

MANAGED MUNICIPALS PORTFOLIO INC
Form N-30D
August 08, 2002

Managed Municipals
Portfolio Inc.

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ANNUAL REPORT

May 31, 2002

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Managed Municipals
Portfolio Inc.

Dear Shareholder:

We are pleased to provide the annual report for the Managed Municipals Portfolio Inc. ("Fund") for the year ended May 31, 2002. In this report, we summarize what we believe to be the period's prevailing global economic and market conditions and outline our investment strategies. A detailed summary of the Fund's performance can be found in the appropriate sections that follow. We hope you find this report to be useful and informative.

We are also pleased to inform you during the quarter ended May 31, 2002 shareholders approved two significant events in the life of the Fund. The first event was the merger of Managed Municipals Portfolio II Inc. with and into Managed Municipals Portfolio Inc. This merger was completed as of the close of business on April 26, 2002, with shareholders of Managed Municipals Portfolio II Inc. becoming shareholders of the Managed Municipals Portfolio Inc. The conversion was done on a net asset value ("NAV")/1/ basis, which translated into a ratio of 0.98036 shares of Managed Municipals Portfolio II Inc. exchanged for each Managed Municipals Portfolio Inc. share received. This transaction was followed by the second significant event in the life of Managed Municipals Portfolio Inc. during the quarter -- the issuance of \$250 million in municipal auction rate cumulative "preferred stock" on May 22, 2002. This offering enabled the Fund to invest the proceeds of the offering into additional securities that met the Fund's objectives.

While the Fund has grown through these changes, neither the leadership of the Fund nor the objective will change. Joseph P. Deane will continue to serve as the Fund's manager in the same capacity as he has since 1988.

1The NAV is calculated by subtracting total liabilities and outstanding preferred stock from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets of common stockholders) by the total number of the Fund's common shares outstanding. The NAV fluctuates with the changes in the market price of the securities in which the Fund has invested. However, the price at which the investor may buy or sell shares of the Fund is at their market (NYSE) price as determined by

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supply of and demand for the Fund's shares.

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1

Performance Update

During the year, the Fund distributed income dividends to common stock shareholders totaling \$0.60 per share. The table below details the annualized distribution rate and the twelve-month total return for the Fund based on its May 31, 2002 NAV per share and the New York Stock Exchange ("NYSE") closing price.

Price Per Share	Annualized Distribution Rate ^{2/}	Twelve-Month Total Return ^{2/}
-----	-----	-----
\$11.69 (NAV)	5.13%	5.33%
\$10.57 (NYSE)	5.68%	4.79%

During the period the Fund generated a total return based on NAV of 5.33%. In comparison, the Fund's Lipper Inc. ("Lipper")^{3/} peer group of closed-end general and insured municipal funds (unleveraged) returned 4.91% based on NAV for the same period.

Investment Strategy

The Fund seeks to maximize current interest income, which is excluded from gross income for regular federal income tax purposes to the extent consistent with prudent investment management and the preservation of capital.^{4/}

The Fund invests at least 80% of its assets in municipal securities, which are rated investment-grade at the time of investment or are determined to be of equivalent equality. Municipal securities include securities issued by any of the 50 states and certain other municipal issuers, political subdivisions, agencies

²Total returns are based on changes in NAV or the market price, respectively. Total returns assume the reinvestment of all dividends and/or capital gains distributions in additional shares. Annualized distribution rate is the Fund's current monthly income dividend rate, annualized, and then divided by the NAV or the market price noted in this report. The annualized distribution rate assumes a current monthly income dividend rate of \$0.050 for 12 months. This rate is as of May 31, 2002 and is subject to change. The important difference between a total return and an annualized distribution rate is that the total return takes into consideration a number of factors including the fluctuation of the NAV or the market price during the period reported. The NAV fluctuation includes the effects of unrealized appreciation or depreciation in the Fund. Accordingly, since an annualized distribution rate only reflects the current monthly income dividend rate annualized, it should not be used as the sole indicator to judge the return you receive from your Fund investment. Past performance is not indicative of future results.
³Lipper is a major independent mutual fund tracking organization.
⁴Certain investors may be subject to the Federal Alternative Minimum Tax ("AMT"), and state and local taxes may apply. Capital gains, if any, are fully

taxable.

[GRAPHIC]

2

and public authorities that pay interest which is excluded from gross income for federal income tax purposes. The Fund focuses primarily on intermediate-term and long-term municipal securities, which have remaining maturities at the time of purchase of from three to more than thirty years. The Fund can invest up to 20% of its assets in below investment-grade/5/ or in unrated securities of equivalent quality (commonly known as "junk bonds"). Investment-grade bonds are those rated in any of the four highest long-term rating categories, or if unrated, of comparable quality.

Market Review

Since December 11, 2001 the U.S. Federal Reserve Board ("Fed") has held interest rates near 40 year lows, citing the uncertain strength in final demand at its last meeting as a reason to hold steady. We feel the U.S. economic rebound indeed remains soft, a point reflected in weak corporate earnings. Those earnings are also reflective of what we see as a very conservative approach to corporate reporting due to the recent accounting morass. We believe this conservative approach could be maintained through the third quarter of this year and could act as a drag on the economy given the expected negative impact on the stock market. As a result, we feel the environment has been and will remain constructive for bonds, especially in the tax-exempt area.

Market Outlook

We feel U.S. economic growth will remain tepid through the third quarter of this year before the pace picks up as a result of increased corporate spending and a vibrant consumer. We also expect inflation to remain subdued with little threat of higher prices before 2003, a point that would further support the case for steady interest rates. In general, we think the Fed will stay the course until it is assured the U.S. economy is strong enough to withstand an increase in short-term interest rates. We would also not be surprised to see the Fed hold monetary policy steady until there is evidence cash is moving out of short-term instruments such as Certificates of Deposits and money market funds and into the stock and bond markets as well as the real economy. We feel the time horizon for an increase in interest rates is three to six months.

Investment-grade bonds are those rated Aaa, Aa, A and Baa by Moody's Investors Service, Inc. or AAA, AA, A and BBB by Standard & Poor's Ratings Service, or that have an equivalent rating by any nationally recognized statistical rating organization, or are determined by the Manager to be of equivalent quality.

[GRAPHIC]

3

Thank you for your investment in the Managed Municipals Portfolio Inc. We look forward to helping you pursue your investment goals in the years to come.

Sincerely,

/s/ Heath B. McLendon

/s/ Joseph P. Deane

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Heath B. McLendon
Chairman

Joseph P. Deane
Vice President and
Investment Officer

June 18, 2002

The information provided in this letter represents the opinion of the manager and is not intended to be a forecast of future events, a guarantee of future results nor investment advice. Further, there is no assurance that certain securities will remain in or out of the Fund. Please refer to pages 6 through 18 for a list and percentage breakdown of the Fund's holdings. Also, please note any discussion of the Fund's holdings is as of May 31, 2002 and is subject to change.

[GRAPHIC]

4

Take Advantage of the Fund's Dividend Reinvestment Plan!

Did you know that Fund investors may reinvest their dividends in an effort to take advantage of what can be one of the most effective wealth-building tools available today? When the Fund achieves its objectives, systematic investments by shareholders put time to work for them through the strength of compounding.

As an investor in the Fund, you can participate in its Dividend Reinvestment Plan ("Plan"), a convenient, simple and efficient way to reinvest your dividends and capital gains, if any, in additional shares of the Fund. Below is a short summary of how the Plan works.

Plan Summary

If you are a Plan participant who has not elected to receive your dividends in the form of a cash payment, then your dividend and capital gain distributions will be reinvested automatically in additional shares of the Fund.

The number of common stock shares in the Fund you will receive in lieu of a cash dividend is determined in the following manner. If the market price of the common stock is equal to or exceeds 98% of the net asset value per share ("NAV") on the determination date, you will be issued shares by the Fund at a price reflecting the NAV, or 95% of the market price, whichever is greater.

If the market price is less than 98% of the NAV at the time of valuation (the close of business on the determination date), PFPC Global Fund Services ("Plan Agent"), will buy common stock for your account in the open market.

If the Plan Agent begins to purchase additional shares in the open market and the market price of the shares subsequently rises above the previously determined NAV before the purchases are completed, the Plan Agent will attempt to terminate purchases and have the Fund issue the remaining dividend or distribution in shares at the greater of the previously determined NAV or 95% of the market price. In that case, the number of Fund shares you receive will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares.

A more complete description of the current Plan appears in this report beginning on page 38.

To find more detailed information about the Plan and about how you can participate, please call PFPC Global Fund Services at (800) 331-1710.

