FORM 485B24E

Post-effective amendments

Filing Date: **1994-03-01**
SEC Accession No. 0000950130-94-000330

FILER

PRUDENTIAL NATIONAL MUNICIPALS FUND INC	Mailing Address	Business Address
	ONE SEAPORT PLZ	*199 WATER ST*
CIK:**314612**| IRS No.: **133021492** | State of Incorp.:**MD** | Fiscal Year End: **1231**	*ONE SEAPORT PLZ*	*NEW YORK NY 10292*
Type: **485B24E** | Act: **33** | File No.: **002-66407** | Film No.: **94514107**	*NEW YORK NY 10292*	*2122142189*

As filed with the Securities and Exchange Commission on March 1, 1994

Registration No. 2-66407

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 [X]

PRE-EFFECTIVE AMENDMENT NO. [_]

POST-EFFECTIVE AMENDMENT NO. 20 [X]

AND/OR

REGISTRATION STATEMENT UNDER THE

INVESTMENT COMPANY ACT OF 1940 [X]

AMENDMENT NO. 19 [X]

(Check appropriate box or boxes)

PRUDENTIAL-BACHE NATIONAL MUNICIPALS FUND, INC.

(Exact name of registrant as specified in charter)

(doing business as Prudential National Municipals Fund)

ONE SEAPORT PLAZA,
NEW YORK, NEW YORK 10292

(Address of Principal Executive Offices) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (212) 214-1250

S. JANE ROSE, ESQ.
ONE SEAPORT PLAZA
NEW YORK, NEW YORK 10292
(NAME AND ADDRESS OF AGENT FOR SERVICE OF PROCESS)

APPROXIMATE DATE OF PROPOSED PUBLIC OFFERING:
AS SOON AS PRACTICABLE AFTER THE EFFECTIVE
DATE OF THE REGISTRATION STATEMENT.

IT IS PROPOSED THAT THIS FILING WILL BECOME EFFECTIVE
(CHECK APPROPRIATE BOX):

[X] immediately upon filing pursuant to paragraph (b)

[_] 60 days after filing pursuant to paragraph (a)

[_] on (date) 1994 pursuant to paragraph (b)

[_] on (date) pursuant to paragraph (a), of Rule 485.

<TABLE>

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Shares of Common Stock par value $.01 per share	2,119,514	16.88	35,777,397	$100

</TABLE>

* The calculation of the maximum aggregate offering price was made pursuant to Rule 24e-2 and was based upon an offering price of $16.88 per share, which

was equal to the net asset value per share as of the close of business on February 18, 1994, plus the maximum initial sales charge of 4.5% pursuant to Rule 457(d). The total amount of shares redeemed during the fiscal year ended December 31, 1993 amounted to $238,761,384. Of this amount, none has been used for reduction pursuant to paragraph (a) of Rule 24e-2 in all previous filings of post-effective amendments during the current year, and $203,273,987 of this amount has been used for reduction pursuant to paragraph (c) of Rule 24f-2 in all previous filings during the current year. $35,487,397 of shares is the amount of redeemed shares for the fiscal year ended December 31, 1993 being used for the reductions in the post-effective amendment being filed herein.

PURSUANT TO RULE 24F-2 UNDER THE INVESTMENT COMPANY ACT OF 1940, REGISTRANT HAS PREVIOUSLY REGISTERED AN INDEFINITE NUMBER OF SHARES OF COMMON STOCK PAR VALUE $.01 PER SHARE. THE REGISTRANT FILED A NOTICE UNDER SUCH RULE FOR ITS FISCAL YEAR ENDED DECEMBER 31, 1993 ON FEBRUARY 25 , 1994.

CROSS REFERENCE SHEET
(AS REQUIRED BY RULE 495)

<TABLE>
<CAPTION>

N-1A ITEM NO.	LOCATION
<S>	<C>
PART A	
Item 1. Cover Page..............................	Cover Page
Item 2. Synopsis................................	Fund Expenses
Item 3. Condensed Financial Information.........	Fund Expenses; Financial Highlights; How the Fund Calculates Performance
Item 4. General Description of Registrant.......	Cover Page; Fund Highlights; How the Fund Invests; General Information
Item 5. Management of the Fund..................	Financial Highlights; How the Fund is Managed
Item 6. Capital Stock and Other Securities......	Dividends, Distributions and Taxes; General Information
Item 7. Purchase of Securities Being Offered....	Shareholder Guide; How the Fund Values its Shares
Item 8. Redemption or Repurchase................	Shareholder Guide; How the Fund Values its Shares; General Information
Item 9. Pending Legal Proceedings...............	Not Applicable
PART B	
Item 10. Cover Page.............................	Cover Page
Item 11. Table of Contents......................	Table of Contents
Item 12. General Information and History.........	General Information
Item 13. Investment Objectives and Policies......	Investment Objective and Policies; Investment Restrictions
Item 14. Management of the Fund..................	Directors and Officers; Manager; Distributor
Item 15. Control Persons and Principal Holders of Securities.....................................	Not Applicable
Item 16. Investment Advisory and Other Services..	Manager; Distributor; Custodian, Transfer and Dividend Disbursing Agent and Independent Accountants
Item 17. Brokerage Allocation and Other Practices......................................	Portfolio Transactions and Brokerage
Item 18. Capital Stock and Other Securities......	Not Applicable
Item 19. Purchase, Redemption and Pricing of Securities Being Offered........................	Purchase and Redemption of Fund Shares; Shareholder Investment Account; Net Asset Value
Item 20. Tax Status.............................	Taxes, Dividends and Distributions
Item 21. Underwriters...........................	Distributor
Item 22. Calculation of Performance Data.........	Performance Information
Item 23. Financial Statements....................	Financial Statements
PART C	

</TABLE>

Information required to be included in Part C is set forth under the appropriate Item, so numbered, in Part C to this Post-Effective Amendment to the Registration Statement.

Prudential National Municipals Fund

- ---

PROSPECTUS DATED FEBRUARY 28, 1994

- ---

Prudential-Bache National Municipals Fund, Inc., doing business as Prudential National Municipals Fund (the Fund), is an open-end, diversified management investment company whose investment objective is to seek a high level of current income exempt from federal income taxes. In attempting to achieve this objective, the Fund intends to invest substantially all of its total assets in carefully selected long-term Municipal Bonds of medium quality, i.e., obligations of issuers possessing adequate but not outstanding capacities to service their debt. Subject to the limits described herein, the Fund may also buy and sell financial futures for the purpose of hedging its securities portfolio. See "How the Fund is Managed--Investment Objective and Policies." The Fund's address is One Seaport Plaza, New York, New York 10292, and its telephone number is (800) 225-1852.

This Prospectus sets forth concisely the information about the Fund that a prospective investor ought to know before investing. Additional information about the Fund has been filed with the Securities and Exchange Commission in a Statement of Additional Information, dated February 28, 1994, which information is incorporated herein by reference (is legally considered a part of this Prospectus) and is available without charge upon request to the Fund at the address or telephone number noted above.

- ---

Investors are advised to read this Prospectus and retain it for future reference.

- ---

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

FUND HIGHLIGHTS

The following summary is intended to highlight certain information contained in this Prospectus and is qualified in its entirety by the more detailed information appearing elsewhere herein.

WHAT IS PRUDENTIAL NATIONAL MUNICIPALS FUND?

Prudential National Municipals Fund is a mutual fund. A mutual fund pools the resources of investors by selling its shares to the public and investing the proceeds of such sale in a portfolio of securities designed to achieve its investment objective. Technically, the Fund is an open-end, diversified management investment company.

WHAT IS THE FUND'S INVESTMENT OBJECTIVE?

The investment objective of the Fund is to seek a high level of current income exempt from federal income taxes. In attempting to achieve this objective, under normal circumstances, the Fund intends to invest substantially all, and in any event at least 80%, of its total assets in Municipal Bonds and Municipal Notes. See "How the Fund Invests--Investment Objective and Policies" at page 7.

WHAT ARE THE FUND'S SPECIAL CHARACTERISTICS AND RISKS?

The Fund's portfolio will consist primarily of carefully selected long-term Municipal Bonds of medium quality. While the Fund's investment adviser will not be limited by the ratings assigned by the rating services, the Municipal Bonds in which the Fund's portfolio will be principally invested will be rated A and Baa by Moody's Investors Service (Moody's) and A and BBB by Standard & Poor's Ratings Group (S&P) or, if not rated, will be, in the judgment of the investment adviser, of substantially comparable quality. The Fund may also engage in various hedging strategies, including the purchase of put or tender options on Municipal Bonds and Notes and the purchase and sale of financial futures contracts and options thereon. See "How the Fund Invests--Investment Objective and Policies" at page 7.

WHO MANAGES THE FUND?

Prudential Mutual Fund Management, Inc. (PMF or the Manager) is the

Manager of the Fund and is compensated for its services at an annual rate of .50 of 1% of the Fund's average daily net assets up to and including $250 million, .475 of 1% of the next $250 million, .45 of 1% of the next $500 million, .425 of 1% of the next $250 million, .40 of 1% of the next $250 million and .375 of 1% of the Fund's average daily net assets in excess of $1.5 billion. As of January 31, 1994, PMF served as manager or administrator to 66 investment companies, including 37 mutual funds, with aggregate assets of approximately $51 billion. The Prudential Investment Corporation (PIC or the Subadviser) furnishes investment advisory services in connection with the management of the Fund under a Subadvisory Agreement with PMF. See "How the Fund is Managed--Manager" at page 13.

WHO DISTRIBUTES THE FUND'S SHARES?

Prudential Mutual Fund Distributors, Inc. (PMFD) acts as the Distributor of the Fund's Class A shares. The Fund currently reimburses PMFD for expenses related to the distribution of Class A shares at an annual rate of up to .10 of 1% of the average daily net assets of the Class A shares.

Prudential Securities Incorporated (Prudential Securities or PSI), a major securities underwriter and securities and commodities broker, acts as the Distributor of the Fund's Class B shares. Prudential Securities is reimbursed for its expenses related to the distribution of Class B shares at an annual rate of up to .50 of 1% of the average daily net assets of the Class B shares.

See "How the Fund is Managed--Distributor" at page 14.

WHAT IS THE MINIMUM INVESTMENT?

The minimum initial investment is $1,000. The minimum subsequent investment is $100. There is no minimum investment requirement for certain retirement and employee savings plans or custodial accounts for the benefit of minors. For purchases made through the Automatic Savings Accumulation Plan, the minimum initial and subsequent investment is $50. See "Shareholder Guide--How to Buy Shares of the Fund" at page 20 and "Shareholder Guide--Shareholder Services" at page 27.

HOW DO I PURCHASE SHARES?

You may purchase shares of the Fund through Prudential Securities, Pruco Securities Corporation (Prusec) or directly from the Fund, through its transfer agent, Prudential Mutual Fund Services, Inc. (PMFS or the Transfer Agent), at the net asset value per share (NAV) next determined after receipt of your purchase order by the Transfer Agent or Prudential Securities plus a sales charge which may be imposed either at the time of purchase or on a deferred basis. See "How the Fund Values its Shares" at page 16 and "Shareholder Guide--How to Buy Shares of the Fund" at page 20.

WHAT ARE MY PURCHASE ALTERNATIVES?

The Fund offers two classes of shares which may be purchased at the next determined NAV plus a sales charge which, at your election, may be imposed either at the time of purchase (Class A shares) or on a deferred basis (Class B shares).

- Class A shares are sold with an initial sales charge of up to 4.5% of the offering price.

- Class B shares are sold without an initial sales charge but are subject to a contingent deferred sales charge or CDSC (declining from 5% to zero of the lower of the amount invested or the redemption proceeds) which will be imposed on certain redemptions made within six years of purchase.

You should understand that over time the deferred sales charge plus the distribution fee of the Class B shares will exceed the initial sales charge plus the distribution fee of the Class A shares.

See "Shareholder Guide--Alternative Purchase Plan" at page 21.

HOW DO I SELL MY SHARES?

You may redeem shares of the Fund at any time at the NAV next determined after Prudential Securities or the Transfer Agent receives your sell order. Although Class B shares are sold without an initial sales charge, the proceeds of redemptions of Class B shares held for six years or less may be subject to a contingent deferred sales charge declining from 5% to zero. See "Shareholder Guide--How to Sell Your Shares" at page 23.

HOW ARE DIVIDENDS AND DISTRIBUTIONS PAID?

The Fund expects to declare daily and pay monthly dividends of net investment income and make distributions of any net capital gains, if any, at least annually. Dividends and distributions will be automatically reinvested in additional shares of the Fund at NAV without a sales charge unless you request that they be paid to you in cash. See "Taxes, Dividends and Distributions" at page 17.

FUND EXPENSES

<TABLE>
<CAPTION>

<S>	<C> CLASS A SHARES (INITIAL SALES CHARGE ALTERNATIVE)	<C> CLASS B SHARES (DEFERRED SALES CHARGE ALTERNATIVE)
SHAREHOLDER TRANSACTION EXPENSES+		
Maximum Sales Load Imposed on Purchases (as a percentage of offering price)................	4.5%	None
Maximum Sales Load or Deferred Sales Load Imposed on Reinvested Dividends......................	None	None
Deferred Sales Load (as a percentage of original purchase price or redemption proceeds, whichever is lower)............	None	5% during the first year, decreasing by 1% annually to 1% in the fifth and sixth years and 0% the seventh year and thereafter
Redemption Fees..................	None	None
Exchange Fees....................	None	None
ANNUAL FUND OPERATING EXPENSES		

<CAPTION>

<S> (as a percentage of average net assets)	<C> CLASS A	<C> CLASS B
Management Fees..................	.47%	.47%
12b-1 Fees +.....................	.10%++	.50%
Other Expenses...................	.12%	.12%
Total Fund Operating Expenses....	.69%	1.09%

</TABLE>

<TABLE>
<CAPTION>

<S> EXAMPLE	<C> 1 YEAR	<C> 3 YEARS	<C> 5 YEARS	<C> 10 YEARS
You would pay the following expenses on a $1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period:				
Class A..................................	$52	$66	$82	$127
Class B..................................	$61	$65	$70	$133
You would pay the following expenses on the same investment assuming no redemption:				
Class A..................................	$52	$66	$82	$127
Class B..................................	$11	$35	$60	$133

</TABLE>

The above example is based on data for the Fund's fiscal year ended December 31, 1993. The example should not be considered a representation of past or future expenses. Actual expenses may be greater or less than those shown.
The purpose of this table is to assist investors in understanding the various costs and expenses that an investor in the Fund will bear, whether directly or indirectly. For more complete descriptions of the various costs and expenses, see "How the Fund Is Managed." "Other Expenses" includes operating expenses of the Fund, such as directors' and professional fees, registration fees, reports to shareholders, transfer agency and custodian fees.

+ Pursuant to rules of the National Association of Securities Dealers, Inc., the aggregate initial sales charges, deferred sales charges and asset-based sales charges on shares of the Fund may not exceed 6.25% of the total gross sales, subject to certain exclusions. This 6.25% limitation is imposed on the Fund rather than on a per shareholder basis. Therefore, long-term Class B shareholders of the Fund may pay more in total sales charges than the economic equivalent of 6.25% of such shareholders' investment in such shares. See "How the Fund is Managed--Distributor."

++ Although the Class A Distribution and Service Plan provides that the Fund may pay a distribution fee of up to .30 of 1% per annum of the average daily net assets of the Class A shares, the Distributor has agreed to limit its distribution fees with respect to Class A shares of the Fund to no more than .10 of 1% of the average daily net asset value of the Class A shares for the year ending December 31, 1994. See "How the Fund is Managed--Distributor."

FINANCIAL HIGHLIGHTS
(FOR A SHARE OUTSTANDING THROUGHOUT EACH OF THE PERIODS INDICATED)
(CLASS A SHARES)

The following financial highlights have been audited by Price Waterhouse, independent accountants, whose report thereon was unqualified. This information should be read in conjunction with the financial statements and notes thereto, which appear in the Statement of Additional Information. The following financial highlights contain selected data for a Class A share of common stock outstanding, total return, ratios to average net assets and other supplemental data for each of the periods indicated. The information is based on data contained in the financial statements.

<TABLE>
<CAPTION>

	CLASS A			
	YEAR ENDED DECEMBER 31,			JANUARY 22, 1990+ THROUGH DECEMBER 31, 1990
	1993	1992	1991	
PER SHARE OPERATING PERFORMANCE:				
Net asset value, beginning of period......	$ 15.94	$16.00	$15.09	$14.98
INCOME FROM INVESTMENT OPERATIONS:				
Net investment income.....................	.90	.94	.97	.90
Net realized and unrealized gain on investment transactions....................	1.05	.43	.91	.11
Total from investment operations.........	1.95	1.37	1.88	1.01
LESS DISTRIBUTIONS:				
Dividends from net investment income......	(.90)	(.94)	(.97)	(.90)
Distributions from net realized capital gains...................................	(.69)	(.49)	--	--
Total distributions......................	(1.59)	(1.43)	(.97)	(.90)
Net asset value, end of period...........	$ 16.30	$15.94	$16.00	$15.09
TOTAL RETURN: ++..........................	12.60%	8.88%	12.94%	6.88%
RATIOS/SUPPLEMENTAL DATA:				
Net assets, end of period (000)...........	$14,167	$7,700	$3,819	$1,846
Average net assets (000)..................	$11,786	$5,401	$2,697	$1,161
Ratios to average net assets:+++				
Expenses, including distribution fees....	.69%	.72%	.75%	.75%*
Expenses, excluding distribution fees....	.59%	.62%	.65%	.65%*
Net investment income....................	5.49%	5.79%	6.27%	6.43%*
Portfolio turnover.......................	82%	114%	59%	110%

</TABLE>

- --------

* Annualized.

