

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

THE INEFFICIENT-MARKET
FUND, INC.

Attest:

By
By

TRAVELERS INVESTMENT
MANAGEMENT COMPANY

Attest:

By
By

EXHIBIT B

TIMCO-ADVISED INVESTMENT COMPANIES
INVESTING IN EQUITY SECURITIES

Advisory Fee Schedule

Investment Company
Assets as

of 2/28/95

From
To
Fee

The Travelers Growth and
Income Stock Account for Variable
Annuities \$339,384,909
0.45%

The Travelers Timed
Growth and Income Stock Account for Variable
Annuities \$309,404,904
0.3233%

The Travelers Capital
Appreciation Fund \$81,741,073
0.20%

The Travelers Managed
Asset Trust \$87,007,655
0.50%

The Travelers Series
Trust-Social Awareness Stock Portfolio
\$4,408,004
\$ 0
\$ 50,000,000
0.65%

50,000,001
100,000,000
0.55%

100,000,001
200,000,000
0.45%

200,000,001

and over

0.40%

The Travelers Timed

Aggressive Stock Account for Variable

Annuities \$44,139,726

\$ 0

\$ 20,000,000

0.50%

20,000,001

100,000,000

0.25%

100,000,001

300,000,000

0.20%

300,000,001

and over

0.15%

THE INEFFICIENT-MARKET FUND INC.

This Proxy is Solicited on Behalf of the
Directors of the Fund.

388 Greenwich Street
New York, New York 10013

The undersigned hereby appoints HEATH B.
McLENDON and LEWIS
E. DAIDONE, and each of them acting in the
absence of the other, as
Proxies, each with the power to appoint his
substitute, and hereby
authorizes them to represent and to vote, as
designated herein, all
the shares of common stock of The
Inefficient-Market Fund, Inc. held of record
by the undersigned on April 26, 1995 at a
Meeting of
Stockholders to be held on July 7, 1995 or any
adjournment thereof.

PROXY

ELECTION OF DIRECTORS

EXCEPT

1. ELECTION OF DIRECTORS
F.P. Martin, R.C. Rasmussen, and B.
Sargent

FOR

OR

FOR ALL EXCEPT

OR WITHHOLD

(INSTRUCTION: To withhold authority to vote for
any individual
nominee write that nominee's name on the space
provided above and
check center box to the right.)

PROPOSALS

The Board of Directors recommends a vote "FOR" the following proposals:

2. PROPOSAL TO RATIFY THE SELECTION OF KPMG PEAT MARWICK LLP AS THE INDEPENDENT AUDITORS OF THE FUND.

3. PROPOSAL TO APPROVE OR DISAPPROVE NEW INVESTMENT ADVISORY AGREEMENT BETWEEN THE FUND AND TRAVELERS INVESTMENT MANAGEMENT COMPANY

4. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

FOR

AGAINST

ABSTAIN

Please sign on the reverse side.

This proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder. If no direction is made, this proxy will be voted FOR each nominee for director and for each proposal.

Please sign exactly as name appears to the left. When shares are held by joint tenants, both should sign, or if one signs, that stockholder's vote binds both stockholders. When signing as

attorney, executor,
administrator, agent, trustee or guardian,
please give full title
as such.

If a corporation, please sign in full
corporate name by President
or other
authorized officer. If a partnership, please
sign in partnership
name by
authorized person.

Signature

Signature if held jointly

Dated: ,1995

PLEASE MARK, SIGN, DATE AND RETURN THE PROXY
CARD
PROMPTLY USING THE ENCLOSED ENVELOPE.