SCHEDULE OF INVESTMENTS
May 31, 2002

Face Amount	Rating (a)	Security	Value

MUNICIPAL BONDS AND NOTES -- 100.0%			
Alabama -- 3.2%			
\$24,510,000	AAA	Jefferson County, AL Sewer Revenue Warrants, Series A, FGIC-Insured, 5.375% due 2/1/36 (b)	\$ 24,634,511

Alaska -- 0.9%			
2,895,000	A2*	Alaska Industrial Development & Export Authority Revolving Fund GO, Series A, 6.500% due 4/1/14 (c)	2,963,814
4,000,000	AA+	Valdez, AK Marine Terminal Revenue Refunding, BP Pipelines Inc. Project, Series A, 5.850% due 8/1/25	4,040,880
			7,004,694

Arizona -- 1.4%			
4,000,000	AAA	Mesa, AZ IDA, Discovery Health Systems, Series A, MBIA-Insured, 5.625% due 1/1/29	4,130,160
3,000,000	AAA	Phoenix, AZ Civic Improvement Corp. Airport Revenue, Senior Lien, Series B, FGIC-Insured, 5.250% due 7/1/22 (c)	3,004,530
		Phoenix, AZ GO, Series B:	
400,000	AA+	5.000% due 7/1/22	395,988
575,000	AA+	5.000% due 7/1/23	566,875
2,350,000	AA+	5.000% due 7/1/27	2,303,822
			10,401,375

California -- 10.1%			
4,000,000	A-1+	Bay Area Toll Authority, CA Toll Bridge Revenue, Series A, 1.300% due 4/1/36 (d)	4,000,000
7,040,000	Ba1*	California Educational Facilities Authority Revenue, (Pooled College & University Projects), Series A, 5.625% due 7/1/23	6,465,958
6,000,000	A3*	California Health Facilities Authority Revenue, (Cedars-Sinai Medical Center), Series A, 6.250% due 12/1/34	6,331,020
1,000,000	A+	California Health Facilities Financing Authority Revenue, Sutter Health, Series A, 6.250% due 8/15/35	1,052,720
5,000,000	AAA	California State Department of Veterans Affairs, Home Purchase Revenue, Series A,	

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2,000,000	AAA	AMBAC-Insured, 5.350% due 12/1/27	5,015,200
		California State GO, AMBAC-Insured, 5.000% due 4/1/27	1,952,620

SEE NOTES TO
FINANCIAL STATEMENTS.

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6

SCHEDULE OF INVESTMENTS
May 31, 2002 (continued)

Face Amount	Rating(a)	Security	Value

California -- 10.1% (continued)			
\$ 7,000,000	AAA	Los Angeles County, CA COP, Antelope Valley Courthouse, Series A, AMBAC- Insured, 5.250% due 11/1/33	\$ 7,032,690
11,400,000	A-1+	Los Angeles County, CA MFH, Series K, 1.400% due 7/1/10 (d)	11,400,000
		Orange County, CA Sanitation District COP:	
4,500,000	A-1+	Series A, 1.550% due 8/1/29 (d)	4,500,000
5,900,000	A-1+	Series B, 1.550% due 8/1/30 (d)	5,900,000
3,340,000	AAA	Rancho Cucamonga, CA Redevelopment Agency Tax Allocation, (Rancho Redevelopment Project), MBIA- Insured, 5.125% due 9/1/30	3,312,645
2,000,000	AAA	Riverside, CA Unified School District GO, Series A, FGIC-Insured, 5.000% due 2/1/27	1,955,500
2,750,000	AAA	Sacramento County, CA COP, (Public Facilities Project), MBIA-Insured, 5.375% due 2/1/19	2,846,910
2,500,000	AAA	San Francisco, CA City & County Airports Commission, International Airport Revenue, Second Series-27B, FGIC-Insured, 5.000% due 5/1/22	2,478,100
5,000,000	AAA	San Francisco, CA City & County Airports Commission, Second Series-28B, MBIA-Insured, 5.000% due 5/1/32	4,863,650
1,000,000	AAA	San Jose, CA Redevelopment Agency Tax Allocation, (Merged Area Redevelopment Project), MBIA- Insured, 5.000% due 8/1/32	972,620
7,965,000	VMIG 1*	Santa Clara, CA Electric Revenue, Series A, 1.300% due 7/1/10 (d)	7,965,000

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78,044,633

Colorado -- 10.2%			
4,000,000	AAA	Arapahoe County, CO Capital Improvement Trust Fund, E-470 Public Highway Authority Revenue, (Pre-Refunded -- Escrowed with U.S. government securities to 8/31/05 Call @ 103), 7.000% due 8/31/26	4,634,320

SEE NOTES TO
FINANCIAL STATEMENTS.

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7

SCHEDULE OF INVESTMENTS
May 31, 2002 (continued)

Face Amount	Rating(a)	Security	Value

Colorado -- 10.2% (continued)			
\$ 1,000,000	A-	Aspen, CO Sales Tax Revenue, 5.400% due 11/1/19	\$ 1,019,490
4,000,000	AAA	Colorado Educational & Cultural Facilities Revenue Refunding, (University of Denver Project), AMBAC-Insured, 5.375% due 3/1/23	4,068,000
4,000,000	A	Colorado Health Facilities Authority Revenue, Series B, Remarketed 7/8/98, 5.350% due 8/1/15	4,020,640
6,000,000	BBB+	Colorado Springs, CO Airport Revenue, Series A, 7.000% due 1/1/22 (c)	6,147,840
		Dawson Ridge, CO Metropolitan District No. 1, (Escrowed to maturity with REFCO Strips):	
30,000,000	Aaa*	Series A, zero coupon due 10/1/22 (b)	8,488,200
60,000,000	Aaa*	Series B, zero coupon due 10/1/22 (b)	16,976,400
		Denver, CO City & County Airport Revenue, Series C:	
3,155,000	A	6.750% due 11/15/22 (c)	3,248,546
13,630,000	A	6.125% due 11/15/25 (c)	14,140,035
10,945,000	A	Escrowed to maturity with U.S. government securities, 6.125% due 11/15/25 (b) (c) (e)	12,468,872
845,000	Aaa*	Pre-Refunded -- Escrowed with U.S. government securities to 11/15/02 Call @ 102, 6.750% due 11/15/22 (c)	881,276
2,000,000	AAA	Denver, CO City & County COP, Series B, AMBAC-Insured, 5.500% due 12/1/25	2,055,040

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			78,148,659

Connecticut -- 0.1%			
1,000,000	AAA	Connecticut State Health & Education, (Child Care Facilities Project), Series C, AMBAC-Insured, 5.625% due 7/1/29	1,039,920

Delaware -- 2.2%			
7,000,000	A-1+	Delaware State Economic Development Authority, Hospital Billing Revenue, Series C, AMBAC-Insured, 1.350% due 12/1/15 (d)	7,000,000

SEE NOTES TO
FINANCIAL STATEMENTS.

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8

SCHEDULE OF INVESTMENTS
May 31, 2002 (continued)

Face Amount	Rating(a)	Security	Value

Delaware -- 2.2% (continued)			
\$10,000,000	AAA	Delaware State Economic Development Authority Revenue, (Pollution Control- Delmarva Project-B), AMBAC-Insured, 5.200% due 2/1/19	\$ 10,197,100

			17,197,100

District of Columbia -- 1.4%			
		Metropolitan Washington Airports, DC Authority Airport System Revenue, Series A, FGIC-Insured:	
5,355,000	AAA	5.125% due 10/1/22 (c)	5,284,742
6,000,000	AAA	5.125% due 10/1/26 (c)	5,856,960

			11,141,702

Florida -- 4.7%			
5,000,000	AAA	Florida State Board & Educational Capital Outlay GO, FSA-Insured, 5.000% due 6/1/24	4,908,400
3,000,000	AA+	Florida State Board of Education GO, Series A, 5.125% due 6/1/21	3,020,400

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3,145,000	AAA	Florida State Department of Transportation GO, FGIC-Insured, 5.000% due 7/1/25	3,077,445
3,000,000	Aaa*	Hillsborough County, FL School Board COP, Series A, MBIA-Insured, 5.000% due 7/1/25	2,935,560
6,500,000	BBB-	Martin County, FL IDA, (Indiantown Cogeneration Project), Series A, 7.875% due 12/15/25 (c)	6,676,800
1,290,000	AAA	Miami Beach, FL Stormwater Revenue, FGIC-Insured, 5.375% due 9/1/30	1,305,338
2,000,000	Aaa*	Orange County, FL School Board COP, Series A, MBIA-Insured, 5.250% due 8/1/23	2,018,340
10,000,000	AAA	Palm Beach County, FL School Board COP, Series C, FSA-Insured, 5.000% due 8/1/27	9,747,800
2,500,000	Aaa*	South Brevard, FL Recreational Facilities Improvement, Special District, AMBAC-Insured, 5.000% due 7/1/20	2,503,200
			36,193,283

SEE NOTES TO
FINANCIAL STATEMENTS.