\+ Commencement of offering of Class A shares.

++ Total return does not consider the effects of sales loads. Total return is calculated assuming a purchase of shares on the first day and a sale on the last day of each period reported and includes reinvestment of dividends and distributions. Total returns for periods of less than a full year are not annualized.

+++ The Fund commenced a public offering of Class A shares on January 22, 1990.

Accordingly, historical expenses and ratios of expenses to average net assets of Class B shares are not necessarily indicative of future expenses and related ratios of Class A shares. See "Financial Highlights--Class B Shares" and "How the Fund is Managed--Distributor."

FINANCIAL HIGHLIGHTS

(FOR A SHARE OUTSTANDING THROUGHOUT EACH OF THE YEARS INDICATED)
(CLASS B SHARES)

The following financial highlights with respect to each of the five years in the period ended December 31 1993, have been audited by Price Waterhouse, independent accountants, whose report thereon was unqualified. This information should be read in conjunction with the financial statements and notes thereto, which appear in the Statement of Additional Information. The following financial highlights contain selected data for a Class B share of common stock outstanding, total return, ratios to average net assets and other supplemental data for each of the years indicated. The information is based on data contained in the financial statements.

<TABLE>
<CAPTION>

	CLASS B									
	YEAR ENDED DECEMBER 31,									
	1993	1992	1991	1990	1989	1988*	1987	1986	1985	1984
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:										
Net asset value, beginning of year............	$ 15.97	$ 16.02	$ 15.11	$ 15.15	$ 15.04	$ 14.57	$ 16.18	$ 15.37	$ 13.86	$ 13.63
INCOME FROM INVESTMENT OPERATIONS:										
Net investment income	.84	.88	.91	.90	.96	1.03	1.05	1.18	1.28	1.25
Net realized and unrealized gain (loss) on investment transactions.....	1.05	.44	.91	(.04)	.11	.47	(1.55)	1.59	1.52	.23
Total from investment operations......	1.89	1.32	1.82	.86	1.07	1.50	(.50)	2.77	2.80	1.48
LESS DISTRIBUTIONS:										
Dividends from net investment income............	(.84)	(.88)	(.91)	(.90)	(.96)	(1.03)	(1.05)	(1.18)	(1.28)	(1.25)
Distributions from net realized capital gains.......	(.69)	(.49)	--	--	--	--	(.06)	(.78)	(.01)	--
Total distributions..........	(1.53)	(1.37)	(.91)	(.90)	(.96)	(1.03)	(1.11)	(1.96)	(1.29)	(1.25)
Net asset value, end of year......	$ 16.33	$ 15.97	$ 16.02	$ 15.11	$ 15.15	$ 15.04	$ 14.57	16.18	$ 15.37	$ 13.86
TOTAL RETURN: +...	12.15%	8.50%	12.42%	5.96%	7.43%	10.49%	(3.14)%	18.78%	21.04%	11.52%
RATIOS/SUPPLEMENTAL DATA:										
Net assets, end of year (000)	$848,299	$828,702	$874,338	$882,212	$1,033,173	$1,066,159	$1,046,293	$1,103,508	$558,662	$261,649
Average net assets (000)...........	$854,919	$829,830	$862,249	$940,215	$1,027,726	$1,081,122	$1,126,394	$ 859,796	$377,053	$237,479
Ratios to average net assets:++										
Expenses, including distribution fees...........	1.09%	1.12%	1.15%	1.13%	1.01%	1.02%	1.01%	.90%	.73%	.74%
Expenses, excluding distribution fees...........	.59%	.62%	.65%	.64%	.66%	.66%	.65%	.62%	.65%	.74%
Net investment income..........	5.09%	5.39%	5.87%	6.03%	6.45%	6.86%	6.83%	7.13%	8.39%	9.23%

Portfolio turnover..............	82%	114%	59%	110%	198%	152%	105%	117%	124%	219%

</TABLE>

- -------

* On May 2, 1988, Prudential Mutual Fund Management, Inc. succeeded The Prudential Insurance Company of America as investment adviser and since then has acted as manager of the Fund. See "Manager" in the Statement of Additional Information.

+ Total return does not consider the effects of sales loads. Total return is calculated assuming a purchase of shares on the first day and a sale on the last day of each period reported and includes reinvestment of dividends and distributions.

++ The Fund adopted a plan of distribution effective July 1, 1985 which was amended and restated on January 22, 1990. Consequently, historical expenses and ratios of expenses to average net assets for Class B shares are not necessarily indicative of future expenses and related ratios for that Class. See "How the Fund is Managed--Distributor."

HOW THE FUND INVESTS

INVESTMENT OBJECTIVE AND POLICIES

THE INVESTMENT OBJECTIVE OF THE FUND IS TO SEEK A HIGH LEVEL OF CURRENT INCOME EXEMPT FROM FEDERAL INCOME TAXES. IN ATTEMPTING TO ACHIEVE THIS OBJECTIVE, UNDER NORMAL CIRCUMSTANCES THE FUND INTENDS TO INVEST SUBSTANTIALLY ALL, AND IN ANY EVENT AT LEAST 80%, OF ITS TOTAL ASSETS IN MUNICIPAL BONDS AND MUNICIPAL NOTES. THERE IS NO ASSURANCE THAT THE FUND WILL ACHIEVE ITS OBJECTIVE. See "Investment Objective and Policies" in the Statement of Additional Information.

Interest on certain Municipal Bonds and Municipal Notes may be subject to the federal alternative minimum tax. From time to time the Fund may purchase Municipal Bonds and Municipal Notes that are "private activity bonds" (as defined in the Internal Revenue Code), the interest on which is a tax preference subject to the alternative minimum tax. See "Taxes, Dividends and Distributions."

THE FUND'S INVESTMENT OBJECTIVE IS A FUNDAMENTAL POLICY AND, THEREFORE, MAY NOT BE CHANGED WITHOUT THE APPROVAL OF THE HOLDERS OF A MAJORITY OF THE FUND'S OUTSTANDING VOTING SECURITIES AS DEFINED IN THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE INVESTMENT COMPANY ACT). FUND POLICIES THAT ARE NOT FUNDAMENTAL MAY BE MODIFIED BY THE BOARD OF DIRECTORS.

THE FUND'S PORTFOLIO WILL CONSIST PRIMARILY OF CAREFULLY SELECTED LONG-TERM MUNICIPAL BONDS OF MEDIUM QUALITY. WHILE THE FUND'S INVESTMENT ADVISER WILL NOT BE LIMITED BY THE RATINGS ASSIGNED BY THE RATING SERVICES, THE MUNICIPAL BONDS IN WHICH THE FUND'S PORTFOLIO WILL BE PRINCIPALLY INVESTED WILL BE RATED A AND BAA BY MOODY'S INVESTORS SERVICE (MOODY'S) AND A AND BBB BY STANDARD & POOR'S RATINGS GROUP (S&P) OR, IF NOT RATED, WILL BE, IN THE JUDGMENT OF THE INVESTMENT ADVISER, OF SUBSTANTIALLY COMPARABLE QUALITY. Bonds rated BBB by S&P normally exhibit adequate payment protection parameters, but in the event of adverse market conditions are more likely to lead to a weakened capacity to pay principal and interest than bonds in the A category. Bonds rated Baa by Moody's are considered "medium grade" obligations. 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. A more complete description of these and other Municipal Bond and Note ratings is contained in Appendix A to the Statement of Additional Information.

Because issuers of medium quality Municipal Bonds may choose not to have their obligations rated, it is possible that a substantial portion of the Fund's portfolio may consist of obligations which are not rated. The market for rated bonds is usually broader than that for non-rated bonds, which may result in less flexibility in disposal of such non-rated bonds.

The Fund may also acquire Municipal Bonds which have been rated below medium quality by the rating services if, in the judgment of the Fund's investment adviser, the Bonds have the characteristics of medium quality obligations. In determining whether Municipal Bonds which are not rated or which have been rated below medium quality by the rating services have the characteristics of rated Municipal Bonds of medium quality, the investment adviser will rely upon information from various sources, including, if available, reports by the rating services, research, analysis and appraisals of brokers and dealers and the views of the Fund's directors and others regarding economic developments and the creditworthiness of particular issuers.

Municipal Bonds of medium quality are subject to fluctuation in value as a result of changing economic circumstances as well as changes in interest rates. Thus, while medium quality obligations will generally provide a higher yield than do high quality Municipal Bonds of similar maturities, they are subject to a greater degree of market fluctuation with less certainty of the issuer's continuing ability to meet the payments of principal and interest when due and may have speculative characteristics not present in bonds of higher quality. In addition, obligations with longer maturities (e.g., 20 years or more) generally offer both higher yields and greater exposure to market fluctuation from changes in interest rates than do those with shorter maturities. Consequently, shares of the Fund may not be suitable for persons who cannot assume the somewhat greater risks of capital depreciation involved in seeking higher tax-exempt yields.

In recent years, there has been a narrowing of the yield spreads between higher and lower quality Municipal Bonds and a reduction in the supply of medium grade Municipal Bonds. As a result of these changing conditions in the municipal securities markets, the investment adviser has invested a substantial portion of the Fund's assets in higher quality Municipal Bonds. The investment adviser intends to invest in medium grade Municipal Bonds to the extent market conditions warrant.

The interest rates payable on certain Municipal Bonds and Notes are not fixed and may fluctuate based upon changes in market rates. Municipal Bonds and Notes of this type are called "variable rate" obligations. The interest rate payable on a variable rate obligation is adjusted either at predesignated intervals or whenever there is a change in the market rate of interest on which the interest rate payable is based. Other features may include the right whereby the Fund may demand prepayment of the principal amount of the obligation prior to its stated maturity (a demand feature) and the right of the issuer to prepay the principal amount prior to maturity. The principal benefit of a variable rate obligation is that the interest rate adjustment minimizes changes in the market value of the obligation. As a result, the purchase of variable rate obligations should enhance the ability of the Fund to maintain a stable net asset value per share and to sell an obligation prior to maturity at a price approximating the full principal amount of the obligation. The payment of principal and interest by issuers of certain Municipal Bonds and Notes purchased by the Fund may be guaranteed by letters of credit or other credit facilities offered by banks or other financial institutions. Such guarantees will be considered in determining whether a Municipal Bond or Note meets the Fund's investment quality requirements.

The Fund may also invest in inverse floaters. An inverse floater is a debt instrument with a floating or variable interest rate that moves in the opposite direction of the interest rate on another security or the value of an index. Changes in the interest rate on the other security or index inversely affect the residual interest rate paid on the inverse floater, with the result that the inverse floater's price will be considerably more volatile than that of a fixed rate bond. The market for inverse floaters is relatively new.

THE FUND MAY BE ABLE TO REDUCE THE RISK OF FLUCTUATIONS IN ASSET VALUE CAUSED BY CHANGES IN INTEREST RATES BY HEDGING ITS PORTFOLIO THROUGH THE USE OF FINANCIAL FUTURES. During or in anticipation of a decline in interest rates, the Fund may purchase futures contracts to hedge against subsequent purchases of long-term bonds at higher prices. During or in anticipation of an increase in interest rates, the Fund may hedge its portfolio securities by selling futures contracts for the purpose of limiting the exposure of its portfolio to the resulting decrease in value. There are risks associated with hedging transactions and there can be no assurance that hedges will have the intended result. See "Financial Futures Contracts and Options on Futures" below.

ALSO, THE FUND MAY PURCHASE SECONDARY MARKET INSURANCE ON MUNICIPAL BONDS AND NOTES WHICH IT HOLDS OR ACQUIRES. Although the fee for secondary market insurance will reduce the yield of the insured Bonds and Notes, such insurance would be reflected in the market value of the municipal obligation purchased and may enable the Fund to dispose of a defaulted obligation at a price similar to that of comparable municipal obligations which are not in default.

Insurance is not a substitute for the basic credit of an issuer, but supplements the existing credit and provides additional security therefor. While insurance coverage for the Municipal Bonds and Notes held by the Fund reduces credit risk by providing that the insurance company will make timely payment of principal and interest if the issuer defaults on its obligation to make such payment, it does not afford protection against fluctuation in the price, i.e., the market value, of the municipal obligations caused by changes in interest rates and other factors, nor in turn against fluctuations in the net asset value of the shares of the Fund.

PUTS

THE FUND MAY PURCHASE AND EXERCISE PUTS OR TENDER OPTIONS ON MUNICIPAL BONDS AND NOTES. PUTS OR TENDER OPTIONS GIVE THE FUND THE RIGHT TO SELL SECURITIES HELD IN THE FUND'S PORTFOLIO AT A SPECIFIED EXERCISE PRICE ON A SPECIFIED DATE. Puts or tender options may be acquired to reduce the volatility of the market value of securities subject to puts or tender options compared to the volatility of similar securities not subject to puts. The acquisition of a put or tender option may involve an additional cost to the Fund compared to the cost of securities with similar credit ratings, stated maturities and interest coupons but without applicable puts. Such increased cost may be paid either by way of an initial or periodic premium for the put or by way of a higher purchase price for securities to which the put is attached. In addition, there is a credit risk associated with the purchase of puts or tender options in that the issuer of the put or tender option may be unable to meet its obligation to purchase the underlying security. Accordingly, the Fund will acquire puts or tender options under the following circumstances: (1) the put or tender option is written by the issuer of the underlying security and such security is rated within the 4 highest quality grades as determined by Moody's or S&P; (2) the put or tender option is written by a person other than the issuer of the underlying security and such person has securities outstanding which are rated within such 4 highest quality grades; or (3) the put or tender option is backed by a letter of credit or similar financial guarantee issued by a person having securities outstanding which are rated within the 2 highest quality grades of such rating services.

The Fund anticipates being as fully invested as practicable in Municipal Bonds and Notes; however, because the Fund does not intend to invest in taxable obligations, there may be occasions when, as a result of maturities of portfolio securities or sales of Fund shares or in order to meet anticipated redemption requests, the Fund may hold cash which is not earning income. In addition, there may be occasions when, in order to raise cash to meet redemptions, the Fund might be required to sell securities at a loss.

Unlike many issues of common and preferred stock and corporate bonds which are traded between brokers acting as agent for their customers on securities exchanges, Municipal Bonds and Notes are customarily purchased from or sold to dealers who are selling or buying for their own account. There are no requirements that most Municipal Bonds and Notes be registered with or qualified for sale by federal or state securities regulators. Since there are large numbers of Municipal Bond and Note issues of many different issuers, most issues do not trade on any single day. On the other hand, most issues are always marketable, since a major dealer will normally, on request, bid for any issue, other than obscure ones. Regional municipal securities dealers are frequently more willing to bid on issues of municipalities in their geographic area.

Although almost all Municipal Bonds and Notes are marketable, the structure of the market introduces its own element of risk; a seller may find, on occasion, that dealers are unwilling to make bids for certain issues that the seller considers reasonable. If the seller is forced to sell, he or she may realize a capital loss that would not have been necessary in different circumstances. Because the net asset value of the Fund's shares reflects the degree of willingness of dealers to bid for Municipal Bonds and Notes, the price of the Fund's shares may be subject to greater fluctuation than shares of other investment companies with different investment policies. See "Net Asset Value" in the Statement of Additional Information.

The ratings of Moody's and S&P represent each service's opinion as to the quality of the Municipal Bonds or Notes rated. It should be emphasized that ratings are general and are not absolute standards of quality or guarantees as to the creditworthiness of an issuer. Subsequent to its purchase by the Fund, an issue of Municipal Bonds or Notes may cease to be rated, or its ratings may be reduced. Neither event requires the elimination of that obligation from the Fund's portfolio, but will be a factor in determining whether the Fund should continue to hold that issue in its portfolio.

From time to time, proposals have been introduced before Congress for the purpose of restricting or eliminating the federal income tax exemption for interest on Municipal Bonds and Notes and for providing state and local governments with federal credit assistance. Reevaluation of the Fund's investment objectives and structure might be necessary in the future due to market conditions which may result from future changes in the tax laws.

