

SECURITIES AND EXCHANGE COMMISSION

FORM 497

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FILER

SMITH BARNEY SHEARSON ADJUSTABLE RATE GOVERNMENT INCOME FD

CIK: **887428** | State of Incorporation: **MA** | Fiscal Year End: **0531**
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SMITH BARNEY SHEARSON
ADJUSTABLE RATE GOVERNMENT INCOME FUND

Supplement to Prospectus
Dated July 30, 1994

The following information expands the disclosure in the Fund's Prospectus under "Management of the Fund":

On June 16, 1994, BlackRock Financial Management L.P., the Fund's sub-investment adviser ("BlackRock"), entered into an agreement under which PNC Bank N.A. ("PNC Bank") will acquire all of the outstanding equity interests in BlackRock (the "Transaction"). The Transaction is expected to close in the fourth quarter of 1994, subject to the prior satisfaction of various conditions, including the approval of certain Federal bank regulatory authorities. All members of BlackRock's management team have agreed to sign long-term employment contracts with PNC Bank; therefore, shareholders should experience minimal change in the management of the Fund as a result of the Transaction.

PNC Bank is a wholly-owned indirect subsidiary of PNC Bank Corp. ("PNC"), a publicly owned multibank holding company incorporated under the laws of the Commonwealth of Pennsylvania in 1983 and registered under the Federal Bank Holding Company Act of 1956. PNC's banking subsidiaries are located in Pennsylvania, Kentucky, Delaware, Ohio, Indiana and Massachusetts. As of June 30, 1994, PNC was ranked the eleventh largest bank holding company in the U.S. based on total assets of \$64 billion. PNC provides a comprehensive range of financial products and services. Through its banking subsidiaries, PNC provides retail banking, commercial banking, trust banking, investment management and other financial services and securities related activities. PNC's financial services related subsidiaries provide a broad range of services including investment advisory, securities brokerage, mortgage banking, credit card processing, credit-related insurance underwriting, leasing and data processing. Following the closing of the Transaction, BlackRock will become a wholly-owned subsidiary of a holding company which will be created for all of PNC's asset management businesses.

The Fund's current sub-investment advisory agreement (the "Existing Agreement") among the Fund, BlackRock and Smith Barney Strategy Advisers Inc., the Fund's investment adviser ("SBSA"), provides for its automatic termination in the event of an assignment defined by reference to the Investment Company Act of 1940, as amended (the "1940 Act"). At the closing of the Transaction, PNC Bank will have acquired all of BlackRock's outstanding equity interests, thus giving rise to an assignment of the Existing Agreement within the meaning of the 1940 Act. The Board of Trustees on behalf of the Fund has approved a new sub-investment advisory agreement with SBSA and BlackRock (the "New Agreement"), identical in all material respects to the Existing Agreement, to take effect upon the

closing of the Transaction. The Trustees have recommended that shareholders vote to approve the New Agreement at a meeting to be called for that purpose by the end of 1994.

Supplement dated: September 22, 1994

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