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9

SCHEDULE OF INVESTMENTS
May 31, 2002 (continued)

Face Amount	Rating(a)	Security	Value

Georgia -- 2.1%			
\$ 2,800,000	VMIG 1*	Atlanta, GA Water & Wastewater Revenue, Series C, FSA-Insured, 1.550% due 11/1/41 (d)	\$ 2,800,000
6,000,000	AAA	Augusta, GA Water & Sewer Revenue, FSA-Insured, 5.250% due 10/1/26	6,030,300
2,180,000	A3*	Private Colleges & Universities Authority Revenue, (Mercer University Project): 5.750% due 10/1/21 Series A:	2,227,132
2,000,000	A3*	5.250% due 10/1/25	1,965,520
1,000,000	A3*	5.375% due 10/1/29	992,130
2,000,000	BBB-	Savannah, GA EDA Revenue, College of Art & Design Inc., 6.900% due 10/1/29	2,080,540

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16,095,622

Hawaii -- 0.5%			
4,000,000	A	Hawaii State Department of Budget & Finance, Special Purpose Revenue, Kaiser Permanente, Series A, 5.100% due 3/1/14	3,961,400

Illinois -- 3.9%			
4,095,000	AAA	Chicago, IL GO, Series D, FGIC-Insured, 5.500% due 1/1/35	4,139,431
5,300,000	P-1*	Chicago, IL O'Hare International Airport, (American Airlines Inc. Project), 1.650% due 12/1/17 (d)	5,300,000
7,400,000	AAA	Chicago, IL Skyway Toll Bridge Revenue, AMBAC-Insured, 5.500% due 1/1/31	7,542,524
8,000,000	A	Illinois Health Facilities Authority Revenue, OSF Healthcare Systems, 6.250% due 11/15/29	8,223,520
5,000,000	AAA	Illinois State GO, MBIA-Insured, 5.625% due 6/1/25	5,144,000
			30,349,475

Indiana -- 0.7%			
5,000,000	A1*	Indiana Port Commission Revenue Refunding, (Cargill Inc. Project), 6.875% due 5/1/12	5,153,600

Iowa -- 0.2%			
1,500,000	AA-	Dawson, IA IDR, (Cargill Inc. Project), 6.500% due 7/15/12	1,539,135

SEE NOTES TO
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10

SCHEDULE OF INVESTMENTS
May 31, 2002 (continued)

Face Amount	Rating(a)	Security	Value

Kentucky -- 0.8%			
\$ 6,400,000	VMIG 1*	Breckinridge County, KY Lease Program Revenue, 1.600% due 2/1/32 (d)	\$ 6,400,000

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Louisiana -- 0.7%			
5,500,000	A1*	St. Martin Parish, LA Industrial Revenue, (Cargill Inc. Project), 6.625% due 10/1/12	5,653,340

Maine -- 0.3%			
2,500,000	AA+	Maine State Housing Authority, Mortgage Revenue, Series C, 5.300% due 11/15/23	2,509,125

Maryland -- 1.4%			
		Baltimore, MD Wastewater Project Revenue, Series A, FGIC-Insured:	
2,500,000	AAA	5.125% due 7/1/32	2,482,825
3,385,000	AAA	5.200% due 7/1/32	3,392,752
5,000,000	AAA	5.125% due 7/1/42	4,887,500

			10,763,077

Massachusetts -- 1.3%			
3,000,000	AA+	Massachusetts Bay Transportation Authority, Sales Tax Revenue, Series A, 5.500% due 7/1/30	3,064,530
1,850,000	AAA	Massachusetts Health & Educational Facilities Authority, (University of Massachusetts Projects), Series C, FGIC-Insured, 5.125% due 10/1/27	1,827,874
5,000,000	AAA	Massachusetts State Special Obligation Revenue, Series A, FGIC-Insured, 5.000% due 6/1/21	4,957,600

			9,850,004

Michigan -- 2.9%			
3,000,000	AAA	Anchor Bay, MI School District GO, Q-SBLF-Insured, 5.000% due 5/1/29	2,884,080
5,000,000	AAA	East Lansing, MI School District GO, Q-SBLF-Insured, 5.625% due 5/1/30	5,152,400
2,345,000	AAA	Michigan State COP, AMBAC-Insured: 5.500% due 6/1/19	2,438,659
6,000,000	AAA	5.500% due 6/1/27	6,124,260
12,000,000	NR	Michigan State Strategic Fund Resources Recovery, Limited Obligation Revenue, (Central Wayne Energy Recovery L.P. Project), Series A, 7.000% due 7/1/27 (c)	6,000,000

			22,599,399

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May 31, 2002 (continued)

Face Amount	Rating(a)	Security	Value

Minnesota -- 1.5%			
\$ 1,500,000	AAA	Dakota County, MN Community Development Agency, MFH Revenue, FNMA-Collateralized, 5.625% due 2/1/26	\$ 1,519,350
2,500,000	A1*	Duluth, MN IDA, Seaway Port Authority, Dock & Wharf Revenue, (Cargill Inc. Project), 6.800% due 5/1/12	2,561,300
2,000,000	AAA	Minneapolis & St. Paul, MN Community Airport Revenue, FGIC-Insured: Series A, 5.125% due 1/1/25	1,982,740
4,000,000	AAA	Sub-Series C, 5.250% due 1/1/26	4,024,520
1,225,000	AA+	Minnesota State Housing Financing Agency, Single-Family Mortgage, Series I, 5.500% due 1/1/17	1,259,594

			11,347,504

Missouri -- 0.5%			
1,500,000	AAA	Greene County, MO Reorganized School, District No. R-8 GO, FSA-Insured, 5.100% due 3/1/22	1,503,300
2,000,000	AAA	St. Louis, MO Airport Revenue, (Airport Development Program), Series A, MBIA-Insured, 5.125% due 7/1/22	2,009,280

			3,512,580

Montana -- 1.2%			
10,000,000	NR	Montana State Board Investment Resource Recovery Revenue, (Yellowstone Energy L.P. Project), 7.000% due 12/31/19 (c)	9,072,800

Nevada -- 0.9%			
4,650,000	Baa2*	Clark County, NV IDR, (Southwest Gas Corp. Project), Series B, 7.500% due 9/1/32 (c)	4,768,064
2,250,000	AAA	Truckee Meadows, NV Water Authority Revenue, Series A, FSA-Insured, 5.000% due 7/1/25	2,172,263

			6,940,327

New Jersey -- 2.5%			
5,200,000	A+	Hudson County, NJ Improvement Authority, 6.625% due 8/1/25	5,324,800
2,800,000	A-1	Municipal Securities Trust Certificates, NJ GO, Series 2001-174, 1.500% due 2/26/15 (d) (f)	2,800,000

SEE NOTES TO
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SCHEDULE OF INVESTMENTS
May 31, 2002 (continued)

Face Amount	Rating(a)	Security	Value

New Jersey -- 2.5% (continued)			
\$ 8,000,000	A+	New Jersey Health Care Facilities Financing Authority Revenue, Robert Wood Johnson University Hospital, 5.700% due 7/1/20	\$ 8,271,280
2,395,000	AA-	New Jersey State Highway Authority, Garden State Parkway General Revenue, 5.625% due 1/1/30	2,507,852

			18,903,932

New Mexico -- 0.3%			
2,585,000	AAA	New Mexico Mortgage Financing Authority, Single-Family Mortgages, Series D-3, 5.625% due 9/1/28	2,624,551

New York -- 11.5%			
		Nassau Health Care Corp., NY Health Systems Revenue, FSA-Insured:	
2,000,000	AAA	5.500% due 8/1/19	2,086,040
3,000,000	AAA	5.750% due 8/1/29	3,132,090
6,000,000	AA	New York City, NY Municipal Water Financing Authority, Water & Sewer System Revenue, Series D, 5.250% due 6/15/25	6,023,100
14,300,000	A-1+	New York City, NY Transitional Finance Authority, Future Tax Secured, Series A-2, 1.300% due 11/15/27 (d)	14,300,000
		New York, NY GO:	
4,800,000	A-1+	Series F-6, 1.450% due 2/15/18 (d)	4,800,000
20,000,000	A-1+	Sub-Series J3-Remarketed 5/3/99, 1.300% due 2/15/16 (d)	20,000,000
5,000,000	AAA	New York State Dormitory Authority Revenue, Series B, FSA-Insured, 5.500% due 5/15/30	5,115,150
1,000,000	AAA	New York State Dormitory Authority Revenue, (Willow Towers Inc. Project), GNMA-Collateralized, 5.250% due 2/1/22	1,005,290
3,000,000	AAA	New York State Thruway Authority Highway & Bridge Revenue, Series B-1, FGIC-Insured, 5.400% due 4/1/17	3,136,800
17,000,000	AAA	Port Authority of New York & New Jersey, NY GO, FGIC-Insured, 5.250% due 5/15/37 (c)	16,600,500
		Triborough Bridge & Tunnel Authority, NY GO, Series A:	
3,000,000	AA-	5.125% due 1/1/31	2,910,150
10,000,000	AA-	5.000% due 1/1/32	9,554,100

SEE NOTES TO
FINANCIAL STATEMENTS.