FINANCIAL FUTURES CONTRACTS AND OPTIONS ON FUTURES

THE FUND MAY ATTEMPT TO REDUCE THE RISK OF FLUCTUATIONS IN THE VALUE OF ITS ASSETS CAUSED BY INTEREST RATE CHANGES BY HEDGING ITS PORTFOLIO THROUGH THE USE OF FINANCIAL FUTURES AND OPTIONS THEREON TRADED ON A COMMODITIES EXCHANGE OR BOARD OF TRADE. Financial futures are commodities contracts which obligate the buyer to take and the seller to make delivery at a future date of a specified quantity of a financial instrument or the cash value of a securities index. Presently, futures contracts are available in several types of fixed income securities, including U.S. Treasury Bonds and Notes, Government National Mortgage Association modified pass-through mortgage-backed securities, three-month U.S. Treasury Bills and bank certificates of deposit. Futures contracts are also available on a municipal bond index as described below.

When a futures contract is entered into, each party deposits with a broker or in a segregated custodial account a good faith deposit of approximately 1 1/2-2% of the contract amount, called the "initial margin." Additionally, during the term of the contract, the amount of the deposit is adjusted daily based on the current value of the futures contract by payments of "variation margin" to or from the broker or segregated account.

Although most interest rate futures contracts call for making or taking delivery of the underlying securities, these obligations are typically cancelled or closed out before the scheduled settlement date. The closing is accomplished by purchasing (or selling) an identical futures contract to offset a short (or long) position. Such an offsetting transaction cancels the contractual obligations established by the original futures transaction. Other financial futures contracts call for cash settlements rather than delivery of securities. If the price of the offsetting futures transaction varies from the price of the original futures transaction, the hedger will realize a gain or loss corresponding to the difference. That gain or loss will tend to offset the unrealized loss or gain on the hedged securities position, but may not always or completely do so.

THE FUND INTENDS TO ENGAGE IN TRANSACTIONS IN FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS AS A HEDGE AGAINST CHANGES, RESULTING FROM MARKET CONDITIONS, IN THE VALUE OF SECURITIES WHICH ARE HELD IN THE FUND'S PORTFOLIO OR WHICH THE FUND INTENDS TO PURCHASE. THE FUND WILL NOT ENTER INTO ANY FINANCIAL FUTURES CONTRACT OR PURCHASE RELATED OPTIONS (AS DEFINED IN THE CFTC REGULATIONS) IF IMMEDIATELY THEREAFTER THE SUM OF INITIAL AND NET CUMULATIVE VARIATION MARGINS ON ITS OUTSTANDING FUTURES CONTRACTS, TOGETHER WITH PREMIUMS PAID ON OPTIONS THEREON WOULD EXCEED 20% OF ITS TOTAL ASSETS. See "Investment Objective and Policies--Financial Futures Contracts--Limitations on Purchase and Sale" in the Statement of Additional Information.

The Fund's successful use of financial futures contracts and options on futures contracts depends upon the ability of its investment adviser to predict movements in the direction of interest rates and other factors affecting markets for securities. For example, if the Fund has hedged against the possibility of an increase in interest rates which would adversely affect the price of securities in its portfolio and prices of such securities increase instead, the Fund will lose part or all of the benefit of the increased value of its securities because it will have offsetting losses in its futures positions. In addition, in such situations, if the Fund has insufficient cash to meet daily variation margin requirements, it may have to sell securities to meet such requirements. Such sales of securities may be, but will not necessarily be, at increased prices which reflect the rising market. The Fund may have to sell securities at a time when it is disadvantageous to do so. Where futures are purchased to hedge against a possible increase in the price of securities before the Fund is able to invest its cash in an orderly fashion, it is possible that the market may decline instead; if the Fund then concludes not to invest in securities at that time because of concern as to possible future market decline or for other reasons, the Fund will realize a loss on the futures contract that is not offset by a reduction in the price of the securities purchased. For a further discussion of the risks associated with the use of futures contracts for hedging purposes, see "Investment Objective and Policies--Financial Futures Contracts--Risks of Financial Futures Transactions" in the Statement of Additional Information.

MUNICIPAL BOND INDEX FUTURES CONTRACTS

A futures contract on a municipal bond index began trading on the Chicago Board of Trade in 1985. The contract, which provides for cash settlement rather than delivery of securities, is based on the Bond Buyer Municipal Bond Index, an index of 40 actively traded municipal bonds. To make the index as representative as possible of price trends in the municipal securities market, twice a month new issues are added to the index and an equal number of the least actively traded issues are dropped from the index. Each bond in the index is priced daily by a group of five brokers.

THE MUNICIPAL BOND INDEX CONTRACT IS DESIGNED TO PROVIDE A WAY TO HEDGE MUNICIPAL BOND PORTFOLIOS, SINCE PRICES OF EXISTING FUTURES ON TAXABLE SECURITIES DO NOT ALWAYS CORRELATE WELL WITH MUNICIPAL BOND PRICES. Because the municipal bond index contract should correlate better with the Fund's price changes than the Treasury Bond futures contract, the Fund's investment adviser expects to do most of the Fund's hedging using the municipal bond index contract. However, there may be times when the adviser believes that the Treasury Bond contract corresponds well with municipal bond prices and trades at a price that makes hedging with this contract less expensive than hedging with the municipal contract. Accordingly, the Fund intends to use both the Treasury Bond and the municipal bond index contracts for hedging purposes.

MUNICIPAL LEASE OBLIGATIONS

THE FUND MAY ALSO INVEST IN MUNICIPAL LEASE OBLIGATIONS. A MUNICIPAL LEASE OBLIGATION IS A MUNICIPAL SECURITY THE INTEREST ON AND PRINCIPAL OF WHICH IS PAYABLE OUT OF LEASE PAYMENTS MADE BY THE PARTY LEASING THE FACILITIES FINANCED BY THE ISSUE. Typically, municipal lease obligations are issued by a state or municipal financing authority to provide funds for the construction of facilities (e.g., schools, dormitories, office buildings or prisons). The facilities are typically used by the state or municipality pursuant to a lease with a financing authority. Certain municipal lease obligations may trade infrequently. Accordingly, the investment adviser will monitor the liquidity of municipal lease obligations under the supervision of the Board of Directors. Municipal lease obligations will not be considered illiquid for purposes of the Fund's 15% limitation on illiquid securities provided the investment adviser determines that there is a readily available market for such securities. See "Investment Objective and Policies--Illiquid Securities" in the Statement of Additional Information.

OTHER INVESTMENTS AND POLICIES

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES

The Fund may purchase municipal obligations on a "when-issued" or "delayed delivery" basis, in each case without limit. When municipal obligations are offered on a when-issued or delayed delivery basis, the price and coupon rate are fixed at the time the commitment to purchase is made, but delivery and payment for such securities take place at a later date. During the period between purchase and settlement, no interest accrues to the purchaser. In the case of purchases by the Fund, the price that the Fund is required to pay on the settlement date may be in excess of the market value of the municipal obligations on that date. While securities may be sold prior to the settlement date, the Fund intends to purchase these securities with the purpose of actually acquiring them unless a sale would be desirable for investment reasons. At the time the Fund makes the commitment to purchase a municipal obligation on a when-issued or delayed delivery basis, it will record the transaction and reflect the value of the obligation, each day, in determining its net asset value. This value may fluctuate from day to day in the same manner as values of municipal obligations otherwise held by the Fund. If the seller defaults in the sale, the Fund could fail to realize the appreciation, if any, that had occurred. The Fund will establish a segregated account with its Custodian in which it will maintain cash and liquid, high-grade debt obligations equal in value to its commitments for when-issued or delayed delivery securities.

The Fund may also purchase municipal forward contracts. A municipal forward contract is a municipal security which is purchased on a when-issued basis with delivery taking place up to five years from the date of purchase. No interest will accrue on the security prior to the delivery date. The investment adviser will monitor the liquidity, value, credit quality and delivery of the security under the supervision of the Board of Directors.

BORROWING

The Fund may borrow an amount equal to no more than 20% of the value of its total assets (calculated when the loan is made) from banks for temporary, extraordinary or emergency purposes or for the clearance of transactions. The Fund may pledge up to 20% of its total assets to secure these borrowings. However, the Fund will not purchase portfolio securities when borrowings exceed 5% of the value of the Fund's total assets.

PORTFOLIO MANAGEMENT TECHNIQUES

In seeking to achieve the Fund's investment objective, the Fund's investment adviser will cause the Fund to purchase securities which it believes represent the best values then currently available in the marketplace. Such values are a function of yield, maturity, issue classification and quality characteristics, coupled with expectations regarding the economy, movements in the general level and term structure of interest rates, political developments and variations in the supply of funds available for investment in the tax-exempt market relative to the demand for funds placed upon it. The following are some of the more important management techniques which will be utilized by the Fund's investment adviser.

ADJUSTMENT OF MATURITIES

The investment adviser will seek to anticipate movements in interest rates and will adjust the maturity distribution of the portfolio accordingly. Longer term securities have ordinarily yielded more than shorter term securities. From time to time, however, the normal yield relationships between longer and shorter term securities have been reversed. In addition, longer term securities have historically been subject to greater and more rapid price fluctuation. The investment adviser will be free to take advantage of price volatility in order to attempt to increase the Fund's net asset value by making appropriate sales and purchases of portfolio securities.

ISSUE AND QUALITY CLASSIFICATION

Securities with the same general quality rating and maturity characteristics, but which vary according to the purpose for which they were issued, often tend to trade at different yields. Similarly, securities issued for similar purposes and with the same general maturity characteristics, but which vary according to the creditworthiness of their respective issuers, tend to trade at different yields. These yield differentials tend to fluctuate in response to political and economic developments as well as temporary imbalances in normal supply and demand relationships. The investment adviser monitors these fluctuations closely, and will adjust portfolio positions in various issue and quality classifications according to the value disparities brought about by these yield relationship fluctuations.

INVESTMENT RESTRICTIONS

The Fund is subject to certain investment restrictions which, like its investment objective, constitute fundamental policies. Fundamental policies cannot be changed without the approval of the holders of a majority of the Fund's outstanding voting securities, as defined in the Investment Company Act. See "Investment Restrictions" in the Statement of Additional Information.

HOW THE FUND IS MANAGED

THE FUND HAS A BOARD OF DIRECTORS WHICH, IN ADDITION TO OVERSEEING THE ACTIONS OF THE FUND'S MANAGER, SUBADVISER AND DISTRIBUTOR, AS SET FORTH BELOW, DECIDES UPON MATTERS OF GENERAL POLICY. THE FUND'S MANAGER CONDUCTS AND SUPERVISES THE DAILY BUSINESS OPERATIONS OF THE FUND. THE FUND'S SUBADVISER FURNISHES DAILY INVESTMENT ADVISORY SERVICES.

For the year ended December 31, 1993, the Fund's total expenses as a percentage of average net assets for the Fund's Class A and Class B shares were .69% and 1.09%, respectively. See "Financial Highlights."

MANAGER

PRUDENTIAL MUTUAL FUND MANAGEMENT, INC. (PMF OR THE MANAGER), ONE SEAPORT PLAZA, NEW YORK, NEW YORK 10292, IS THE MANAGER OF THE FUND AND IS COMPENSATED FOR ITS SERVICES AT AN ANNUAL RATE OF .50 OF 1% OF THE FUND'S AVERAGE DAILY NET ASSETS UP TO AND INCLUDING $250 MILLION, .475 OF 1% OF THE NEXT $250 MILLION, .45 OF 1% OF THE NEXT $500 MILLION, .425 OF 1% OF THE NEXT $250 MILLION, .40 OF 1% OF THE NEXT $250 MILLION AND .375 OF 1% OF THE FUND'S AVERAGE DAILY NET ASSETS IN EXCESS OF $1.5 BILLION. It was incorporated in May 1987 under the laws of the State of Delaware. For the fiscal year ended December 31, 1993, the Fund paid management fees to PMF of .47% of the Fund's average daily net assets. See "Manager" in the Statement of Additional Information.

As of January 31, 1994, PMF served as the manager to 37 open-end investment companies, constituting all of the Prudential Mutual Funds, and as manager or administrator to 29 closed-end investment companies with aggregate assets of approximately $51 billion.

UNDER THE MANAGEMENT AGREEMENT WITH THE FUND, PMF MANAGES THE INVESTMENT OPERATIONS OF THE FUND AND ALSO ADMINISTERS THE FUND'S CORPORATE AFFAIRS. See "Manager" in the Statement of Additional Information.

UNDER A SUBADVISORY AGREEMENT BETWEEN PMF AND THE PRUDENTIAL INVESTMENT CORPORATION (PIC OR THE SUBADVISER), PIC FURNISHES INVESTMENT ADVISORY SERVICES IN CONNECTION WITH THE MANAGEMENT OF THE FUND AND IS REIMBURSED BY PMF FOR ITS REASONABLE COSTS AND EXPENSES INCURRED IN PROVIDING SUCH SERVICES. Under the Management Agreement, PMF continues to have responsibility for all investment advisory services and supervises PIC's performance of such services.

The current portfolio manager of the Fund is Patricia Dolan, a Managing Director of Prudential Investment Advisors, a unit of PIC. Ms. Dolan has responsibility for the day-to-day management of the Fund's portfolio. Ms. Dolan has managed the Fund's portfolio since she joined PIC in October 1991. She was formerly a Vice President and Portfolio Manager in the Municipal Trust Department of Citibank Private Banking Division where she was employed from 1981 to 1991. Ms. Dolan also serves as the portfolio manager of Prudential

Municipal Bond Fund-Insured Series.

PMF and PIC are indirect, wholly-owned subsidiaries of The Prudential Insurance Company of America (Prudential), a major diversified insurance and financial services company.

DISTRIBUTOR

PRUDENTIAL MUTUAL FUND DISTRIBUTORS, INC. (PMFD), ONE SEAPORT PLAZA, NEW YORK, NEW YORK 10292, IS A CORPORATION ORGANIZED UNDER THE LAWS OF THE STATE OF DELAWARE AND SERVES AS THE DISTRIBUTOR OF THE CLASS A SHARES OF THE FUND. IT IS A WHOLLY-OWNED SUBSIDIARY OF PMF.

PRUDENTIAL SECURITIES INCORPORATED (FORMERLY PRUDENTIAL-BACHE SECURITIES INC.), ONE SEAPORT PLAZA, NEW YORK, NEW YORK 10292 (PRUDENTIAL SECURITIES OR PSI), IS A CORPORATION ORGANIZED UNDER THE LAWS OF THE STATE OF DELAWARE AND SERVES AS THE DISTRIBUTOR OF THE CLASS B SHARES OF THE FUND. IT IS AN INDIRECT, WHOLLY-OWNED SUBSIDIARY OF PRUDENTIAL.

UNDER SEPARATE DISTRIBUTION AND SERVICE PLANS (THE CLASS A PLAN AND THE CLASS B PLAN, COLLECTIVELY, THE PLANS) ADOPTED BY THE FUND UNDER RULE 12B-1 UNDER THE INVESTMENT COMPANY ACT AND SEPARATE DISTRIBUTION AGREEMENTS (THE DISTRIBUTION AGREEMENTS), PMFD AND PRUDENTIAL SECURITIES (COLLECTIVELY, THE DISTRIBUTOR) INCUR THE EXPENSES OF DISTRIBUTING THE FUND'S CLASS A AND CLASS B SHARES, RESPECTIVELY. These expenses include commissions and account servicing fees paid to, or on account of, financial advisers of Prudential Securities and Pruco Securities Corporation (Prusec), an affiliated broker-dealer, commissions and account servicing fees paid to, or on account of, other broker-dealers or financial institutions (other than national banks) which have entered into agreements with the Distributor, interest and/or carrying charges (Class B only), advertising expenses, the cost of printing and mailing prospectuses to potential investors and indirect and overhead costs of Prudential Securities and Prusec associated with the sale of Fund shares, including lease, utility, communications and sales promotion expenses. The State of Texas requires that shares of the Fund may be sold in that state only by dealers or other financial institutions which are registered there as broker-dealers.

UNDER THE CLASS A PLAN, THE FUND REIMBURSES PMFD FOR ITS DISTRIBUTION-RELATED EXPENSES WITH RESPECT TO CLASS A SHARES AT AN ANNUAL RATE OF UP TO .30 OF 1% OF THE AVERAGE DAILY NET ASSET VALUE OF THE CLASS A SHARES. The Class A Plan provides that (i) up to .25 of 1% of the average daily net assets of the Class A shares may be used to pay for personal service and/or the maintenance of shareholder accounts (service fee) and (ii) total distribution fees (including the service fee of .25 of 1%) may not exceed .30 of 1% of the average daily net assets of the Class A shares. It is expected that in the case of Class A shares, proceeds from the distribution fee will be used primarily to pay account servicing fees to financial advisers. Unlike the Class B Plan, there are no carry forward amounts under the Class A Plan, and interest expenses are not incurred under the Class A Plan. The Distributor has advised the Fund that distribution fees under the Class A Plan will not exceed .10 of 1% of the average daily net assets of the Class A shares for the fiscal year ending December 31, 1994.

For the fiscal year ended December 31, 1993, PMFD incurred distribution expenses under the Class A Plan of $11,786, all of which was recovered through the distribution fee paid by the Fund to PMFD. In addition, for this period, PMFD received approximately $251,600 in initial sales charges.

UNDER THE CLASS B PLAN, THE FUND REIMBURSES PRUDENTIAL SECURITIES FOR ITS DISTRIBUTION-RELATED EXPENSES WITH RESPECT TO CLASS B SHARES AT AN ANNUAL RATE OF UP TO .50 OF 1% OF THE AVERAGE DAILY NET ASSETS OF THE CLASS B SHARES (ASSET-BASED SALES CHARGES). Prudential Securities recovers the distribution expenses it incurs through the receipt of reimbursement payments from the Fund under the Class B Plan and the receipt of contingent deferred sales charges from certain redeeming shareholders. See "Shareholder Guide--How to Sell Your Shares--Contingent Deferred Sales Charge--Class B Shares." For the fiscal year ended December 31, 1993, Prudential Securities received approximately $510,600 in contingent deferred sales charges.

THE CLASS B PLAN ALSO PROVIDES FOR THE PAYMENT OF A SERVICE FEE TO PRUDENTIAL SECURITIES AT A RATE NOT TO EXCEED .25 OF 1% OF THE AVERAGE DAILY NET ASSETS OF THE CLASS B SHARES. The service fee is used to pay for personal service and/or the maintenance of shareholder accounts.

Actual distribution expenses (asset-based sales charges) for Class B shares for any given year may exceed the fees received pursuant to the Class B Plan and will be carried forward and paid by the Fund under the Class B Plan or its shareholders from payments received through contingent deferred sales charges in future years so long as the Class B Plan is in effect. Interest is accrued monthly on such carry forward amounts at a rate comparable to that paid by Prudential Securities for bank borrowings. See "Distributor" in the Statement of Additional Information.

THE AGGREGATE DISTRIBUTION FEE FOR CLASS B SHARES (ASSET-BASED SALES CHARGES PLUS SERVICE FEES) WILL NOT EXCEED THE ANNUAL RATE OF .50 OF 1% OF THE AVERAGE DAILY NET ASSETS OF THE CLASS B SHARES UNDER THE CLASS B PLAN.

For the fiscal year ended December 31, 1993, the Distributor received $4,274,596 from the Fund under the Class B Plan. It is estimated that the Distributor spent approximately $4,599,900 on behalf of the Fund during the year ended December 31, 1993. At December 31, 1993, the aggregate amount of distribution expenses incurred by the Distributor and not yet reimbursed by the Fund or recovered through contingent deferred sales charges was approximately $18,588,600, or 2.2%, of the Fund's net assets of the Class B shares. These unreimbursed amounts may be recovered by the Distributor through future payments under the Class B Plan or contingent deferred sales charges.

For the fiscal year ended December 31, 1993, the Fund paid distribution expenses of .10% and .50% of the average net assets of the Class A and Class B shares, respectively. The Fund records all payments made under the Plans as expenses in the calculation of net investment income.

Distribution expenses attributable to the sale of both Class A and Class B shares will be allocated to each class based upon the ratio of sales of each class to the sales of all shares of the Fund. The distribution fee and initial sales charge in the case of Class A shares will not be used to subsidize the sale of Class B shares. Similarly, the distribution fee and contingent deferred sales charge in the case of Class B shares will not be used to subsidize the sale of Class A shares.

Each Plan provides that it shall continue in effect from year to year provided that a majority of the Board of Directors of the Fund, including a majority of the Directors who are not "interested persons" of the Fund (as defined in the Investment Company Act) and who have no direct or indirect financial interest in the operation of the Plan or any agreement related to the Plan (the Rule 12b-1 Directors), vote annually to continue the Plan. Each Plan may be terminated at any time by vote of a majority of the Rule 12b-1 Directors or of a majority of the outstanding shares of

the applicable class of the Fund. In the event of termination or noncontinuation of the Class B Plan, the Board of Directors may consider the appropriateness of having the Fund reimburse Prudential Securities for the outstanding carry forward amounts plus interest thereon.

In addition to distribution and service fees paid by the Fund under the Class A and Class B Plans, the Manager (or one of its affiliates) may make payments to dealers and other persons who distribute shares of the Fund. Such payments may be calculated by reference to the net asset value of shares sold by such persons or otherwise.

The Distributor is subject to the rules of the National Association of Securities Dealers, Inc. governing maximum sales charges. See "Distributor" in the Statement of Additional Information.

PORTFOLIO TRANSACTIONS

Prudential Securities may also act as a broker or futures commission merchant for the Fund, provided that the commissions, fees or other remuneration it receives are fair and reasonable. See "Portfolio Transactions and Brokerage" in the Statement of Additional Information.

CUSTODIAN AND TRANSFER AND DIVIDEND DISBURSING AGENT

State Street Bank and Trust Company (State Street or the Custodian), One Heritage Drive, North Quincy, Massachusetts 02171, serves as Custodian for the Fund's portfolio securities and cash and, in that capacity, maintains certain financial and accounting books and records pursuant to an agreement with the Fund. Its mailing address is P.O. Box 1713, Boston, Massachusetts 02105.

Prudential Mutual Fund Services, Inc. (PMFS or the Transfer Agent), Raritan Plaza One, Edison, New Jersey 08837, serves as Transfer Agent and Dividend Disbursing Agent and in those capacities maintains certain books and records for the Fund. Its mailing address is P.O. Box 15005, New Brunswick, New Jersey 08906-5005. PMFS is a wholly-owned subsidiary of PMF.

HOW THE FUND VALUES ITS SHARES

THE FUND'S NET ASSET VALUE PER SHARE OR NAV IS DETERMINED BY SUBTRACTING ITS LIABILITIES FROM ITS ASSETS AND DIVIDING THE REMAINDER BY THE NUMBER OF OUTSTANDING SHARES. NAV IS CALCULATED SEPARATELY FOR EACH CLASS. THE BOARD OF

DIRECTORS HAS FIXED THE SPECIFIC TIME OF DAY FOR THE COMPUTATION OF THE FUND'S NAV TO BE AS OF 4:15 P.M., NEW YORK TIME.

Portfolio securities are valued based on market quotations or, if not readily available, at fair value as determined in good faith under procedures established by the Fund's Board of Directors. See "Net Asset Value" in the Statement of Additional Information.

The Fund will compute its NAV once daily on days that the New York Stock Exchange is open for trading except on days on which no orders to purchase, sell or redeem shares have been received by the Fund or days on which changes in the value of the Fund's portfolio securities do not materially affect the NAV. The New York Stock Exchange is closed on the following holidays: New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Although the legal rights of Class A and Class B shares are substantially identical, the different expenses borne by each class may result in different NAVs and dividends. As long as the Fund declares dividends daily, the NAV of Class A and B shares will generally be the same. It is expected, however, that the Fund's dividends will differ by approximately the amount of the distribution expense accrual differential between the classes.

HOW THE FUND CALCULATES PERFORMANCE

FROM TIME TO TIME THE FUND MAY ADVERTISE ITS "YIELD," "TAX EQUIVALENT YIELD," AND "TOTAL RETURN" (INCLUDING "AVERAGE ANNUAL" TOTAL RETURN AND "AGGREGATE" TOTAL RETURN) IN ADVERTISEMENTS OR SALES LITERATURE. YIELD, TAX EQUIVALENT YIELD, AND TOTAL RETURN ARE CALCULATED SEPARATELY FOR CLASS A AND CLASS B SHARES. These figures are based on historical earnings and are not intended to indicate future performance. The "yield" refers to the income generated by an investment in the Fund over a 30-day period. This income is then "annualized;" that is, the amount of income generated by the investment during that 30-day period is assumed to be generated each 30-day period for twelve periods and is shown as a percentage of the investment. The income earned on the investment is also assumed to be reinvested at the end of the sixth 30-day period. The "tax equivalent yield" is calculated similarly to the "yield," except that the yield is increased using a stated income tax rate to demonstrate the taxable yield necessary to produce an after-tax yield equivalent to the Fund. The "total return" shows what an investment in the Fund would have earned over a specified period of time (i.e., one, five or ten years or since inception of the Fund) assuming that all distributions and dividends by the Fund were reinvested on the reinvestment dates during the period and less all recurring fees. The "aggregate" total return reflects actual performance over a stated period of time. "Average annual" total return is a hypothetical rate of return that, if achieved annually, would have produced the same aggregate total return if performance had been constant over the entire period. Average annual total return smooths out variations in performance and takes into account any applicable initial or contingent deferred sales charges. Neither "average annual" total return nor "aggregate" total return takes into account any federal or state income taxes which may be payable upon redemption. The Fund also may include comparative performance information in advertising or marketing the Fund's shares. Such performance information may include data from Lipper Analytical Services, Inc., other industry publications, business periodicals, and market indices. See "Performance Information" in the Statement of Additional Information. The Fund will include performance data for both Class A and Class B shares of the Fund in any advertisement or information including performance data of the Fund. Further performance information is contained in the Fund's annual and semi-annual report to shareholders, which may be obtained without charge. See "Shareholder Guide--Shareholder Services--Reports to Shareholders."

TAXES, DIVIDENDS AND DISTRIBUTIONS

TAXATION OF THE FUND

THE FUND HAS ELECTED TO QUALIFY AND INTENDS TO REMAIN QUALIFIED AS A REGULATED INVESTMENT COMPANY UNDER THE INTERNAL REVENUE CODE. ACCORDINGLY, THE FUND WILL NOT BE SUBJECT TO FEDERAL INCOME TAXES ON ITS NET INVESTMENT INCOME AND CAPITAL GAINS, IF ANY, THAT IT DISTRIBUTES TO ITS SHAREHOLDERS. SEE "TAXES, DIVIDENDS AND DISTRIBUTIONS" IN THE STATEMENT OF ADDITIONAL INFORMATION.

Gain or loss realized by the Fund from the sale of securities generally will be treated as capital gain or loss; however, gain from the sale of certain securities (including municipal obligations) will be treated as ordinary income to the extent of any "market discount." Market discount generally is the difference, if any, between the price paid by the Fund for the security and the principal amount of the security (or, in the case of a security issued at an original issue discount, the revised issue price of the security). The market discount rule does not apply to any security that was acquired by the

Fund at its original issue price.

TAXATION OF SHAREHOLDERS

Distributions out of net investment income, to the extent attributable to interest received on tax-exempt securities, are exempt from federal income tax when paid to shareholders. Distributions of other net investment income and net

short-term capital gains in excess of net long-term capital losses will be taxable as ordinary income to the shareholder whether or not reinvested. Any net long-term capital gains (i.e., the excess of net long-term capital gains over net short-term capital losses) distributed to shareholders will be taxable as such to the shareholders, whether or not reinvested and regardless of the length of time a shareholder has owned his or her shares.The maximum long-term capital gains rate for individuals is currently 28%. The maximum long-term capital gains rate for corporate shareholders is currently the same as the maximum tax rate for ordinary income.

Interest on certain "private activity" tax-exempt obligations issued on or after August 8, 1986, is a preference item for purposes of the alternative minimum tax for both individual and corporate shareholders. In the event that the Fund invests in such obligations, the portion of an exempt-interest dividend of the Fund that is allocable to such municipal obligations will be treated as a preference item to shareholders for purposes of the alternative minimum tax. In addition, a portion of the exempt-interest dividends received by corporate shareholders with respect to interest on tax-exempt obligations, whether or not private activity bonds, will be taken into account in computing the alternative minimum tax. See "Taxes, Dividends and Distributions" in the Statement of Additional Information.

Any gain or loss realized upon a sale of shares of the Fund by a shareholder who is not a dealer in securities will be treated as a long-term capital gain or loss if the shares have been held for more than one year, and otherwise as a short-term capital gain or loss. However, any loss realized by a shareholder upon the sale of shares of the Fund held by the shareholder for six months or less will be disallowed to the extent of any distribution of tax exempt interest received by the shareholder with respect to the shares.

Net tax-exempt interest distributed by the Fund to shareholders may not be exempt from state or local taxation. Shareholders are advised to consult their own tax advisers regarding specific questions as to federal, state or local taxes. See "Taxes, Dividends and Distributions" in the Statement of Additional Information.

WITHHOLDING TAXES

Under the Internal Revenue Code, the Fund is generally required to withhold and remit to the U.S. Treasury 31% of taxable dividends, capital gain distributions and redemption proceeds payable to individuals and certain noncorporate shareholders who fail to furnish correct tax identification numbers on IRS Form W-9 (or IRS Form W-8 in the case of certain foreign shareholders or who are otherwise subject to backup withholding). Dividends from taxable net investment income and net short-term capital gains paid to a foreign shareholder will generally be subject to U.S. withholding tax at the rate of 30% (or lower treaty rate).

DIVIDENDS AND DISTRIBUTIONS

THE FUND EXPECTS TO DECLARE DAILY AND PAY MONTHLY DIVIDENDS OF NET INVESTMENT INCOME AND MAKE DISTRIBUTIONS AT LEAST ANNUALLY OF ANY NET CAPITAL GAINS, IF ANY. Dividends paid by the Fund with respect to Class A and Class B shares, to the extent any dividends are paid, will be calculated in the same manner, at the same time, on the same day and will be in the same amount except that each class will bear its own distribution expenses, resulting in lower dividends for Class B shares. Distributions of net capital gains, if any, will be paid in the same amount for Class A and Class B shares. See "How the Fund Values its Shares."

DIVIDENDS AND DISTRIBUTIONS WILL BE PAID IN ADDITIONAL FUND SHARES BASED ON THE NET ASSET VALUE OF FUND SHARES ON THE PAYMENT DATE OR SUCH OTHER DATE AS THE BOARD OF DIRECTORS MAY DETERMINE, UNLESS THE SHAREHOLDER ELECTS IN WRITING NOT LESS THAN FIVE BUSINESS DAYS PRIOR TO THE RECORD DATE TO RECEIVE SUCH DIVIDENDS AND DISTRIBUTIONS IN CASH. Such election should be submitted to Prudential Mutual Fund Services, Inc., Attention: Account Maintenance, P.O. Box 15015, New Brunswick, New Jersey 08906-5015. The Fund will notify each shareholder after the close of the Fund's taxable year both of the dollar amount and the taxable status of that year's dividends and distributions on a per share basis. If you hold shares through Prudential Securities, you should contact your financial adviser to elect to receive dividends and distributions in cash.

In determining the amount of capital gains to be distributed, any capital loss carryovers from prior years will be offset against capital gains. The Fund intends to invest its assets so that dividends paid from net tax-exempt interest earned from Municipal Bonds and Notes will qualify as exempt-interest dividends and be excluded from the shareholder's gross income under the Internal Revenue Code.

Any distributions of net capital gains paid shortly after a purchase by an investor will have the effect of reducing the per share net asset value of the investor's shares by the per share amount of the distributions. Such distributions, although in effect a return of invested principal, are subject to federal income taxes. Accordingly, prior to purchasing shares of the Fund, an investor should carefully consider the impact of capital gains distributions which are expected to be or have been announced.

GENERAL INFORMATION

DESCRIPTION OF COMMON STOCK

THE FUND WAS INCORPORATED IN MARYLAND ON JANUARY 9, 1980. THE FUND IS AUTHORIZED TO ISSUE 500 MILLION SHARES OF COMMON STOCK, $.01 PAR VALUE PER SHARE, DIVIDED INTO TWO CLASSES, DESIGNATED CLASS A AND CLASS B COMMON STOCK, EACH OF WHICH CONSISTS OF 250 MILLION AUTHORIZED SHARES. Both Class A and Class B common stock represent an interest in the same assets of the Fund and are identical in all respects except that each class bears different distribution expenses and has exclusive voting rights with respect to its distribution plan. See "How the Fund is Managed--Distributor." The Fund has received an order from the Securities and Exchange Commission (SEC) permitting the issuance and sale of multiple classes of common stock. Currently, the Fund is offering only two classes designated Class A and Class B shares. Pursuant to the Fund's Articles of Incorporation, the Board of Directors may authorize the creation of additional series of common stock and classes within such series, with such preferences, privileges, limitations and voting and dividend rights as the Board may determine.

The Board of Directors may increase or decrease the number of authorized shares without approval by the shareholders. Shares of the Fund, when issued, are fully paid, nonassessable, fully transferable and redeemable at the option of the holder. Shares are also redeemable at the option of the Fund under certain circumstances as described under "Shareholder Guide--How to Sell Your Shares." Each share of Class A and Class B common stock is equal as to earnings, assets and voting privileges, except as noted above, and each class bears the expenses related to the distribution of its shares. There are no conversion, preemptive or other subscription rights. In the event of liquidation, each share of common stock of the Fund is entitled to its portion of all of the Fund's assets after all debt and expenses of the Fund have been paid. Since Class B shares bear higher distribution expenses, the liquidation proceeds to Class B shareholders are likely to be lower than to Class A shareholders. The Fund's shares do not have cumulative voting rights for the election of Directors.