[GRAPHIC]

13

SCHEDULE OF INVESTMENTS
May 31, 2002 (continued)

Face Amount	Rating(a)	Security	Value

North Carolina -- 1.3%			
\$10,000,000	A-1+	North Carolina State GO, Public Improvement, Series E, 1.350% due 5/1/21 (d)	\$ 10,000,000

Ohio -- 6.6%			
4,500,000	Aa2*	Bexley, OH City School District GO, 5.125% due 12/1/27	4,402,845
2,000,000	AAA	Canton, OH City School District GO, Series A, MBIA-Insured, 5.500% due 12/1/20	2,081,100
1,300,000	AA+	Cincinnati, OH Water System Revenue, 5.125% due 12/1/21	1,303,237
4,500,000	AAA	Cleveland, OH Airport System Revenue, Series A, FSA-Insured, 5.000% due 1/1/31	4,353,660
6,600,000	A-1+	Cuyahoga County, OH Hospital Revenue, (The Clinic Foundation Project), Series D, 1.600% due 1/1/26 (d)	6,600,000
3,000,000	AAA	Cuyahoga County, OH Hospital Revenue Refunding, University Hospitals Health System Inc., AMBAC-Insured, 5.500% due 1/15/30	3,051,420
8,000,000	Aaa*	Hamilton County, OH Sales Tax Revenue, AMBAC-Insured, 5.250% due 12/1/32	8,021,680
5,990,000	AAA	Lucas County, OH Hospital Revenue, Promedia Healthcare Obligation Group, AMBAC-Insured, 5.375% due 11/15/29	6,031,690
3,025,000	Aaa*	Muskingum County, OH GO, Refunding, County Facilities Improvement, MBIA-Insured, 5.125% due 12/1/19	3,071,555
1,375,000	AAA	Ohio State Higher Educational Facility Commission Revenue, (University of Dayton Project), AMBAC-Insured, 5.500% due 12/1/25	1,421,186
2,500,000	AAA	Portage County, OH GO, MBIA-Insured, 5.250% due 12/1/17	2,579,575
1,500,000	A3*	Steubenville, OH Hospital Revenue, 6.375% due 10/1/20	1,557,150

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		Summit County, OH GO, FGIC-Insured:	
1,000,000	AAA	5.000% due 12/1/21	995,070
500,000	AAA	5.000% due 12/1/22	494,940
1,500,000	Aaa*	Trumbull County, OH MBIA-Insured, 5.200% due 12/1/20	1,528,605
2,000,000	AAA	University of Cincinnati, OH General Receipts Revenue, Series A, FGIC-Insured, 5.250% due 6/1/24	2,017,000

SEE NOTES TO
FINANCIAL STATEMENTS.

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[GRAPHIC]

14

SCHEDULE OF INVESTMENTS
May 31, 2002 (continued)

Face Amount	Rating (a)	Security	Value
Ohio -- 6.6% (continued)			
\$ 1,500,000	AAA	Warrensville Heights, OH City School District, School Improvements, FGIC-Insured, 5.625% due 12/1/20	\$ 1,586,400
			51,097,113
Oregon -- 2.4%			
3,210,000	AA	Clackamas County, OR Hospital Facilities Authority Revenue, Legacy Health System, 5.750% due 5/1/16	3,370,500
4,895,000	AA+	Oregon State Department of Transportation, Highway User Tax Revenue, Series A, 5.125% due 11/15/23	4,912,524
10,000,000	AA	Oregon State Veterans Welfare GO, Series 82, 5.500% due 12/1/42	10,029,200
			18,312,224
South Carolina -- 6.0%			
6,250,000	AAA	Grand Strand Water & Sewer Authority, SC Waterworks & Sewer System Revenue, FSA-Insured, 5.000% due 6/1/31	6,036,625
15,000,000	AA-	Greenville County, SC School District Installment Purchase Revenue, 5.500% due 12/1/28 (b)	14,794,050
20,000,000	AAA	South Carolina State Public Service Authority Revenue, Series B, FSA-Insured, 5.125% due 1/1/37 (b)	19,509,000
3,000,000	AAA	South Carolina Transportation Infrastructure Bank Revenue, Series A: AMBAC-Insured, 5.500% due 10/1/30	3,063,990

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2,505,000	Aaa*	MBIA-Insured, 5.125% due 10/1/31	2,465,596

			45,869,261

Tennessee -- 3.7%			
1,150,000	NR	Hardeman County, TN Correctional Facilities Corp., 7.750% due 8/1/17	1,136,729
6,420,000	AAA	Memphis-Shelby County, TN Sports Authority Income Revenue, (Memphis Arena Project), Series A, AMBAC-Insured: 5.125% due 11/1/21	6,442,791
14,500,000	AAA	5.125% due 11/1/28	14,262,200

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

15

SCHEDULE OF INVESTMENTS
May 31, 2002 (continued)

Face Amount	Rating(a)	Security	Value

Tennessee -- 3.7% (continued)			
\$ 3,600,000	VMIG 1*	Montgomery County, TN Authority Pooled Financing Revenue, 1.650% due 4/1/32 (d)	\$ 3,600,000
3,000,000	AA	Tennessee State GO, Series A, 5.250% due 3/1/17	3,105,780

			28,547,500

Texas -- 2.4%			
1,595,000	AAA	Burleson, TX ISD, GO, PSFG, 6.750% due 8/1/24	1,767,085
12,000,000	BB-	Fort Worth, TX International Airport Facility Improvement Corp. Revenue, (American Airlines Inc. Project): 6.375% due 5/1/35 (b) (c)	9,473,399
3,400,000	BB-	Series A, 5.950% due 5/1/29 (c)	3,339,888
3,000,000	BB-	Series B, 6.050% due 5/1/29 (c)	2,871,990
1,000,000	AAA	Harris County, TX Health Facilities, Development Corp., Hospital Revenue, School Health Care Systems, Series B, (Escrowed to maturity with U.S. government securities), 5.750% due 7/1/27	1,092,850

			18,545,212

Utah -- 1.0%			
7,900,000	A-1+	Utah State GO, Series A, 1.400% due 7/1/16 (d)	7,900,000

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Virginia -- 2.2%			
		Virginia State HDA, MFH:	
1,655,000	AA+	Series D, 6.250% due 1/1/15	1,716,616
1,245,000	AA+	Series D, Sub-Series D-3- Remarketed 5/30/96, 5.700% due 7/1/09	1,306,528
715,000	AA+	Series F, Sub-Series F-1-Remarketed 9/12/95, 6.400% due 7/1/17	731,095
1,235,000	AAA	Series H, AMBAC-Insured, 6.300% due 11/1/15	1,297,874
10,000,000	AA+	Series H, Sub-Series H-1, MBIA- Insured, 5.350% due 7/1/31 (b)	10,000,300
600,000	AA+	Series K, 5.800% due 11/1/10	636,030
925,000	AA+	Series K, 5.900% due 11/1/11	976,504
			16,664,947

SEE NOTES TO
FINANCIAL STATEMENTS.

[GRAPHIC]

16

SCHEDULE OF INVESTMENTS
May 31, 2002 (continued)

Face Amount	Rating(a)	Security	Value
Washington -- 2.5%			
		Chelan County, WA GO, Public Utilities, District No. 1, Columbus River Rock:	
\$22,685,000	AAA	Series A, MBIA-Insured, zero coupon due 6/1/22 (b)	\$ 7,653,919
4,750,000	AA	Series B, Remarketed 7/1/92, Mandatory put 7/1/19, 6.750% due 7/1/62 (c)	5,098,223
6,980,000	AAA	Washington State GO, Variable Purpose-Series 02-A, FSA-Insured, 5.000% due 7/1/25 (b)	6,738,841
			19,490,983
West Virginia -- 1.2%			
		West Virginia State Housing Development Fund, Housing Finance:	
3,845,000	AAA	Series B, 5.300% due 5/1/24	3,861,034
5,000,000	AAA	Series C, 5.350% due 11/1/27	5,020,800
			8,881,834
Wisconsin -- 1.3%			
		Wisconsin Housing & Economic Development Authority, Home Ownership Revenue, Series A:	

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1,815,000	AA	6.450% due 3/1/17	1,878,561
1,370,000	AA	5.650% due 11/1/23	1,384,727
4,070,000	AA-	Wisconsin State GO, Series B, 6.600% due 1/1/22 (c)	4,082,006
		Wisconsin State Health & Educational Facilities Authority Revenue, MBIA-Insured:	
1,100,000	A	Kenosha Hospital & Medical Center Project, 5.700% due 5/15/20	1,084,171
1,250,000	AAA	The Medical College of Wisconsin Inc. Project, MBIA-Insured, 5.400% due 12/1/16	1,297,025
-----			9,726,490

Wyoming -- 2.0%			
1,400,000	A-1+	Kemmerer, WY Pollution Control Revenue, (Exxon Mobil Corp. Project), 1.500% due 11/1/14 (d)	1,400,000
13,200,000	A-1+	Lincoln County, WY Pollution Control Revenue, (Exxon Mobil Corp. Project), 1.600% due 8/1/15 (d)	13,200,000

SEE NOTES TO
FINANCIAL STATEMENTS.