THE FUND DOES NOT INTEND TO HOLD ANNUAL MEETINGS OF SHAREHOLDERS UNLESS OTHERWISE REQUIRED BY LAW. THE FUND WILL NOT BE REQUIRED TO HOLD MEETINGS OF SHAREHOLDERS UNLESS, FOR EXAMPLE, THE ELECTION OF DIRECTORS IS REQUIRED TO BE ACTED ON BY SHAREHOLDERS UNDER THE INVESTMENT COMPANY ACT. SHAREHOLDERS HAVE CERTAIN RIGHTS, INCLUDING THE RIGHT TO CALL A MEETING UPON A VOTE OF 10% OF THE FUND'S OUTSTANDING SHARES FOR THE PURPOSE OF VOTING ON THE REMOVAL OF ONE OR MORE DIRECTORS OR TO TRANSACT ANY OTHER BUSINESS.

ADDITIONAL INFORMATION

This Prospectus, including the Statement of Additional Information which has been incorporated by reference herein, does not contain all the information set forth in the Registration Statement filed by the Fund with the SEC

under the Securities Act of 1933. Copies of the Registration Statement may be obtained at a reasonable charge from the SEC or may be examined, without charge, at the office of the SEC in Washington, D.C.

SHAREHOLDER GUIDE

HOW TO BUY SHARES OF THE FUND

YOU MAY PURCHASE SHARES OF THE FUND THROUGH PRUDENTIAL SECURITIES, PRUSEC OR DIRECTLY FROM THE FUND THROUGH ITS TRANSFER AGENT, PRUDENTIAL MUTUAL FUND

SERVICES, INC. ATTENTION: INVESTMENT SERVICES, P.O. BOX 15020, NEW BRUNSWICK, NEW JERSEY 08906-5020. The minimum, initial investment is $1,000. The minimum subsequent investment is $100. All minimum investment requirements are waived for certain retirement and employee savings plans or custodial accounts for the benefit of minors. For purchases through the Automatic Savings Accumulation Plan, the minimum initial and subsequent investment is $50. See "Shareholder Services" below.

THE PURCHASE PRICE IS THE NET ASSET VALUE PER SHARE NEXT DETERMINED FOLLOWING RECEIPT OF AN ORDER BY THE TRANSFER AGENT OR PRUDENTIAL SECURITIES PLUS A SALES CHARGE WHICH, AT THE OPTION OF THE PURCHASER, MAY BE IMPOSED AT THE TIME OF PURCHASE OR ON A DEFERRED BASIS. SEE "ALTERNATIVE PURCHASE PLAN" BELOW. SEE ALSO, "HOW THE FUND VALUES ITS SHARES."

Application forms can be obtained from PMFS, Prudential Securities or Prusec. If a stock certificate is desired, it must be requested in writing for each transaction. Certificates are issued only for full shares. Shareholders who hold their shares through Prudential Securities will not receive stock certificates.

The Fund reserves the right to reject any purchase order (including an exchange) or to suspend or modify the continuous offering of its shares. See "How to Sell Your Shares" below.

Your dealer is responsible for forwarding payment promptly to the Fund. The Distributor reserves the right to cancel any purchase order for which payment has not been received by the fifth business day following the investment.

Transactions in Fund shares made through dealers other than Prudential Securities or Prusec may be subject to postage and handling charges imposed by the dealer; however, you may avoid such charges by placing orders directly with the Fund's Transfer Agent, Prudential Mutual Fund Services, Inc., Attention: Investment Services, P.O. Box 15020, New Brunswick, New Jersey 08906-5020.

PURCHASE BY WIRE. For an initial purchase of shares of the Fund by wire, you must first telephone PMFS to receive an account number at (800) 225-1852 (toll-free). The following information will be requested: your name, address, tax identification number, class election, dividend distribution election, amount being wired and wiring bank. Instructions should then be given by you to your bank to transfer funds by wire to State Street Bank and Trust Company, Boston, Massachusetts, Custody and Shareholder Services Division, Attention: Prudential National Municipals Fund, specifying on the wire the account number assigned by PMFS and your name and identifying the sales charge alternative (Class A or Class B shares).

If you arrange for receipt by State Street of Federal Funds prior to 4:15 P.M., New York time, on a business day, you may purchase shares of the Fund as of that day.

In making a subsequent purchase order by wire, you should wire State Street directly and should be sure that the wire specifies Prudential National Municipals Fund, Class A or Class B shares and your name and individual account number. It is not necessary to call PMFS to make subsequent purchase orders utilizing Federal Funds. The minimum amount which may be invested by wire is $1,000.

ALTERNATIVE PURCHASE PLAN

THE FUND OFFERS TWO CLASSES OF SHARES WHICH ALLOWS YOU TO CHOOSE THE MOST BENEFICIAL SALES CHARGE STRUCTURE FOR YOUR INDIVIDUAL CIRCUMSTANCES GIVEN THE AMOUNT OF THE PURCHASE, THE LENGTH OF TIME YOU EXPECT TO HOLD THE SHARES AND OTHER RELEVANT CIRCUMSTANCES. You may purchase shares at the next determined NAV plus a sales charge which, at your election, may be imposed either at the time of purchase (the Class A shares or the initial sales charge alternative) or on a deferred basis (the Class B shares or the deferred sales charge alternative) (the Alternative Purchase Plan).

CLASS A SHARES ARE SUBJECT TO AN INITIAL SALES CHARGE OF UP TO 4.5% OF THE OFFERING PRICE AND AN ANNUAL DISTRIBUTION FEE WHICH IS CURRENTLY BEING CHARGED AT A RATE OF UP TO .10 OF 1% OF THE AVERAGE DAILY NET ASSETS OF THE CLASS A SHARES. Certain purchases of Class A shares may qualify for reduction or waiver of initial sales charges. See "Initial Sales Charge Alternative--Class A Shares--Reduction and Waiver of Initial Sales Charges" below.

CLASS B SHARES DO NOT INCUR A SALES CHARGE WHEN THEY ARE PURCHASED BUT ARE SUBJECT TO A CONTINGENT DEFERRED SALES CHARGE (DECLINING FROM 5% TO ZERO OF THE LESSER OF THE AMOUNT INVESTED OR THE REDEMPTION PROCEEDS) WHICH WILL BE IMPOSED ON CERTAIN REDEMPTIONS MADE WITHIN SIX YEARS OF PURCHASE AND AN ANNUAL DISTRIBUTION FEE OF UP TO .50 OF 1% OF THE AVERAGE DAILY NET ASSETS OF THE CLASS B SHARES. Certain redemptions of Class B shares may qualify for waiver or reduction of the contingent deferred sales charge. See "How to Sell Your

Shares--Waiver of Contingent Deferred Sales Charge" and "How To Sell Your Shares--Quantity Discount."

The two classes of shares represent an interest in the same portfolio of investments of the Fund and have the same rights, except that each class bears the separate expenses of its Rule 12b-1 distribution plan and has exclusive voting rights with respect to such a plan. The two classes also have separate exchange privileges. See "How to Exchange Your Shares" below. The net income attributable to each class and the dividends payable on the shares of each class will be reduced by the amount of the distribution fee of each class. Class B shares bear the expenses of a higher distribution fee which will cause the Class B shares to have a higher expense ratio and to pay lower dividends than the Class A shares.

Financial advisers will receive different compensation for selling Class A and Class B shares.

The following illustrations are provided to assist you in determining which method of purchase best suits your individual circumstances:

If you qualify for a reduced sales charge, you might elect the initial sales charge alternative because a similar sales charge reduction is not available for purchases under the deferred sales charge alternative. However, because the initial sales charge is deducted at the time of purchase, you would not have all of your money invested initially.

If you do not qualify for a reduced initial sales charge and expect to maintain your investment in the Fund for a long period of time, you might also elect the initial sales charge alternative because over time the accumulated continuing distribution charges of Class B shares will exceed the initial sales charge plus distribution fees of Class A shares. Again, however, you must weigh this consideration against the fact that not all of your funds will be invested

initially. Furthermore, the ongoing distribution charges under the deferred sales charge alternative will be offset to the extent any return is realized on the additional funds. However, there can be no assurance that any return will be realized on the additional funds.

On the other hand, you might determine that it is more advantageous to have all of your money invested initially, although it is subject to a distribution fee of up to .50 of 1% and, for a six-year period, a contingent deferred sales charge. For example, based on current fees and expenses, if you purchase Class A shares you would have to hold your investment more than 11 years for the .50 of 1% Class B distribution fee to exceed the initial sales charge plus distribution fee of the Class A shares. In this example, if you intend to maintain your investment for more than 11 years, you should consider purchasing Class A shares. However, this example does not take into account the time value of money which further reduces the impact of the .50 of 1% distribution fee on the investment, fluctuations in net asset value, the effect of the return on the investment over this period of time or redemptions while the contingent deferred sales charge is applicable.

INITIAL SALES CHARGE ALTERNATIVE--CLASS A SHARES

The offering price of Class A shares for investors choosing the initial sales charge alternative is the next determined NAV plus a sales charge (expressed as a percentage of the offering price and of the amount invested) as shown in the following table:

AMOUNT OF PURCHASE	SALES CHARGE AS PERCENTAGE OF OFFERING PRICE	SALES CHARGE AS PERCENTAGE OF AMOUNT INVESTED	DEALER CONCESSION AS PERCENTAGE OF OFFERING PRICE
Less than $50,000..........	4.50%	4.71%	4.25%
$50,000 to $99,999.........	4.00%	4.17%	3.75%
$100,000 to $249,999.......	3.50%	3.63%	3.25%
$250,000 to $499,999.......	3.00%	3.09%	2.90%
$500,000 to $999,999.......	2.00%	2.04%	1.90%
$1,000,000 to $2,499,999...	1.00%	1.01%	0.95%
$2,500,000 and above.......	0.50%	0.50%	0.45%

Selling dealers may be deemed to be underwriters, as that term is defined in the Securities Act of 1933.

REDUCTION AND WAIVER OF INITIAL SALES CHARGES. Sales charges are reduced under Rights of Accumulation and Letters of Intent. Class A shares are offered at NAV to participants in certain retirement and deferred compensation plans including qualified or non-qualified plans under the Internal Revenue Code and certain affinity group and group savings plans, provided that the plan has existing assets of at least $10 million or 2,500 eligible employees or members. Additional information concerning the reduction and waiver of initial sales charges is set forth in the Statement of Additional Information. In the case of pension, profit-sharing or stock bonus plans under Section 401 of the Internal Revenue Code and deferred compensation and annuity plans under Sections 457 and 403(b)(7) of the Internal Revenue Code (Benefit Plans) whose accounts are held directly with the Transfer Agent and for which the Transfer Agent does individual account record keeping (Direct Account Benefit Plans) and Benefit Plans sponsored by PSI or its subsidiaries (PSI or Subsidiary Prototype Benefit Plans), Class A shares are offered at NAV to participants who are repaying loans made from such plans to the participant.

Class A shares are offered at NAV to Directors and officers of the Fund and other Prudential Mutual Funds, to employees of Prudential Securities and PMF and their subsidiaries and to members of the families of such persons who maintain an "employee related" account at Prudential Securities or the Transfer Agent. Class A shares are offered at NAV to employees and special agents of Prudential and its subsidiaries and to all persons who have retired directly from active service with Prudential or one of its subsidiaries.

Class A shares are offered at NAV to an investor who has a business relationship with a financial adviser who joined Prudential Securities from another investment firm provided that (i) the purchase is made within 90 days of the commencement of the financial adviser's employment at Prudential Securities, (ii) the purchase is made with proceeds of a redemption of shares of any open-end investment company sponsored by the financial adviser's previous employer (other than a money market fund or other no-load fund which imposes a distribution or service fee of .25 of 1% or less) on which no deferred sales load, fee or other charge was imposed on redemption and (iii) the financial adviser served as the chief's broker on the previous purchase.

You must notify the Fund's Transfer Agent either directly or through Prudential Securities or Prusec that you are entitled to the reduction or waiver of the sales charge. The reduction or waiver will be granted subject to confirmation of your entitlement. No initial sales charges are imposed upon Class A shares purchased upon the reinvestment of dividends and distributions. See "Purchase and Redemption of Fund Shares--Reduction and Waiver of Initial Sales Charges--Class A Shares" in the Statement of Additional Information.

DEFERRED SALES CHARGE ALTERNATIVE--CLASS B SHARES

The offering price of Class B shares for investors choosing the deferred sales charge alternative is the NAV next determined following receipt of an order by the Transfer Agent or Prudential Securities. Although there is no sales charge imposed at the time of purchase, redemptions of Class B shares may be subject to a contingent deferred sales charge. See "How to Sell Your Shares--Contingent Deferred Sales Charge--Class B Shares."

HOW TO SELL YOUR SHARES

YOU MAY REDEEM YOUR SHARES AT ANY TIME FOR CASH AT THE NAV NEXT DETERMINED AFTER THE REDEMPTION REQUEST IS RECEIVED IN PROPER FORM BY THE TRANSFER AGENT OR PRUDENTIAL SECURITIES. SEE "HOW THE FUND VALUES ITS SHARES." In certain cases, however, redemption proceeds from the Class B shares will be reduced by the amount of any applicable contingent deferred sales charge, as described below. See "Contingent Deferred Sales Charge--Class B Shares" below.

IF YOU HOLD SHARES OF THE FUND THROUGH PRUDENTIAL SECURITIES, YOU MUST REDEEM YOUR SHARES BY CONTACTING YOUR PRUDENTIAL SECURITIES FINANCIAL ADVISER. IF YOU HOLD SHARES IN NON-CERTIFICATE FORM, A WRITTEN REQUEST FOR REDEMPTION SIGNED BY YOU EXACTLY AS THE ACCOUNT IS REGISTERED IS REQUIRED. IF YOU HOLD CERTIFICATES, THE CERTIFICATES, SIGNED IN THE NAME(S) SHOWN ON THE FACE OF THE CERTIFICATES, MUST BE RECEIVED BY THE TRANSFER AGENT IN ORDER FOR THE REDEMPTION REQUEST TO BE PROCESSED. IF REDEMPTION IS REQUESTED BY A CORPORATION, PARTNERSHIP, TRUST OR FIDUCIARY, WRITTEN EVIDENCE OF AUTHORITY ACCEPTABLE TO THE TRANSFER AGENT MUST BE SUBMITTED BEFORE SUCH REQUEST WILL BE ACCEPTED. All correspondence and documents concerning redemptions should be sent to the Fund in care of its Transfer Agent, Prudential Mutual Fund Services, Inc., Attention: Redemption Services, P.O. Box 15010, New Brunswick, New Jersey 08906-5010.

If the proceeds of the redemption (a) exceed $50,000, (b) are to be paid to a person other than the record owner, (c) are to be sent to an address other than the address on the Transfer Agent's records, or (d) are to be paid to a corporation, partnership, trust or fiduciary, the signature(s) on the redemption request and on the certificates, if any, or stock power, must be guaranteed by an "eligible guarantor institution." An "eligible guarantor institution" includes any bank, broker, dealer or credit union. The Transfer Agent reserves the right to request additional information from, and make reasonable inquiries of, any eligible guarantor institution. For clients of Prusec, a signature guarantee may be obtained from the agency or office manager of most Prudential Insurance and Financial Services or Preferred Services offices.

PAYMENT FOR SHARES PRESENTED FOR REDEMPTION WILL BE MADE BY CHECK WITHIN SEVEN DAYS AFTER RECEIPT BY THE TRANSFER AGENT OF THE CERTIFICATE AND/OR WRITTEN REQUEST EXCEPT AS INDICATED BELOW. Such payment may be postponed or the right of redemption suspended at times (a) when the New York Stock Exchange is closed for other than customary weekends and holidays, (b) when trading on such Exchange is restricted, (c) when an emergency exists as a result of which disposal by the Fund of securities owned by it is not reasonably practicable or it is not reasonably practicable for the Fund fairly to determine the value of its net assets, or (d) during any other period when the SEC, by order, so permits; provided that applicable rules and regulations of the SEC shall govern as to whether the conditions prescribed in (b), (c) or (d) exist.

PAYMENT FOR REDEMPTION OF RECENTLY PURCHASED SHARES WILL BE DELAYED UNTIL THE FUND OR ITS TRANSFER AGENT HAS BEEN ADVISED THAT THE PURCHASE CHECK HAS BEEN HONORED, UP TO 10 CALENDAR DAYS FROM THE TIME OF RECEIPT OF THE PURCHASE CHECK BY THE TRANSFER AGENT. SUCH DELAY MAY BE AVOIDED BY PURCHASING SHARES BY WIRE OR BY CERTIFIED OR OFFICIAL BANK CHECK.

REDEMPTION IN KIND. If the Board of Directors determines that it would be detrimental to the best interests of the remaining shareholders of the Fund to make payment wholly or partly in cash, the Fund may pay the redemption price in whole or in part by a distribution in kind of securities from the investment portfolio of the Fund, in lieu of cash, in conformity with applicable rules of the SEC. Securities will be readily marketable and will be valued in the same manner as in regular redemption. See "Net Asset Value." If your shares are redeemed in kind, you would incur transaction costs in converting the assets into cash. The Fund, however, has elected to be governed by Rule 18f-1 under the Investment Company Act, under which the Fund is obligated to redeem shares solely in cash up to the lesser of $250,000 or 1% of the net asset value of the Fund during any 90-day period for any one shareholder.