[GRAPHIC]

17

SCHEDULE OF INVESTMENTS
May 31, 2002 (continued)

Face Amount	Rating(a)	Security	Value

Wyoming -- 2.0% (continued)			
\$ 600,000	P-1*	Uinta County, WY Pollution Control Revenue, (Chevron USA Inc. Project), 1.550% due 8/15/20 (d)	\$ 600,000
-----			15,200,000

TOTAL INVESTMENTS -- 100%			
(Cost -- \$759,199,903**)			\$769,980,532

- (a) All ratings are by Standard & Poor's Ratings Service, except for those which are identified by an asterisk (*), are rated by Moody's Investors Service, Inc.
- (b) All or a portion of this security has been segregated by the custodian for extended settlements.
- (c) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax.
- (d) Variable rate obligation payable at par on demand at any time on no more than seven days notice.
- (e) Pre-Refunded bonds escrowed by U.S. government securities and bonds escrowed

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to maturity by U.S. government securities are considered by the investment adviser to be triple-A rated even if issuer has not applied for new ratings.
 (f) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
 ** Aggregate cost for Federal income tax purposes is substantially the same.

See pages 20 and 21 for definitions of ratings and certain security descriptions.

SEE NOTES TO FINANCIAL STATEMENTS.

[GRAPHIC]

SUMMARY OF INVESTMENTS BY COMBINED RATINGS
 May 31, 2002 (unaudited)

[GRAPHIC OF]

Moody's	and/or	Standard & Poor's	Percentage of Total Investments
Aaa		AAA	48.0%
Aa		AA	14.2
A		A	12.0
Baa		BBB	2.6
Ba		BB	2.9
VMIG 1/P-1		SP-1/A-1	18.2
NR		NR	2.1

			100.0%
			=====

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[GRAPHIC]

BOND RATINGS
 (unaudited)

The definitions of the applicable rating symbols are set forth below:

Standard & Poor's Ratings Service ("Standard and Poor's") -- Ratings from "AA" to "B" may be modified by the addition of a plus (+) or minus (-) sign to show relative standings within the major rating categories.

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- AAA --Bonds rated "AAA" have the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.
 - AA --Bonds rated "AA" have a very strong capacity to pay interest and repay principal and differ from the highest rated issue only in a small degree.
 - A --Bonds rated "A" have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
 - BBB --Bonds rated "BBB" are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher rated categories.
 - BB --Bonds rated "BB" and "B" are regarded, on balance, as predominantly speculative and B with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation. "BB" indicates the lowest degree of speculation and "B" 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.
- Moody's Investors Service, Inc. ("Moody's") -- Numerical modifiers 1, 2 and 3 may be applied to each generic rating from "Aa" to "Ba," where 1 is the highest and 3 the lowest ranking within its generic category.
- Aaa --Bonds rated "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 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 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 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 some time in the future.
 - Baa --Bonds 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 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 thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.
 - NR --Indicates that the bond is not rated by Standard & Poor's or Moody's.

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[GRAPHIC]

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(unaudited)

- SP-1 --Standard & Poor's highest rating indicating very strong or strong capacity to pay principal and interest; those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign.
- A-1 --Standard & Poor's highest commercial paper and variable-rate demand obligation (VRDO) rating indicating that the degree of safety regarding timely payment is either overwhelming or very strong; those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign.
- VMIG 1 --Moody's highest rating for issues having a demand feature -- VRDO.
- P-1 --Moody's highest rating for commercial paper and for VRDO prior to the advent of the VMIG 1 rating.

SECURITY DESCRIPTIONS

(unaudited)

- ABAG --Association of Bay Area Governments
- AIG --American International Guaranty
- AMBAC --AMBAC Indemnity Corporation
- BAN --Bond Anticipation Notes
- BIG --Bond Investors Guaranty
- CDA --Community Development Administration
- CGIC --Capital Guaranty Insurance Company
- CHFCLI --California Health Facility Construction Loan Insurance
- COP --Certificate of Participation
- EDA --Economic Development Authority
- ETM --Escrowed To Maturity
- FAIRS --Floating Adjustable Interest Rate Securities
- FGIC --Financial Guaranty Insurance Company
- FHA --Federal Housing Administration
- FHLMC --Federal Home Loan Mortgage Corporation
- FNMA --Federal National Mortgage Association
- FRTC --Floating Rate Trust Certificates
- FSA --Financial Security Assurance
- GIC --Guaranteed Investment Contract
- GNMA --Government National Mortgage Association
- GO --General Obligation
- HDA --Housing Development Authority
- HDC --Housing Development Corporation
- HFA --Housing Finance Authority
- IDA --Industrial Development Authority
- IDB --Industrial Development Board
- IDR --Industrial Development Revenue
- INFLOS --Inverse Floaters
- ISD --Independent School District
- LOC --Letter of Credit
- MBIA --Municipal Bond Investors Assurance Corporation
- MFH --Multi-Family Housing
- MVRICS --Municipal Variable Rate Inverse Coupon Security
- PCR --Pollution Control Revenue
- PFA --Public Finance Authority
- PSFG --Permanent School Fund Guaranty
- Q-SBLF --Qualified School Bond Loan Fund
- RAN --Revenue Anticipation Notes

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RIBS --Residual Interest Bonds
 RITES --Residual Interest Tax-Exempt Securities
 SYCC --Structured Yield Curve Certificate
 TAN --Tax Anticipation Notes
 TECP --Tax Exempt Commercial Paper
 TOB --Tender Option Bonds
 TRAN --Tax and Revenue Anticipation Notes
 VAN --Veterans Administration
 VRDD --Variable Rate Daily Demand
 VRWE --Variable Rate Wednesday Demand

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[GRAPHIC]

21

STATEMENT OF ASSETS AND LIABILITIES

May 31, 2002

 ASSETS:

Investments, at value (Cost -- \$759,199,903)	\$ 769,980,532
Cash	727,134
Receivable for securities sold	43,236,200
Interest receivable	8,490,061
Receivable from manager	495,018

Total Assets	822,928,945
--------------	-------------

 LIABILITIES:

Payable for securities purchased	82,299,772
Dividends payable	743,773
Administration fee payable	96,986
Accrued preferred stock distribution payable	48,984
Accrued expenses	405,063

Total Liabilities	83,594,578
-------------------	------------

Series M, T, W, Th and F Auction Rate Cumulative Preferred Stock (10,000 shares authorized; 10,000 shares issued at \$25,000 per share for each Series) (Note 7)	250,000,000
--	-------------

Total Net Assets	\$ 489,334,367
------------------	----------------

 NET ASSETS:

Par value of capital shares	\$ 41,856
Capital paid in excess of par value	509,148,009
Undistributed net investment income	2,124
Accumulated net realized loss from security transactions	(30,638,251)
Net unrealized appreciation of investments	10,780,629

 Total Net Assets

(Equivalent to \$11.69 a share on 41,855,576 capital shares of
 \$0.001 par value outstanding; 500,000,000 capital shares

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authorized)

\$489,334,367

SEE NOTES TO
FINANCIAL STATEMENTS.

[GRAPHIC]

22

STATEMENT OF OPERATIONS

Year Ended
May 31, 2002

INVESTMENT INCOME:

Interest \$ 21,791,436

EXPENSES:

Investment advisory fee (Note 3)	2,739,884
Administration fee (Note 3)	787,716
Shareholder communications	166,998
Shareholder and system servicing fees	100,507
Audit and legal	95,676
Directors' fees	60,333
Custody	18,705
Pricing service fees	13,858
Registration fees	13,000
Other	94,514

Total Expenses	4,091,191
Less: Investment advisory fee waiver (Note 3)	(1,966,471)

Net Expenses 2,124,720

Net Investment Income 19,666,716

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS (NOTE 4):

Realized Loss From Security Transactions (excluding short-term securities):	
Proceeds from sales	157,654,209
Cost of securities sold	169,167,053

Net Realized Loss (11,512,844)

Increase in Net Unrealized Appreciation (Note 1) 12,747,045

Net Gain on Investments 1,234,201

Distributions Paid to Auction Rate Cumulative Preferred Stockholders

From Net Investment Income (103,927)

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Increase in Net Assets From Operations \$ 20,796,990

SEE NOTES TO
FINANCIAL STATEMENTS.

[GRAPHIC]

23

STATEMENTS OF CHANGES IN NET ASSETS

	For the Years Ended May 31,	
	2002	2001
<hr/>		
OPERATIONS:		
Net investment income	\$ 19,666,716	\$ 19,132,327
Net realized gain (loss)	(11,512,844)	3,688,224
Increase in net unrealized appreciation	12,747,045	21,646,189
Distributions Paid to Auction Rate Cumulative Preferred Stockholders from net investment income	(103,927)	--
Increase in Net Assets From Operations	20,796,990	44,466,740
<hr/>		
DISTRIBUTIONS PAID TO:		
Common Stock shareholders from net investment income	(19,609,532)	(19,162,536)
Decrease in Net Assets From Distributions to Shareholders	(19,609,532)	(19,162,536)
<hr/>		
FUND SHARE TRANSACTIONS (NOTES 7 AND 8):		
Underwriting commissions and expenses for the issuance of Auction Rate Cumulative Preferred Stock (Note 7)	(2,793,000)	--
Net asset value of shares issued in connection with the transfer of Managed Municipals Portfolio II Inc.'s net assets	117,162,040	--
Treasury stock acquired	--	(3,648,358)
Increase (Decrease) in Net Assets From Fund Share Transactions	114,369,040	(3,648,358)
Increase in Net Assets	115,556,498	21,655,846
NET ASSETS:		
Beginning of year	373,777,869	352,122,023
End of year*	\$489,334,367	\$373,777,869

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ended May 31, 2002, interest income increased by \$89,361, net realized loss

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[GRAPHIC]

25

NOTES TO FINANCIAL STATEMENTS
(continued)

increased by \$5,419 and the change in net unrealized appreciation of investments decreased by \$83,942. In addition, the Fund recorded adjustments to increase the cost of securities and increase accumulated undistributed net investment income by \$59,169 to reflect the cumulative effect of this change up to the date of the adoption.

2. EXEMPT-INTEREST DIVIDENDS AND OTHER DISTRIBUTIONS

The Fund intends to satisfy conditions that will enable interest from municipal securities, which is exempt from regular Federal income tax and from designated state income taxes, to retain such tax-exempt status when distributed to the shareholders of the Fund.

Capital gain distributions, if any, are taxable to shareholders, and are declared and paid at least annually.

3. INVESTMENT ADVISORY AGREEMENT, ADMINISTRATION AGREEMENT AND OTHER TRANSACTIONS

Smith Barney Fund Management LLC ("SBFM"), a subsidiary of Salomon Smith Barney Holdings Inc., which, in turn, is a subsidiary of Citigroup Inc. ("Citigroup"), acts as investment adviser to the Fund. The Fund pays SBFM a fee calculated at an annual rate of 0.70% of the average daily total net assets of the Fund. This fee is calculated daily and paid monthly. For the year ended May 31, 2002, SBFM waived \$1,966,471 of its investment advisory fee.

SBFM also acts as the Fund's administrator for which the Fund pays a fee calculated at an annual rate of 0.20% of the average daily total net assets. This fee is calculated daily and paid monthly.

However, effective upon the issuance of the Fund's preferred shares, SBFM agreed to reduce its aggregate investment advisory and administrative fees to an aggregate annual rate of 0.65% on those assets of the Fund equal to the product of the number of preferred shares outstanding multiplied by the liquidation value of such shares.

All officers and one Director of the Fund are employees of Citigroup or its affiliates.

4. INVESTMENTS

During the year ended May 31, 2002, the aggregate cost of purchases and proceeds from sales of investments (including maturities, but excluding short-term securities) were as follows:

Purchases	\$413,336,306

 Sales 157,654,209

[GRAPHIC]

26

NOTES TO FINANCIAL STATEMENTS
 (continued)

At May 31, 2002, aggregate gross unrealized appreciation and depreciation of investments for Federal income tax purposes were substantially as follows:

 Gross unrealized appreciation \$20,414,380
 Gross unrealized depreciation (9,633,751)

 Net unrealized appreciation \$10,780,629

5. FUTURES CONTRACTS

Initial margin deposits made upon entering into futures contracts are recognized as assets. Securities equal to the initial margin amount are segregated by the custodian in the name of the broker. Additional securities are also segregated up to the current market value of the futures contracts. During the period the futures contract is open, changes in the value of the contract are recognized as unrealized gains or losses by "marking-to-market" on a daily basis to reflect the market value of the contract at the end of each day's trading. Variation margin payments are received or made and recognized as assets due from or liabilities due to broker, depending upon whether unrealized gains or losses are incurred. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transactions and the Fund's basis in the contract.

The Fund enters into such contracts to hedge a portion of its portfolio. The Fund bears the market risk that arises from changes in the value of the financial instruments and securities indices (futures contracts).

At May 31, 2002, the Fund did not hold any futures contracts.

6. SECURITIES TRADED ON A WHEN-ISSUED BASIS

In a when-issued transaction, the Fund commits to purchasing securities for which specific information is not yet known at the time of the trade. Securities purchased on a when-issued basis are not settled until they are delivered to the Fund. Beginning on the date the Fund enters into the when-issued transaction, the custodian maintains cash, U.S. government securities or other liquid high grade debt obligations in a segregated account equal in value to the purchase price of the when-issued security. These transactions are subject to market fluctuations and their current value is determined in the same manner as for other securities.

At May 31, 2002, the Fund did not hold any when-issued securities.

[GRAPHIC]

27

NOTES TO FINANCIAL STATEMENTS
(continued)

7. AUCTION RATE CUMULATIVE PREFERRED STOCK

On May 22, 2002, the Fund issued 2,000 shares of Series M, Series T, Series W, Series Th and Series F, respectively, of Auction Rate Cumulative Preferred Stock ("ARCPS"). The underwriting discount of \$2,500,000 and offering expenses of \$293,000 associated with the ARCPS offering were recorded as a reduction of the capital paid in excess of par value of common stock. The ARCPS' dividends are cumulative at a rate determined at an auction and the dividend period is typically 7 days. The dividend rates ranged from 1.50%-1.55% for the year ended May 31, 2002.

The ARCPS are redeemable under certain conditions by the Fund, or subject to mandatory redemption (if the Fund is in default of certain coverage requirements) at a redemption price equal to \$25,000 per share plus accumulated and unpaid dividends. ARCPS have a liquidation preference of \$25,000 per share plus accumulated and unpaid dividends. The Fund is required to maintain certain asset coverages with respect to the ARCPS under the Investment Company Act of 1940.

Salomon Smith Barney Inc. ("SSB"), another subsidiary of Citigroup also currently acts as a broker/dealer in connection with the auction of ARCPS. After each auction, the auction agent will pay to each broker/dealer, from monies the Fund provides a participation fee at the annual rate of 0.25% of the purchase price of the ARCPS that the broker/dealer places at the auction. For the year ended May 31, 2002, SSB earned \$2,057 as the broker/dealer.

Under Emerging Issues Task Force ("EITF") announcement Topic D-98, Classification and Measurement of Redeemable Securities, which was issued on July 19, 2001, preferred securities that are redeemable for cash or other assets are to be classified outside of permanent equity to the extent that the redemption is at a fixed or determinable price and at the option of the holder or upon the occurrence of an event that is not solely within the control of the issuer.

8. TRANSFER OF NET ASSETS

On April 26, 2002, the Fund acquired the assets and certain liabilities of Managed Municipals Portfolio II Inc. pursuant to a plan of reorganization approved by Managed Municipals Portfolio II Inc. shareholders on April 10, 2002. Total shares issued by the Fund and the total net assets of the Managed Municipals Portfolio II Inc. and the Fund on the date of the transfer were as follows:

Acquired Fund	Shares Issued by the Fund	Total Net Assets of Managed Municipals Portfolio II Inc.	Total Net Assets of the Fund
---------------	---------------------------	--	------------------------------

Managed

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Municipals
Portfolio

II
Inc. 10,006,932 \$117,162,040 \$372,831,933

[GRAPHIC]

28

NOTES TO FINANCIAL STATEMENTS
(continued)

The total net assets of Managed Municipals Portfolio II Inc. before acquisition included unrealized depreciation of \$2,101,130, accumulated net realized loss of \$5,251,582, and overdistributed net investment income of \$14,313. Total net assets of the Fund immediately after the transfer were \$489,993,973. The transaction was structured to qualify as a tax-free reorganization under the Internal Revenue Code of 1986, as amended.

9. CAPITAL LOSS CARRYFORWARD

At May 31, 2002, the Fund had, for Federal income tax purposes, approximately \$18,142,000 of unused capital loss carryforwards available to offset future capital gains. To the extent that these carryforward losses are used to offset capital gains, it is probable that the gains so offset will not be distributed. Expirations occur on May 31 of the years below:

	2006	2007	2008
Carryforward Amounts	\$302,000	\$4,855,000	\$12,985,000

10. CAPITAL SHARES

At May 31, 2002, the Fund had 500,000,000 shares of common stock authorized with a par value of \$0.001 per share.