INVOLUNTARY REDEMPTION. In order to reduce expenses of the Fund, the Board of Directors may redeem all of the shares of any shareholder, other than a shareholder which is an IRA or other tax-deferred retirement plan, whose account has a net asset value of less than $500 due to a redemption. The Fund will give such shareholders 60 days' prior written notice in which to purchase sufficient additional shares to avoid such redemption. No contingent deferred sales charges will be imposed on any involuntary redemption.

30-DAY REPURCHASE PRIVILEGE. If you redeem shares and have not previously exercised the repurchase privilege, you may reinvest any portion or all of the proceeds of such redemption in shares of the Fund at the NAV next determined after the order is received, which must be within 30 days after the date of the redemption. No sales charge will apply to such repurchases. You will receive pro rata credit for any contingent deferred sales charge paid in connection with the redemption of Class B shares. You must notify the Fund's Transfer Agent, either directly or through Prudential Securities or Prusec, at the time the repurchase privilege is exercised that you are entitled to credit for the contingent deferred sales charge previously paid. Exercise of the repurchase privilege will generally not affect federal income tax treatment of any gain realized upon redemption. If the redemption resulted in a loss, some or all of the loss, depending on the amount reinvested, will generally not be allowed for federal income tax purposes.

CONTINGENT DEFERRED SALES CHARGE--CLASS B SHARES

If you have elected to purchase shares without an initial sales charge (Class B), a contingent deferred sales charge or CDSC (declining from 5% to zero) will be imposed at the time of redemption. The CDSC will be deducted from the redemption proceeds and reduce the amount paid to you. The CDSC will be imposed on any redemption by you which reduces the current value of your Class B shares to an amount which is lower than the amount of all payments by you for Class B shares during the preceding six years. A CDSC will be applied on the lesser of the original purchase price or the current value of the shares being redeemed. Increases in the value of your shares or shares purchased through reinvestment of dividends or distributions are not subject to a CDSC. The amount of any contingent deferred sales charge will be paid to and retained by the Distributor. See "How the Fund is Managed--Distributor" and "Waiver of the Contingent Deferred Sales Charge" below.

The amount of the CDSC, if any, will vary depending on the number of years from the time of payment for the purchase of Class B shares until the time of redemption of such shares. Solely for purposes of determining the number of years from the time of any payment for the purchase of shares, all payments during a month will be aggregated and deemed to have been made on the last day of the month. The following table sets forth the rates of the CDSC:

YEAR SINCE PURCHASE PAYMENT MADE	CONTINGENT DEFERRED SALES CHARGE AS A PERCENTAGE OF DOLLARS INVESTED OR REDEMPTION PROCEEDS
First	5.0%
Second	4.0%
Third	3.0%
Fourth	2.0%
Fifth	1.0%
Sixth	1.0%
Seventh and thereafter	None

In determining whether a CDSC is applicable to a redemption, the calculation will be made in a manner that results in the lowest possible rate. It will be assumed that the redemption is made first of amounts representing shares acquired pursuant to the reinvestment of dividends and distributions; then of amounts representing the increase in net asset value above the total amount of payments for the purchase of Fund shares made during the preceding six years (five years for shares purchased prior to January 22, 1990); then of amounts representing the cost of shares purchased six years prior to the redemption; then of amounts representing the cost of shares acquired prior to July 1, 1985; and finally, of amounts representing the cost of shares held for the longest period of time within the applicable six-year period (five years for shares purchased prior to January 22, 1990).

For example, assume you purchased 100 shares at $10 per share for a cost of $1,000. Subsequently, you acquired 5 additional shares through dividend reinvestment. During the second year after the purchase you decided to redeem $500 of your investment. Assuming at the time of the redemption the net asset value had appreciated to $12 per share, the value of your shares would be $1,260 (105 shares at $12 per share). The CDSC would not be applied to the value of the reinvested dividend shares and the amount which represents appreciation ($260). Therefore, $240 of the $500 redemption proceeds ($500 minus $260) would be charged at a rate of 4% (the applicable rate in the second year after purchase) for a total CDSC of $9.60.

For federal income tax purposes, the amount of the CDSC will reduce the gain or increase the loss, as the case may be, on the amount recognized on the redemption of shares.

WAIVER OF THE CONTINGENT DEFERRED SALES CHARGE. The CDSC will be waived in the case of a redemption following the death or disability of a shareholder or, in the case of a trust, following the death or disability of the grantor. The waiver is available for total or partial redemptions of shares owned by a person, either individually or in joint tenancy (with rights of survivorship), at the time of death or initial determination of disability.

The CDSC will also be waived in the case of a total or partial redemption in connection with certain distributions made without penalty under the Internal Revenue Code from a tax-deferred retirement plan, an IRA or Section 403(b) custodial account. These distributions include a lump-sum or other distribution after retirement, or for an IRA or Section 403(b) custodial account, after attaining age 59 1/2, a tax-free return of an excess contribution or plan distributions following the death or disability of the shareholder. The waiver does not apply in the case of a tax-free rollover or transfer of assets, other than one following a separation from service. In the case of Direct Account and PSI or Subsidiary Prototype Benefit Plans, the CDSC will be waived on redemptions which represent borrowings from such plans. Shares purchased with amounts used to repay a loan from such plans on which a CDSC was not

previously deducted will thereafter be subject to a CDSC without regard to the time such amounts were previously invested. In the case of a 401(k) plan, the CDSC will also be waived upon the redemption of shares purchased with amounts used to repay loans made from the account to the participant and from which a CDSC was previously deducted.

The CDSC will also be waived on redemptions of shares held by a Prudential Securities financial adviser's client, provided that the purchase was made within 90 days of the commencement of the financial adviser's employment with

Prudential Securities, if certain conditions set forth in the Statement of Additional Information are met.

In addition, the CDSC will be waived on redemptions of shares held by a Director of the Fund.

You must notify the Fund's Transfer Agent either directly or through Prudential Securities or Prusec, at the time of redemption, that you are entitled to waiver of the contingent deferred sales charge. The waiver will be granted subject to confirmation of your entitlement.

QUANTITY DISCOUNT. The CDSC is reduced on redemptions of Class B shares of the Fund if immediately after a purchase of such shares, the aggregate cost of all Class B shares of the Fund owned by you in a single account exceeds $500,000. For example, if you purchase $100,000 of Class B shares of the Fund and the following year purchase an additional $450,000 of Class B shares with the result that the aggregate cost of your Class B shares of the Fund following the second purchase is $550,000, the quantity discount would be available for the second purchase of $450,000 but not for the first purchase of $100,000. The quantity discount will be imposed at the following rates depending on whether the aggregate value exceeds $500,000 or $1 million:

<TABLE>
<CAPTION>

YEAR SINCE PURCHASE PAYMENT MADE	CONTINGENT DEFERRED SALES CHARGE AS A PERCENTAGE OF DOLLARS INVESTED OR REDEMPTION PROCEEDS	
	$500,001 TO $1 MILLION	OVER $1 MILLION
<S>	<C>	<C>
First	3.0%	2.0%
Second	2.0%	1.0%
Third	1.0%	0%
Fourth and thereafter	0%	0%

</TABLE>

You must notify the Fund's Transfer Agent either directly or through Prudential Securities or Prusec, at the time of redemption, that you are entitled to the reduced contingent deferred sales charge. The reduced contingent deferred sales charge will be granted subject to confirmation of your holdings.

HOW TO EXCHANGE YOUR SHARES

AS A SHAREHOLDER OF THE FUND, YOU HAVE AN EXCHANGE PRIVILEGE WITH CERTAIN OTHER PRUDENTIAL MUTUAL FUNDS, INCLUDING ONE OR MORE SPECIFIED MONEY MARKET FUNDS, SUBJECT TO THE MINIMUM INVESTMENT REQUIREMENTS OF SUCH FUNDS. CLASS A AND CLASS B SHARES MAY EXCHANGE FOR CLASS A AND CLASS B SHARES, RESPECTIVELY, OF ANOTHER FUND ON THE BASIS OF THE RELATIVE NAV. Any applicable CDSC payable upon the redemption of shares exchanged will be calculated from the first day of the month after the initial purchase, excluding the time shares were held in a money market fund. Class B shares may not be exchanged into money market funds other than Prudential Special Money Market Fund. An exchange will be treated as a redemption and purchase for tax purposes. See "Shareholder Investment Account--Exchange Privilege" in the Statement of Additional Information.

IN ORDER TO EXCHANGE SHARES BY TELEPHONE, YOU MUST AUTHORIZE TELEPHONE EXCHANGES ON YOUR INITIAL APPLICATION FORM OR BY WRITTEN NOTICE TO THE TRANSFER AGENT AND HOLD SHARES IN NON-CERTIFICATE FORM. Thereafter, you may call the Fund at (800) 225-1852 to execute a telephone exchange of shares, on weekdays, except holidays, between the hours of 8:00 A.M. and 6:00 P.M., New York time. For your protection and to prevent fraudulent exchanges, your telephone call will be recorded and you will be asked to provide your personal identification number. A written confirmation of the exchange transaction will be sent to you. All exchanges will be made on the basis of the relative NAV of the two funds next determined after the request is received in good order. The Exchange Privilege is available only in states where the exchange may legally be made.

IF YOU HOLD SHARES THROUGH PRUDENTIAL SECURITIES, YOU MUST EXCHANGE YOUR SHARES BY CONTACTING YOUR PRUDENTIAL SECURITIES FINANCIAL ADVISER. IF YOU HOLD CERTIFICATES, THE CERTIFICATES, SIGNED IN THE NAME(S) SHOWN ON THE FACE OF THE CERTIFICATES, MUST BE RETURNED IN ORDER FOR THE SHARES TO BE EXCHANGED. SEE "HOW TO SELL YOUR SHARES" ABOVE.

Neither the Fund nor its agents will be liable for any loss, liability or cost which results from acting upon instructions reasonably believed to be genuine under the foregoing procedures.

You may also exchange shares by mail by writing to Prudential Mutual Fund Services, Inc., Attention: Exchange Processing, P.O. Box 15010, New Brunswick, New Jersey 08906-5010.

IN PERIODS OF SEVERE MARKET OR ECONOMIC CONDITIONS THE TELEPHONE EXCHANGE OF SHARES MAY BE DIFFICULT TO IMPLEMENT AND YOU SHOULD MAKE EXCHANGES BY MAIL BY WRITING TO PRUDENTIAL MUTUAL FUND SERVICES, INC., AT THE ADDRESS NOTED ABOVE.

The Exchange Privilege may be modified or terminated at any time on sixty days' notice to shareholders.

SHAREHOLDER SERVICES

In addition to the exchange privilege, as a shareholder in the Fund, you can take advantage of the following additional services and privileges:

. AUTOMATIC REINVESTMENT OF DIVIDENDS AND/OR DISTRIBUTIONS WITHOUT A SALES CHARGE. For your convenience, all dividends and distributions are automatically reinvested in full and fractional shares of the Fund at NAV without a sales charge. You may direct the Transfer Agent in writing not less than 5 full business days prior to the record date to have subsequent dividends and/or distributions sent in cash rather than reinvested. If you hold shares through Prudential Securities, you should contact your financial adviser.

. AUTOMATIC SAVINGS ACCUMULATION PLAN (ASAP). Under ASAP you may make regular purchases of the Fund's shares in amounts as little as $50 via an automatic debit to a bank account or Prudential Securities account (including a Command Account). For additional information about this service, you may contact your Prudential Securities financial adviser, Prusec registered representative or the Transfer Agent directly.

. SYSTEMATIC WITHDRAWAL PLAN. A systematic withdrawal plan is available for shareholders having Class A or Class B shares of the Fund which provides for monthly or quarterly checks. Withdrawals of Class B shares may be subject to a CDSC. See "How to Sell Your Shares--Contingent Deferred Sales Charge--Class B Shares."

. REPORTS TO SHAREHOLDERS. The Fund will send you annual and semi-annual reports. The financial statements appearing in annual reports are audited by independent accountants. In order to reduce duplicate mailing and printing expenses, the Fund will provide one annual and semi-annual shareholder report and annual prospectus per household. You may request additional copies of such reports by calling (800) 225-1852 or by writing to the Fund at One Seaport Plaza, New York, New York 10292. In addition, monthly unaudited financial data are available upon request from the Fund.

. SHAREHOLDER INQUIRIES. Inquiries should be addressed to the Fund at One Seaport Plaza, New York, New York 10292, or by telephone at (800) 225-1852 (toll-free) or, from outside the U.S.A., at (908) 417-7555 (collect).

For additional information regarding the services and privileges described above, see "Shareholder Investment Account" in the Statement of Additional Information.

[This page intentionally left blank]

[This page intentionally left blank]

THE PRUDENTIAL MUTUAL FUND FAMILY

Prudential Mutual Fund Management offers a broad range of mutual funds designed to meet your individual needs. We welcome you to review the investment options available through our family of funds. For more information on the Prudential Mutual Funds, including charges and expenses, contact your Prudential Securities financial adviser or Prusec registered representative or telephone the Funds at (800) 225-1852 for a free prospectus. Read the prospectus carefully before you invest or send money.

TAXABLE BOND FUNDS

Prudential Adjustable Rate Securities Fund, Inc.
Prudential GNMA Fund
Prudential Government Plus Fund
Prudential Government Securities Trust
 Intermediate Term Series
Prudential High Yield Fund
Prudential Structured Maturity Fund

 Income Portfolio
Prudential U.S. Government Fund
The BlackRock Government Income Trust

TAX-EXEMPT BOND FUNDS

Prudential California Municipal Fund
 California Series
 California Income Series
Prudential Municipal Bond Fund
 High Yield Series
 Insured Series
 Modified Term Series
Prudential Municipal Series Fund
 Arizona Series
 Florida Series
 Georgia Series
 Maryland Series
 Massachusetts Series
 Michigan Series
 Minnesota Series
 New Jersey Series
 New York Series
 North Carolina Series
 Ohio Series
 Pennsylvania Series
Prudential National Municipals Fund

GLOBAL FUNDS

Prudential Global Fund, Inc.
Prudential Global Genesis Fund
Prudential Global Natural Resources Fund
Prudential Intermediate Global Income Fund, Inc.
Prudential Pacific Growth Fund, Inc.
Prudential Short-Term Global Income Fund, Inc.
Global Assets Portfolio
Short-Term Global Income Portfolio
Global Utility Fund, Inc.

EQUITY FUNDS

Prudential Equity Fund
Prudential Equity Income Fund
Prudential FlexiFund
 Conservatively Managed Portfolio
 Strategy Portfolio
Prudential Growth Fund, Inc.
Prudential Growth Opportunity Fund
Prudential IncomeVertible(R) Fund, Inc.
Prudential Multi-Sector Fund, Inc.
Prudential Utility Fund
Nicholas-Applegate Fund, Inc.
 Nicholas-Applegate Growth Equity Fund

MONEY MARKET FUNDS

.Taxable Money Market Funds
Prudential Government Securities Trust
 Money Market Series
 U.S. Treasury Money Market Series
Prudential Special Money Market Fund
 Money Market Series
Prudential MoneyMart Assets
.Tax-Free Money Market Funds
Prudential Tax-Free Money Fund
Prudential California Municipal Fund
 California Money Market Series
Prudential Municipal Series Fund
 Connecticut Money Market Series
 Massachusetts Money Market Series
 New Jersey Money Market Series
 New York Money Market Series

.Command Funds
Command Money Fund
Command Government Fund
Command Tax-Free Fund
.Institutional Money Market Funds
Prudential Institutional Liquidity Portfolio, Inc.
Institutional Money Market Series

No dealer, sales representative or any other person has been authorized to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offer contained herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Fund or the Distributor. This Prospectus does not constitute an offer by the Fund or by the Distributor to sell or a solicitation of any offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

TABLE OF CONTENTS

<TABLE>
<CAPTION>

</TABLE>

104A 440011L

CUSIP Nos.:
Class A: 743918 20 3
Class B: 743918 10 4

ART

Prudential
National
Municipals Fund

[ART]

LOGO

P R O S P E C T U S

FEBRUARY 28, 1994

- --

PRUDENTIAL NATIONAL MUNICIPALS FUND

Statement of Additional Information

February 28, 1994

Prudential-Bache National Municipals Fund, Inc., doing business as Prudential National Municipals Fund (the Fund), is an open-end, diversified management investment company whose investment objective is to seek a high level of current income exempt from federal income taxes. In attempting to achieve this objective, the Fund intends to invest substantially all of its total assets in carefully selected long-term Municipal Bonds of medium quality, i.e., obligations of issuers possessing adequate but not outstanding capacities to service their debt. Subject to the limits described herein, the Fund may also buy and sell financial futures for the purpose of hedging its securities portfolio. See "Investment Objective and Policies."