On June 21, 1999, the Fund commenced a share repurchase plan. Since the inception of the repurchase plan, the Fund repurchased and retired 2,758,300 shares with a total cost of \$26,171,171. For the year ended May 31, 2001, the Fund repurchased and retired 370,700 shares with a total cost of \$3,648,358.

On January 16, 2001, the Fund suspended the share repurchase plan.

[GRAPHIC]

29

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FINANCIAL HIGHLIGHTS

For a share of capital stock outstanding throughout each year ended May 31, unless otherwise noted:

	2002	2001	2000	1999	1998
Net Asset Value, Beginning of Year	\$11.74	\$10.93	\$11.97	\$12.37	\$11.90
Income (Loss) From Operations:					
Net investment income/(1)(2)/	0.60	0.60	0.58	0.58	0.54
Net realized and unrealized gain (loss)/(2)/	0.02	0.79	(1.14)	(0.32)	0.83
Distributions Paid to Auction Rate Cumulative Preferred Stockholders from net investment income	(0.00)*	--	--	--	--
Total Income (Loss) From Operations	0.62	1.39	(0.56)	0.26	1.37
Gain From Repurchase of Treasury Stock	--	0.02	0.12	--	--
Underwriting Commission and Expenses of Issuance of Auction Rate Cumulative Preferred Stock	(0.07)	--	--	--	--
Distributions Paid To:					
Common Stock Shareholders from net investment income	(0.60)	(0.60)	(0.60)	(0.54)	(0.61)
Common Stock Shareholders from net realized gains	--	--	--	(0.12)	(0.29)
Total Distributions	(0.60)	(0.60)	(0.60)	(0.66)	(0.90)
Net Asset Value, End of Year	\$11.69	\$11.74	\$10.93	\$11.97	\$12.37
Total Return, Based on Market Value/(3)/	4.79%	20.69%	(3.88)%	0.11%	2.08%
Total Return, Based on Net Asset Value/(3)/	5.33%	13.90%	(2.82)%	2.66%	12.14%
Net Assets, End of Year (millions)	\$489	\$374	\$352	\$414	\$428

[GRAPHIC]

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For a share of capital stock outstanding throughout each year ended May 31, unless otherwise noted:

	2002	2001	2000	1999	1998

Ratios to Average Net Assets Based on Common Shares Outstanding/(4)/:					
Net investment income/(2)/	4.84%	5.15%	5.19%	4.72%	4.35%
Auction fees	0.00*	--	--	--	--
Operating expenses/(1)/	0.52	0.68	0.89	0.94	0.99
Total expenses	0.52	0.68	0.89	0.94	0.99

Portfolio Turnover Rate	39%	58%	35%	23%	87%

Market Price, End of Year	\$10.57	\$10.67	\$9.375	\$10.375	\$11.00

(1) The investment adviser waived a portion of its fees for the years ended May 31, 2002, 2001 and 2000. In addition, the investment adviser and administrator waived a portion of their fees for the year ended May 31, 1999. If such fees were not waived, the per share decreases in net investment income and actual expense ratios would have been as follows:

	Per share decreases in net investment income	Expense ratios without fee waivers
2002	\$0.05	1.01%
2001	0.04	1.01
2000	0.02	1.04
1999	0.01	1.02

- (2) Without the adoption of the change in the accounting method discussed in Note 1 to the financial statements, for the year ended May 31, 2002, the ratio of net investment income to average net assets would have been 4.81%. Per share, ratios and supplemental data for the periods prior to June 1, 2001 have not been restated to reflect this change in presentation. In addition, the impact of this change to net investment income and net realized and unrealized gain per share was less than \$0.01.
- (3) The total return calculation assumes that dividends are reinvested in accordance with the Fund's dividend reinvestment plan.
- (4) Calculated on basis of average net assets of common shareholders. Ratios do not reflect the effect of dividend payments to preferred shareholders.
- * Amount represents less than \$0.01 per share.

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[GRAPHIC]

INDEPENDENT AUDITORS' REPORT

The Shareholders and Board of Directors of Managed Municipals Portfolio Inc.:

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We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of the Managed Municipals Portfolio Inc. ("Fund") as of May 31, 2002, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended and financial highlights for each of the years in the five-year period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of May 31, 2002, by correspondence with the custodian. As to securities purchased or sold but not yet received or delivered, we performed other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Fund as of May 31, 2002, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended and financial highlights for each of the years in the five-year period then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

New York, New York
July 10, 2002

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[GRAPHIC]

32

FINANCIAL DATA
(unaudited)

For a share of capital stock outstanding throughout each period:

Record Date	Payable Date	NYSE Closing Price+	Net Asset Value+	Dividend Paid	Dividend Reinvestment Price
6/27/00	6/30/00	\$ 9.750	\$11.20	\$0.050	\$ 9.91
7/25/00	7/28/00	9.688	11.37	0.050	9.89
8/22/00	8/25/00	10.000	11.54	0.050	10.04
9/26/00	9/29/00	9.688	11.42	0.050	9.80

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10/24/00	10/27/00	9.688	11.49	0.050	9.78
11/20/00	11/24/00	9.750	11.47	0.050	9.80
12/26/00	12/29/00	9.938	11.85	0.050	10.25
1/23/01	1/26/01	10.688	11.92	0.050	10.70
2/20/01	2/23/01	10.770	11.88	0.050	10.81
3/27/01	3/30/01	10.450	11.89	0.050	10.58
4/24/01	4/27/01	10.370	11.65	0.050	10.55
5/22/01	5/25/01	10.650	11.71	0.050	10.69
6/26/01	6/29/01	10.400	11.80	0.050	10.61
7/24/01	7/27/01	10.590	11.88	0.050	10.71
8/28/01	8/31/01	10.830	12.09	0.050	11.00
9/25/01	9/28/01	10.330	11.87	0.050	10.65
10/23/01	10/26/01	10.640	11.93	0.050	10.82
11/27/01	11/30/01	10.580	11.83	0.050	10.51
12/24/01	12/28/01	10.310	11.63	0.050	10.43
1/22/02	1/25/02	10.600	11.81	0.050	10.74
2/19/02	2/22/02	10.600	11.77	0.050	10.72
3/25/02	3/28/02	10.250	11.55	0.050	10.43
4/23/02	4/26/02	10.300	11.66	0.050	10.51
5/28/02	5/31/02	10.500	11.65	0.050	10.62

+ As of record date.

[GRAPHIC]

33

OTHER FINANCIAL INFORMATION
(unaudited)

The table below sets out information with respect to Auction Rate Cumulative Preferred Stock:

	2002/(1)/

Auction Rate Cumulative Preferred Stock/(2)/:	
Total Amount Outstanding (000s)	250,000
Asset Coverage Per Share	74,000
Involuntary Liquidating Preference Per Share	25,000
Average Market Value Per Share/(3)/	25,000

(1)As of May 31, 2002.

(2)On May 22, 2002, the Fund issued 2,000 shares of Auction Rate Cumulative Preferred Stock at \$25,000 a share, for Series M, Series T, Series W, Series Th and Series F, respectively.

(3)Excludes accrued interest or accumulated undeclared dividends.

[GRAPHIC]

34

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ADDITIONAL INFORMATION (unaudited)

Information about Directors and Officers

The business and affairs of Managed Municipals Portfolio Inc., ("Investment Company") are managed under the direction of the Board of Directors. Information pertaining to the Directors and Officers of the Investment Company is set forth below.

Name, Address and Age	Position(s) Held with Fund	Term of Office* and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Investment Companies in Fund Complex Overseen by Director	Other Directorships Held by Director
<hr/>					
Non-Interested Directors:					
Allan J. Bloostein 27 West 67th Street New York, NY 10023 Age 72	Class I Director	Since 1992	President, Allan J. Bloostein Associates; Vice Chairman (retired), May Department Stores	16	Taubman Realty Corporation (a NYSE listed real estate investment trust)
Dwight B. Crane Harvard Business School Soldiers Field Road Morgan Hall #375 Boston, MA 02163 Age 64	Class III Director	Since 1992	Professor, Harvard Business School	23	None
Paulo M. Cucchi Drew University 108 Brothers College Madison, NJ 07940 Age 60	Class I Director	Since 2001	Vice President and Dean of College of Liberal Arts at Drew University	7	None
Robert A. Frankel 8 John Walsh Blvd. Peekskill, NY 10566 Age 75	Class II Director	Since 1994	Managing Partner of Robert A. Frankel Management Consultants	9	None
Dr. Paul Hardin 12083 Morehead Chapel Hill, NC 27514 Age 71	Class II Director	Since 2001	Chancellor Emeritus and Professor of Law at the University of North Carolina at Chapel Hill	16	None
William R. Hutchinson 535 N. Michigan	Class III Director	Since 1995	President, WR Hutchinson &	7	Director of Associate

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Suite 1012
Chicago, IL 60611
Age 59

Associates, Inc.;
formerly Group
Vice President,
Mergers &
Acquisitions BP
Amoco

Bank
and Associated
Banc-Corp

[GRAPHIC]

35

ADDITIONAL INFORMATION
(unaudited) (continued)

Name, Address and Age	Position(s) Held with Fund	Term of Office* and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Investment Companies in Fund Complex Overseen by Director	Other Directorships Held by Director
George M. Pavia 600 Madison Avenue New York, NY 10022 Age 73	Class III Director	Since 2001	Senior Partner, Pavia & Harcourt Attorneys	7	None
Interested Directors: Heath B. McLendon SSB 125 Broad Street 9th Floor New York, NY 10004 Age 69	Class II Director/ Chairman	Since 1992	Managing Director of Salomon Smith Barney Inc. ("SSB"); President and Director of Smith Barney Fund Management LLC ("SBFM") and Travelers Investment Adviser, Inc. ("TIA"); Director of The Travelers Investment Management Company	74	None
R. Jay Gerken SSB 125 Broad Street 9th Floor New York, NY 10004 Age 51	Class I Director, Also serves as President	Since 2002	Managing Director of SSB	41	None

*Directors are elected for a term of three years.

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Officers:

Lewis E. Daidone SSB 125 Broad Street 11th Floor New York, NY 10004 Age 44	Senior Vice President and Chief Administrative Officer	Since 1994	Managing Director of SSB; Chief Administration Officer of the Smith Barney Mutual Funds; Director and Senior Vice President of SBFM and TIA	N/A	N/A
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[GRAPHIC]

36

ADDITIONAL INFORMATION
(unaudited) (continued)

Name, Address and Age	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Investment Companies in Fund Complex Overseen by Director	Other Directorships Held by Director
Richard L. Peteka SSB 125 Broad Street 11th Floor New York, NY 10004 Age 40	Chief Financial Officer and Treasurer	Since 2002	Chief Financial Officer and Treasurer of certain Smith Barney Mutual Funds; Director and Head of Internal Control for Citigroup Asset Management U.S. Mutual Fund Administration from 1999-2002 Vice President Head of Mutual Fund Administration and Treasurer at Oppenheimer Capital from 1996- 1999	N/A	N/A
Joseph P. Deane SSB 333 W 34th Street New York, NY 10001	Vice President and Investment Officer	Since 1993	Managing Director of SBFM	N/A	N/A

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Age 46

Kaprel Ozsolak SSB 125 Broad Street 9th Floor New York, NY 10004 Age 36	Controller	Since 2002	Vice President of SSB	N/A	N/A
Christina T. Sydor SSB 300 First Stamford Place Stamford, CT 06902 Age 51	Secretary	Since 1994	Managing Director of SSB; General Counsel and Secretary of SBFM and TIA	N/A	N/A

TAX INFORMATION (unaudited)

For Federal tax purposes the Fund hereby designates for the fiscal year ended May 31, 2002:

- . 99.90% of the dividends paid by the Fund from net investment income as tax exempt for regular Federal income tax purposes.

[GRAPHIC]

37

DIVIDEND REINVESTMENT PLAN (unaudited)

Under the Fund's Dividend Reinvestment Plan ("Plan"), a shareholder whose shares of common stock are registered in his own name will have all distributions from the Fund reinvested automatically by PFPC Global Fund Services ("PFPC"), as purchasing agent under the Plan, unless the shareholder elects to receive cash. Distributions with respect to shares registered in the name of a broker-dealer or other nominee (that is, in street name) will be reinvested by the broker or nominee in additional shares under the Plan, unless the service is not provided by the broker or nominee or the shareholder elects to receive distributions in cash. Investors who own common stock registered in street name should consult their broker-dealers for details regarding reinvestment. All distributions to shareholders who do not participate in the Plan will be paid by check mailed directly to the record holder by or under the direction of PFPC as dividend paying agent.

The number of shares of common stock distributed to participants in the Plan in lieu of a cash dividend is determined in the following manner. When the market price of the common stock is equal to or exceeds 98% of the net asset value per share of the common stock on the determination date (generally, the record date for the distribution), Plan participants will be issued shares of common stock by the Fund at a price equal to the greater of net asset value determined as described below under "Net Asset Value" or 95% of the market

price of the common stock.

If the market price of the common stock is less than 98% of the net asset value of the common stock at the time of valuation (which is the close of business on the determination date), PFPC will buy common stock in the open market, on the NYSE or elsewhere, for the participants' accounts. If following the commencement of the purchases and before PFPC has completed its purchases, the market price exceeds the net asset value of the common stock as of the valuation time, PFPC will attempt to terminate purchases in the open market and cause the Fund to issue the remaining portion of the dividend or distribution in shares at a price equal to the greater of (a) net asset value as of the valuation time or (b) 95% of the then current market price. In this case, the number of shares received by a Plan participant will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares. To the extent PFPC is unable to stop open market purchases and cause the Fund to issue the remaining shares, the average per share purchase price paid by PFPC may exceed the net asset value of the common stock as of the valuation time, resulting in the acquisition of fewer shares than if the dividend or capital gains

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[GRAPHIC]

38

DIVIDEND REINVESTMENT PLAN
(unaudited) (continued)

distribution had been paid in common stock issued by the Fund at such net asset value. PFPC will begin to purchase common stock on the open market as soon as practicable after the determination date for the dividend or capital gains distribution, but in no event shall such purchases continue later than 30 days after the payment date for such dividend or distribution, or the record date for a succeeding dividend or distribution, except when necessary to comply with applicable provisions of the federal securities laws.

PFPC maintains all shareholder accounts in the Plan and furnishes written confirmations of all transactions in each account, including information needed by a shareholder for personal and tax records. The automatic reinvestment of dividends and capital gains distributions will not relieve Plan participants of any income tax that may be payable on the dividends or capital gains distributions. Common stock in the account of each Plan participant will be held by PFPC in uncertificated form in the name of the Plan participant.

Plan participants are subject to no charge for reinvesting dividends and capital gains distributions under the Plan. PFPC's fees for handling the reinvestment of dividends and capital gains distributions will be paid by the Fund. No brokerage charges apply with respect to shares of common stock issued directly by the Fund under the Plan. Each Plan participant will, however, bear a proportionate share of any brokerage commissions actually incurred with respect to any open market purchases made under the Plan.

Experience under the Plan may indicate that changes to it are desirable. The Fund reserves the right to amend or terminate the Plan as applied to any dividend or capital gains distribution paid subsequent to written notice of the change sent to participants at least 30 days before the record date for the dividend or capital gains distribution. The Plan also may be amended or

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terminated by PFPC, with the Fund's prior written consent, on at least 30 days' written notice to Plan participants. All correspondence concerning the plan should be directed by mail to PFPC Global Fund Services, P.O. Box 8030, Boston, Massachusetts 02266-8030 or by telephone at (800) 331-1710.

SHARE REPURCHASE NOTICE
(unaudited)

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Fund may purchase shares of its common stock in the open market.

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[GRAPHIC]

39

Managed Municipals
Portfolio Inc.

DIRECTORS

Allan J. Bloostein
Dwight B. Crane
Paolo M. Cucchi
Robert A. Frankel
R. Jay Gerken
Paul Hardin
William R. Hutchinson
Heath B. McLendon, Chairman
George M. Pavia

OFFICERS

R. Jay Gerken
President and
Chief Executive Officer

Lewis E. Daidone
Senior Vice President and Chief Administrative Officer

Richard L. Peteka
Chief Financial Officer and Treasurer

Joseph P. Deane
Vice President and Investment Officer

David Fare
Investment Officer

Kaprel Ozsolak
Controller

Christina T. Sydor
Secretary

INVESTMENT ADVISER AND ADMINISTRATOR
Smith Barney Fund Management LLC
333 W. 34th Street

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New York, New York 10001

TRANSFER AGENT
PFPC Global Fund Services
P.O. Box 8030
Boston, Massachusetts 02266-8030

CUSTODIAN
State Street Bank and Trust Company
225 Franklin Street
Boston, Massachusetts 02110

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[GRAPHIC]

40

[GRAPHIC]

THIS REPORT IS ONLY INTENDED FOR SHAREHOLDERS OF THE
MANAGED MUNICIPALS PORTFOLIO INC.

IT IS NOT A PROSPECTUS,
CIRCULAR OR REPRESENTATION INTENDED FOR USE IN THE
PURCHASE OR SALE OF SHARES OF THE FUND OR OF ANY
SECURITIES MENTIONED IN THE REPORT.

FD2246 7/02