The Fund's address is One Seaport Plaza, New York, New York 10292, and its telephone number is (800)225-1852.

This Statement of Additional Information is not a prospectus and should be read in conjunction with the Fund's Prospectus, dated February 28, 1994, a copy of which may be obtained from the Fund upon request at the address or telephone noted above.

TABLE OF CONTENTS

<TABLE>
<CAPTION>

</TABLE>

- --
104B 4440201

GENERAL INFORMATION

On April 30, 1987, the shareholders of the Fund at the Annual Meeting of Shareholders approved an amendment to the Fund's Articles of Incorporation, as recommended by the Board of Directors, to change the Fund's name from Prudential-Bache High Yield Municipals, Inc. to Prudential-Bache National Municipals Fund, Inc. On February 28, 1991, the Board of Directors approved an amendment to the Fund's Articles of Incorporation to change the Fund's name to Prudential National Municipals Fund, Inc. and authorized the Fund to do business under the name Prudential National Municipals Fund until the next annual or special meeting of shareholders, at which time the amendment will be submitted to shareholders for their approval.

INVESTMENT OBJECTIVE AND POLICIES

The investment objective of the Fund is to seek a high level of current income exempt from federal income taxes. In attempting to achieve this objective, the Fund intends to invest substantially all, and in any event at least 80%, of its total assets in Municipal Bonds and Municipal Notes, except in certain circumstances. From time to time the Fund may invest in Municipal Bonds and Municipal Notes that are "private activity bonds" (as defined in the Internal Revenue Code), the interest on which is a tax preference subject to the alternative minimum tax. See "Taxes, Dividends and Distributions" in the Prospectus. For a further description of the Fund's investment objective and policies see "How the Fund Invests--Investment Objective and Policies" in the Prospectus.

MUNICIPAL NOTES

For liquidity purposes, pending investment in Municipal Bonds, or on a temporary or defensive basis due to market conditions, the Fund may invest in tax-exempt short-term debt obligations (maturing in one year or less). These obligations, known as "Municipal Notes," include tax, revenue and bond anticipation notes which are issued to obtain funds for various public purposes. The interest from these Notes is exempt from federal income taxes. The Fund will limit its investments in Municipal Notes to (1) those which are rated, at the time of purchase, within the three highest grades assigned by Moody's Investors Service (Moody's) or the two highest grades assigned by Standard & Poor's Ratings Group (S&P); (2) those of issuers having, at the time of purchase, an issue of outstanding Municipal Bonds rated within the four highest grades of Moody's or S&P; or (3) those which are guaranteed by the U.S. Government, its agents or instrumentalities.

MUNICIPAL BONDS

Municipal Bonds include debt obligations of a state, a territory, or a possession of the United States, or any political subdivision thereof (e.g., counties, cities, towns, villages, districts, authorities) or the District of Columbia issued to obtain funds for various purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, schools, streets and water and sewer works. Other public purposes for which Municipal Bonds may be issued include the refunding of outstanding obligations, obtaining funds for general operating expenses and the obtaining of funds to loan to public or private institutions for the construction of facilities such as education, hospital and housing facilities. In addition, certain types of private activity bonds may be issued by or on behalf of public authorities to obtain funds to provide privately-operated housing facilities, sports facilities, convention or trade show facilities, airport, mass transit, port or parking facilities, air or water pollution control facilities and certain local facilities for water supply, gas, electricity or sewage or solid waste disposal. Such obligations are included within the term Municipal Bonds if the interest paid thereon is at the time of issuance, in the opinion of the issuer's bond counsel, exempt from federal income tax. The current federal tax laws, however, substantially limit the amount of such obligations that can be issued in each state. See "Taxes, Dividends and Distributions."

The two principal classifications of Municipal Bonds are "general obligation" and limited obligation or "revenue" bonds. General obligation bonds are secured by the issuer's pledge of its faith, credit and taxing power for the payment of principal and interest, whereas revenue bonds are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise or other specific revenue source. Private activity bonds that are Municipal Bonds are in most cases revenue bonds and do not generally constitute the pledge of the credit of the issuer of such bonds. The credit quality of private activity revenue bonds is usually directly related to the credit standing of the industrial user involved. There are, in addition, a variety of hybrid and special types of municipal obligations as well as numerous differences in the security of Municipal Bonds, both within and between the two principal classifications described above.

The interest rates payable on certain Municipal Bonds and Municipal Notes are not fixed and may fluctuate based upon changes in market rates. Municipal Bonds and Notes of this type are called "variable rate" obligations. The interest rate payable on a variable rate obligation is adjusted either at predesignated intervals or whenever there is a change in the market rate of interest on which the

interest rate payable is based. Other features may include the right whereby the Fund may demand prepayment of the principal amount of the obligation prior to its stated maturity (a demand feature) and the right of the issuer to prepay the principal amount prior to maturity. The principal benefit of a variable rate obligation is that the interest rate adjustment minimizes changes in the market value of the obligation. As a result, the purchase of variable rate obligations should enhance the ability of the Fund to maintain a stable net asset value per share and to sell an obligation prior to maturity at a price approximating the full principal amount of the obligation. The payment of principal and interest by issuers of certain Municipal Bonds and Notes purchased by the Fund may be guaranteed by letters of credit or other credit facilities offered by banks or other financial institutions. Such guarantees will be considered in determining whether a Municipal Bond or Note meets the Fund's investment quality requirements.

PURCHASE AND EXERCISE OF PUTS

Puts give the Fund the right to sell securities held in the Fund's portfolio at a specified exercise price on a specified date. Puts or tender options may be acquired to reduce the volatility of the market value of securities subject to puts or tender options compared to the volatility of similar securities not subject to puts or tender options. The acquisition of a put or tender option may involve an additional cost to the Fund, compared to the cost of securities with similar credit ratings, stated maturities and interest coupons but without applicable puts or tender options. Such increased cost may be paid either by way of an initial or periodic premium for the put or tender option or by way of a higher purchase price for securities to which the put or tender option is attached. In addition, there is a credit risk associated with the purchase of puts or tender options in that the issuer of the put or tender option may be unable to meet its obligation to purchase the underlying security. Accordingly, the Fund will acquire puts or tender options under the following circumstances: (1) the put or tender option is written by the issuer of the underlying security and such security is rated within the four highest quality grades as determined by Moody's or S&P; (2) the put or tender option is written by a person other than the issuer of the underlying security and such person has securities outstanding which are rated within such four highest quality grades; or (3) the put or tender option is backed by a letter of credit or similar financial guarantee issued by a person having securities outstanding which are rated within the two highest quality grades of such rating services.

PORTFOLIO TURNOVER

Although the Fund does not intend to engage in substantial short-term trading, it may sell portfolio securities without regard to the length of time that they have been held in order to take advantage of new investment opportunities or yield differentials or because the Fund desires to preserve gains or limit losses due to changing economic conditions or the financial condition of the issuer. In order to seek a high level of current income, the investment adviser intends to change the composition of the Fund's portfolio, adjusting maturities and the quality and type of issue. Accordingly, it is possible that the Fund's portfolio turnover rate may reach, or even exceed, 150%. A portfolio turnover rate of 150% may exceed that of other investment companies with similar objectives. The portfolio turnover rate is computed by dividing the lesser of the amount of the securities purchased or securities sold (excluding all securities whose maturities at acquisition were one year or less) by the average monthly value of such securities owned during the year. A 100% turnover rate would occur, for example, if all of the securities held in the Fund's portfolio were sold and replaced within one year. However, when portfolio changes are deemed appropriate due to market or other conditions, such turnover rate may be greater than anticipated. A higher rate of turnover results in increased transaction costs to the Fund. For the years ended December 31, 1992 and 1993 the Fund's portfolio turnover rates were 114% and 82%, respectively.

FINANCIAL FUTURES CONTRACTS

The Fund will engage in transactions in financial futures contracts as a hedge against interest rate related fluctuations in the value of securities which are held in the Fund's portfolio or which the Fund intends to purchase. The Fund will engage in such transactions consistent with the Fund's investment objective. A clearing corporation associated with the commodities exchange on which a futures contract trades assumes responsibility for the completion of transactions and guarantees that open futures contracts will be performed. Although interest rate futures contracts call for actual delivery or acceptance of debt securities, in most cases the contracts are closed out before the settlement date without the making or taking of delivery.

OPTIONS ON FINANCIAL FUTURES. The Fund may purchase and write put and call options on futures contracts and enter into closing transactions with respect to such options to terminate an existing position. The Fund will use options on futures in connection with hedging strategies.

An option on a futures contract gives the purchaser the right, in return for the premium paid, to assume a position in a futures contract (a long position if the option is a call and a short position if the option is a put) at a specified exercise price at any time during the period of the option. Upon exercise of the option, the delivery of the futures position by the writer of the option to the holder of the option will be accompanied by delivery of the accumulated balance in the writer's futures margin account which

represents the amount by which the market price of the futures contract, at exercise, exceeds, in the case of a call, or is less than, in the case of a put, the exercise price of the option on the futures contract. If an option is exercised on the last trading day prior to the expiration date of the option, the settlement will be made entirely in cash equal to the difference between the exercise price of the option and the closing price of the futures contract on the expiration date. Currently options can be purchased or written with respect to futures contracts on U.S. Treasury Bonds and the Municipal Bond Index on the Chicago Board of Trade. As with options on debt securities, the holder or writer of an option may terminate its position by selling or purchasing an option of the same series. There is no guaranty that such closing transactions can be effected.

When the Fund hedges its portfolio by purchasing a put option, or writing a call option, on a futures contract, it will own a long futures position or an amount of debt securities corresponding to the open option position. When the Fund writes a put option on a futures contract, it may, rather than establish a segregated account, sell the futures contract underlying the put option or purchase a similar put option. In instances involving the purchase of a call option on a futures contract, the Fund will deposit in a segregated account with the Fund's Custodian an amount in cash, cash equivalents or liquid, high-grade, fixed-income securities equal to the market value of the obligation underlying the futures contract, less any amount held in the initial and variation margin accounts.

LIMITATIONS ON PURCHASE AND SALE. Under regulations of the Commodity Exchange Act, investment companies registered under the Investment Company Act of 1940 (the Investment Company Act) are exempt from the definition of "commodity pool operator," subject to compliance with certain conditions. The exemption is conditioned upon a requirement that all of the investment company's futures transactions constitute bona fide hedging transactions. With respect to long positions assumed by the Fund, the Fund will segregate with its Custodian an amount of cash, U.S. Government securities or liquid, high grade debt securities so that the amount so segregated plus the amount of initial and variation margin held in the account of its broker equals the market value of the futures contracts, and thereby insure that the use of futures contracts is unleveraged. The Fund will continue to invest at least 80% of its total assets in Municipal Bonds and Municipal Notes except in certain circumstances, as described in the Prospectus under "How the Fund Invests--Investment Objective and Policies." The Fund may not enter into futures contracts if, immediately thereafter, the sum of the amount of initial and net cumulative variation margin on outstanding futures contracts, together with premiums paid on options thereon, would exceed 20% of the total assets of the Fund.

RISKS OF FINANCIAL FUTURES TRANSACTIONS. In addition to the risk associated with predicting movements in the direction of interest rates, discussed in "How the Fund Invests--Investment Objective and Policies" in the Prospectus, there are a number of other risks associated with the use of financial futures for hedging purposes.

Hedging involves the risk of imperfect correlation because changes in the price of futures contracts only generally parallel but do not necessarily equal changes in the prices of the securities being hedged. The risk of imperfect correlation increases as the composition of the Fund's securities portfolio diverges from the securities that are the subject of the futures contract, for example, those included in the municipal index. Because the change in price of the futures contract may be more or less than the change in prices of the underlying securities, even a correct forecast of interest rate changes may not result in a successful hedging transaction.

The Fund intends to purchase and sell futures contracts only on exchanges where there appears to be a market in such futures sufficiently active to accommodate the volume of its trading activity. There can be no assurance that a liquid market will always exist for any particular contract at any particular time. Accordingly, there can be no assurance that it will always be possible to close a futures position when such closing is desired; and in the event of adverse price movements, the Fund would continue to be required to make daily cash payments of variation margin. However, in the event futures contracts have been sold to hedge portfolio securities, such securities will not be sold until the offsetting futures contracts can be executed. Similarly, in the event futures have been bought to hedge anticipated securities purchases, such purchases will not be executed until the offsetting futures contracts can be sold.

The hours of trading of interest rate futures contracts may not conform to the hours during which the Fund may trade Municipal Bonds. To the extent that the futures markets close before the municipal bond market, significant price and rate movements can take place that cannot be reflected in the futures markets on a day-to-day basis.

RISKS OF TRANSACTIONS IN OPTIONS ON FINANCIAL FUTURES. In addition to the risks which apply to all options transactions, there are several special risks relating to options on futures. The ability to establish and close out positions on such options will be subject to the maintenance of a liquid secondary market. Compared to the sale of financial futures, the purchase of put options on financial futures involves less potential risk to the Fund because the maximum amount at risk is the premium paid for the options (plus transaction costs). However, there may be circumstances when the purchase of a put option on a financial future would result in a loss to the Fund when the sale of a financial future would not, such as when there is no movement in the price of debt securities.

An option position may be closed out only on an exchange which provides a secondary market for an option of the same series. Although the Fund generally will purchase only those options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange will exist for any particular option, or at any particular time, and for some options, no secondary market on an exchange may exist. In such event, it might not be possible to effect closing transactions in particular options, with the result that the Fund would have to exercise its options in order to realize any profit and would incur transaction costs upon the sale of underlying securities pursuant to the exercise of put options.

Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options or underlying securities; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or the Options Clearing Corporation may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that exchange (or in that class or series of options) would cease to exist, although outstanding options on that exchange that had been issued by the Options Clearing Corporation as a result of trades on that exchange could continue to be exercisable in accordance with their terms.

There is no assurance that higher than anticipated trading activity or other unforeseen events might not, at times, render certain of the facilities of the Options Clearing Corporation inadequate, and thereby result in the institution by an exchange of special procedures which may interfere with the timely execution of customers' orders.

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES

The Fund may purchase or sell Municipal Bonds or Notes on a when-issued or delayed delivery basis. When-issued or delayed delivery transactions arise when securities are purchased or sold by the Fund with payment and delivery taking place in the future in order to secure what is considered to be an advantageous price and yield to the Fund at the time of entering into the transaction. When-issued and delayed delivery transactions may not settle for up to one year or more from the time of entering into such transactions. The Fund bears the credit risk of the counter-party to the transaction until settlement. Therefore, the credit quality and suitability of the issuer is examined carefully prior to entering into such when-issued and delayed delivery transactions. The Fund's Custodian will maintain, in a segregated account of the Fund, cash, U.S. Government securities or other liquid high-grade debt obligations having a value equal to or greater than the Fund's purchase commitments; the Custodian will likewise segregate securities sold on a delayed delivery basis.

ILLIQUID SECURITIES

A Fund may not invest more than 15% of its net assets in repurchase agreements which have a maturity of longer than seven days or in other illiquid securities, including securities that are illiquid by virtue of the absence of a readily available market or contractual restrictions on resale. Repurchase agreements subject to demand are deemed to have a maturity equal to the notice period. Mutual funds do not typically hold a significant amount of illiquid securities because of the potential for delays on resale and uncertainty in valuation. Limitations on resale may have an adverse effect on the marketability of portfolio securities and a mutual fund might be unable to dispose of illiquid securities promptly or at reasonable prices and might thereby experience difficulty satisfying redemptions within seven days.

Municipal lease obligations will not be considered illiquid for purposes of the Fund's 15% limitation on illiquid securities provided the investment adviser determines that there is a readily available market for such securities. In reaching liquidity decisions, the investment adviser will consider, inter alia, the following factors: (1) the frequency of trades and quotes for the security; (2) the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; (3) dealer undertakings to make a market in the security; and (4) the nature of the security and the nature of the marketplace trades (e.g., the time needed to dispose of the security, the method of soliciting offers and the mechanics of the transfer). With respect to municipal lease obligations, the investment adviser also considers: (1) the willingness of the municipality to continue, annually or biannually, to appropriate funds for payment of the lease; (2) the general credit quality of the municipality and the essentiality to the municipality of the property covered by the lease; (3) in the case of unrated municipal lease obligations, an analysis of factors similar to that performed by nationally recognized statistical rating organizations in evaluating the credit quality of a municipal lease obligation, including (i) whether the lease can be cancelled; (ii) if applicable, what assurance there is that the assets represented by the lease can be sold; (iii) the strength of the lessee's general credit (e.g., its debt, administrative, economic and financial characteristics); (iv) the likelihood that the municipality will discontinue appropriating funding for the leased property because the property is no longer deemed essential to the

operations of the municipality (e.g., the potential for an event of nonappropriation); (v) the legal recourse in the event of failure to appropriate; and (4) any other factors unique to municipal lease obligations as determined by the investment adviser.

INVESTMENT RESTRICTIONS

The investment restrictions listed below have been adopted by the Fund as fundamental policies. Under the Investment Company Act, fundamental policies may not be changed without the approval of the majority of the Fund's outstanding voting securities which under the Investment Company Act means the lesser of (1) 67% of the Fund's shares represented at a meeting at which more than 50% of the outstanding shares are present in person or represented by proxy, or (2) more than 50% of the Fund's outstanding shares.

The Fund may not:

(1) Invest in securities other than Municipal Bonds and Notes (including when-issued and delayed delivery purchases, and rights to resell Municipal Bonds and Notes and financial futures contracts and options thereon) as described under "Investment Objective and Policies" in the Prospectus and this Statement of Additional Information.

(2) With respect to 75% of its total assets, invest more than 5% of the market or other fair value of its total assets in the securities of any one issuer (other than obligations of, or guaranteed by, the U.S. Government, its agencies or instrumentalities). It is the current policy (but not a fundamental policy) of the Fund not to invest more than 5% of the market or other fair value of its total assets in the securities of any one issuer.

(3) Make short sales of securities.

(4) Purchase securities on margin, except for such short-term credits as are necessary for the clearance of purchases and sales of portfolio securities and margin payments in connection with transactions in financial futures contracts.

(5) Issue senior securities, borrow money or pledge its assets, except that the Fund may borrow up to 20% of the value of its total assets (calculated when the loan is made) for temporary, extraordinary or emergency purposes or for the clearance of transactions. The Fund may pledge up to 20% of the value of its total assets to secure such borrowings. Secured borrowings may take the form of reverse repurchase agreements, pursuant to which the Fund would sell portfolio securities for cash and simultaneously agree to repurchase them at a specified date for the same amount of cash plus an interest component. The Fund would maintain, in a segregated account with its Custodian, liquid assets equal in value to the amount owed. For purposes of this restriction, obligations of the Fund to Directors pursuant to deferred compensation arrangements, the purchase and sale of securities on a when-issued or delayed delivery basis, the purchase and sale of financial futures contracts and options and collateral arrangements with respect to margins for financial futures contracts and with respect to options are not deemed to be the issuance of a senior security or a pledge of assets.

(6) Engage in the underwriting of securities or purchase any securities as to which registration under the Securities Act of 1933 would be required for resale of such securities to the public.

(7) Purchase or sell real estate or real estate mortgage loans, although it may purchase Municipal Bonds or Notes secured by interests in real estate.

(8) Make loans of money or securities. The purchase of a portion of an issue of publicly distributed debt securities is not considered the making of a loan.

(9) Purchase securities of other investment companies, except in connection with a merger, consolidation, reorganization or acquisition of assets.

(10) Invest for the purpose of exercising control or management of another

company.

(11) Purchase or sell puts, calls, or combinations thereof, except that it may obtain rights to resell Municipal Bonds and Notes and it may purchase and sell puts and options on futures contracts as set forth under "Investment Objective and Policies" in the Prospectus and this Statement of Additional Information.

(12) Purchase industrial revenue bonds if, as a result of such purchase, more than 5% of total Fund assets would be invested in industrial revenue bonds where payment of principal and interest are the responsibility of companies with less than three years of operating history.

(13) Purchase or retain the securities of any issuer if officers or directors of the Fund or officers or directors of the Adviser responsible for investment decisions concerning the Fund beneficially owning individually more than 1/2 of 1% of securities of such issuer together beneficially own more than 5% of the securities of such issuer.

(14) Purchase or sell commodities or commodities futures contracts except financial futures contracts and options thereon as described under "Investment Objective and Policies" in the Prospectus and this Statement of Additional Information.

(15) Invest more than 25% of the value of its total assets in securities whose issuers are located in any one state.

Although not a fundamental investment policy requiring shareholder approval, the Fund may not invest more than 10% of its assets in Municipal Bonds and Notes which are illiquid or which have limited marketability.

Whenever any fundamental investment policy or investment restriction states a maximum percentage of the Fund's assets, it is intended that if the percentage limitation is met at the time the investment is made, a later change in percentage resulting from changing total or net asset values will not be considered a violation of such policy. However, in the event that the Fund's asset coverage for borrowings falls below 300%, the Fund will take prompt action to reduce its borrowings, as required by applicable law.

In order to comply with certain state "blue sky" restrictions, the Fund will not as a matter of operating policy:

1. Purchase warrants if as a result the Fund would then have more than 5% of its net assets (determined at the time of investment) invested in warrants. Warrants will be valued at the lower of cost or market and investment in warrants which are not listed on the New York Stock Exchange or American Stock Exchange will be limited to 2% of the Fund's net assets (determined at the time of investment). For the purpose of this limitation, warrants acquired in units or attached to securities are deemed to be without value.

2. Invest in oil, gas and mineral leases.

The Board of Directors has recommended, subject to shareholder approval, deletion of Investment Restriction Number 13 which prohibits the purchase of any security of an issuer if officers and Directors of the Fund or the Manager or Subadviser in the aggregate own more than 5% of the outstanding securities of such issuer and replacement of such restriction with a non-fundamental policy. There can be no assurance that shareholders will approve this change to the investment restrictions.

DIRECTORS AND OFFICERS

<TABLE>
<CAPTION>

NAME AND ADDRESS	POSITION WITH FUND	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS
<S>	<C>	<C>
Delayne Dedrick Gold c/o Prudential Mutual Fund Management, Inc. One Seaport Plaza New York, New York	Director	Marketing and Management Consultant.
Arthur Hauspurg c/o Pruden-	Director	Trustee and former President, Chief Executive Officer and Chairman of the Board of Consolidated Edison Company of New York, Inc.; Director of COMSAT Corp.

tial Mutual Fund Management, Inc. One Seaport Plaza New York, New York		
*Harry A. Jacobs, Jr. One Seaport Plaza New York, New York	Director	Senior Director (since January 1986) of Prudential Securities Incorporated (Prudential Securities); formerly Interim Chairman and Chief Executive Officer of Prudential Mutual Fund Management, Inc. (PMF) (June-September 1993); formerly Chairman of the Board of Prudential Securities (1982-1985) and Chairman of the Board and Chief Executive Officer of Bache Group Inc. (1977-1982); Trustee of the Trudeau Institute; Director of the Center for National Policy, The First Australia Fund, Inc., The First Australia Prime Income Fund, Inc., The Global Government Plus Fund, Inc. and The Global Yield Fund, Inc.

</TABLE>

<TABLE>
<CAPTION>

NAME AND ADDRESS	POSITION WITH FUND	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS
<S>	<C>	<C>
Thomas J. McCormack 175 Fifth Avenue New York, New York	Director	Chairman, Chief Executive Officer and Editorial Director (since 1987) and President (1970-1987), St. Martin's Press Inc.; Director of Macmillan Publishers Limited (London) and Pan Books, Limited (London).
*Lawrence C. McQuade One Seaport Plaza New York, New York	President and Director	Vice Chairman of PMF (since 1988); Managing Director, Investment Banking of Prudential Securities (1988-1991); Director of Quixote Corporation (since February 1992) and BUNZL, PLC (since June 1991); formerly, Director of Crazy Eddie Inc. (1987-1990) and Director of Kaiser Tech. Ltd., Kaiser Aluminum and Chemical Corp. (March 1987-November 1988); formerly Executive Vice President and Director of WR Grace & Company; President and Director of The Global Government Plus Fund, Inc., The Global Yield Fund, Inc., and The High Yield Income Fund, Inc.
Stephen P. Munn 101 So. Salina St. Syracuse, New York	Director	Chairman (since January 1994), Director and President (since 1988) and Chief Executive Officer (1988-December 1993) of Carlisle Companies Incorporated; formerly President of Carrier Transicold (a division of United Technologies Carrier) (1985-1988).
Louis A. Weil, III 120 E. Van Buren Phoenix, Arizona	Director	Publisher and Chief Executive Officer, Phoenix Newspapers, Inc. (since August 1991); Director of Central Newspapers, Inc. (since September 1991); prior thereto, Publisher of Time Magazine (May 1989-March 1991); formerly President, Publisher and Chief Executive Officer of The Detroit News (February 1986-August 1989); formerly member of the Advisory Board, Chase Manhattan Bank-Westchester; Director of The Global Government Plus Fund, Inc.
David W. Drasnin 39 Public Square Suite 500 Wilkes-Barre, Pennsylvania	Vice President	Vice President and Branch Manager of Prudential Securities.
Robert F. Gunia One Seaport Plaza New York, New York	Vice President	Chief Administrative Officer (since July 1990), Director (since January 1989), Executive Vice President, Treasurer and Chief Financial Officer (since June 1987) of PMF; Senior Vice President (since March 1987) of Prudential Securities; Vice President and Director of The Asia Pacific Fund, Inc. (since May 1989).
Susan C. Cote One Seaport Plaza New York, New York	Treasurer and Principal Financial and Accounting Officer	Senior Vice President (since January 1989) of PMF; Senior Vice President (since January 1992) and Vice President (January 1986-December 1991) of Prudential Securities.
S. Jane Rose One Seaport Plaza New York, New York	Secretary	Senior Vice President (since January 1991), Senior Counsel (since June 1987) and First Vice President (June 1987-December 1990) of PMF; Senior Vice President and Senior Counsel of Prudential Securities (since July 1992); formerly Vice President and Associate General Counsel of Prudential Securities.
Ronald Amblard One Seaport Plaza New York, New York	Assistant Secretary	Vice President (since January 1991) and Associate General Counsel (since January 1992) of PMF; Vice President and Associate General Counsel of Prudential Securities (since January 1992), Assistant General Counsel

(August 1988-December 1991) and Associate Vice President (January 1989-December 1990) of PMF.

</TABLE>

- ---------

* "Interested" director, as defined in the Investment Company Act, by reason of his affiliation with Prudential Securities or PMF.

Directors and officers of the Fund are also trustees, Directors and officers of some or all of the other investment companies distributed by Prudential Securities or Prudential Mutual Fund Distributors, Inc.

The officers conduct and supervise the daily business operations of the Fund, while the directors, in addition to their functions set forth under "Manager" and "Distributor," review such actions and decide on general policy.

The Fund pays each of its Directors who is not an affiliated person of PMF or The Prudential Investment Corporation (PIC) annual compensation of $7,500, in addition to certain out-of-pocket expenses. The Chairman of the Audit Committee receives an additional $200 per year.

Directors may receive their Director's fee pursuant to a deferred fee agreement with the Fund. Under the terms of the agreement, the Fund accrues daily the amount of such Director's fee in installments which accrue interest at a rate equivalent to the prevailing rate applicable to 90-day U.S. Treasury Bills at the beginning of each calendar quarter or, pursuant to an SEC exemptive order, at the daily rate of return of the Fund (the Fund rate). Payment of the interest so accrued is also deferred and accruals become payable at the option of the Director. The Fund's obligation to make payments of deferred Directors' fees, together with interest thereon, is a general obligation of the Fund.

Pursuant to the Management Agreement with the Fund, the Manager pays all compensation of officers and employees of the Fund as well as the fees and expenses of all Directors of the Fund who are affiliated persons of the Manager.

As of February 11, 1994, the Directors and officers of the Fund, as a group, owned less than 1% of the outstanding common stock of the Fund.

As of February 11, 1994, Prudential Securities was the record holder for other beneficial owners of 394,443 Class A shares (or 42% of the outstanding Class A shares) and 18,537,506 Class B shares (or 36% of the outstanding Class B shares) of the Fund. In the event of any meeting of shareholders, Prudential Securities will forward, or cause the forwarding of, proxy materials to the beneficial owners for which it is the record holder.

MANAGER

The manager of the Fund is Prudential Mutual Fund Management, Inc. (PMF or the Manager), One Seaport Plaza, New York, New York 10292. PMF serves as manager to substantially all of the other investment companies that, together with the Fund, comprise the "Prudential Mutual Funds." See "How the Fund is Managed" in the Prospectus. As of January 31, 1994, PMF managed and/or administered open-end and closed-end management investment companies with assets of approximately $51 billion. According to the Investment Company Institute, as of June 30, 1993, the Prudential Mutual Funds were the 10th largest family of mutual funds in the United States.

Pursuant to the Management Agreement with the Fund (the Management Agreement), PMF, subject to the supervision of the Fund's Board of Directors and in conformity with the stated policies of the Fund, manages both the investment operations of the Fund and the composition of the Fund's portfolio, including the purchase, retention, disposition and loan of securities. In connection therewith, PMF is obligated to keep certain books and records of the Fund. PMF also administers the Fund's corporate affairs and, in connection therewith, furnishes the Fund with office facilities, together with those ordinary clerical and bookkeeping services which are not being furnished by State Street Bank and Trust Company, the Fund's Custodian, and Prudential Mutual Fund Services, Inc. (PMFS or the Transfer Agent), the Fund's transfer and dividend disbursing agent. The management services of PMF for the Fund are not exclusive under the terms of the Management Agreement and PMF is free to, and does, render management services to others.

For its services, PMF receives, pursuant to the Management Agreement, a fee at an annual rate of .50 of 1% of the Fund's average daily net assets up to and including $250 million, .475 of 1% of the next $250 million, .45 of 1% of the next $500 million, .425 of 1% of the next $250 million, .40 of 1% of the next $250 million and .375 of 1% of the Fund's average daily net assets in excess of $1.5 billion. The fee is computed daily and payable monthly. The Management Agreement also provides that, in the event the expenses of the Fund (including the fees of PMF, but excluding interest, taxes, brokerage commissions, distribution fees and litigation and indemnification expenses and other extraordinary expenses not incurred in the ordinary course of the Fund's business)

for any fiscal year exceed the lowest applicable annual expense limitation established and enforced pursuant to the statutes or regulations of any jurisdiction in which the Fund's shares are qualified for offer and sale, the compensation due to PMF will be reduced by the amount of such excess. Reductions in excess of the total compensation payable to PMF will be paid by PMF to the Fund. Currently, the Fund believes that the most restrictive expense limitation of state securities commissions is 2 1/2% of the Fund's average daily net assets up to $30 million, 2% of the next $70 million of such assets and 1 1/2% of such assets in excess of $100 million.

In connection with its management of the corporate affairs of the Fund, PMF bears the following expenses:

(a) the salaries and expenses of all of its and the Fund's personnel except the fees and expenses of Directors who are not affiliated persons of PMF or the Fund's investment adviser;

(b) all expenses incurred by PMF or by the Fund in connection with managing the ordinary course of the Fund's business, other than those assumed by the Fund as described below; and

(c) the costs and expenses payable to The Prudential Investment Corporation (PIC) pursuant to the subadvisory agreement between PMF and PIC (the Subadvisory Agreement).

Under the terms of the Management Agreement, the Fund is responsible for the payment of the following expenses: (a) the fees payable to the Manager, (b) the fees and expenses of Directors who are not affiliated persons of the Manager or the Fund's investment adviser, (c) the fees and certain expenses of the Custodian and Transfer and Dividend Disbursing Agent, including the cost of providing records to the Manager in connection with its obligation of maintaining required records of the Fund and of pricing the Fund's shares, (d) the charges and expenses of legal counsel and independent accountants for the Fund, (e) brokerage commissions and any issue or transfer taxes chargeable to the Fund in connection with its securities transactions, (f) all taxes and corporate fees payable by the Fund to governmental agencies, (g) the fees of any trade associations of which the Fund may be a member, (h) the cost of stock certificates representing shares of the Fund, (i) the cost of fidelity and liability insurance, (j) the fees and expenses involved in registering and maintaining registration of the Fund and of its shares with the Securities and Exchange Commission, registering the Fund as a broker or dealer and qualifying its shares under state securities laws, including the preparation and printing of the Fund's registration statements and prospectuses for such purposes, (k) allocable communications expenses with respect to investor services and all expenses of shareholders' and Directors' meetings and of preparing, printing and mailing reports, proxy statements and prospectuses to shareholders in the amount necessary for distribution to the shareholders, (l) litigation and indemnification expenses and other extraordinary expenses not incurred in the ordinary course of the Fund's business, and (m) distribution fees.

The Management Agreement provides that PMF will not be liable for any error of judgment or for any loss suffered by the Fund in connection with the matters to which the Management Agreement relates, except a loss resulting from willful misfeasance, bad faith, gross negligence or reckless disregard of duty. The Management Agreement provides that it will terminate automatically if assigned, and that it may be terminated without penalty by either party upon not more than 60 days' nor less than 30 days' written notice. The Management Agreement will continue in effect for a period of more than two years from the date of execution only so long as such continuance is specifically approved at least annually in conformity with the Investment Company Act. The Management Agreement was last approved by the Board of Directors of the Fund, including a majority of the Directors who are not parties to the contract or interested persons of any such party as defined in the Investment Company Act on April 30, 1991 and by shareholders of the Fund on April 28, 1988.

For the fiscal years ended December 31, 1993, 1992 and 1991, the Fund paid PMF management fees of $4,087,672, $3,946,039 and $4,079,852, respectively.

PMF has entered into the Subadvisory Agreement with PIC (the Subadviser), a wholly-owned subsidiary of The Prudential Insurance Company of America (Prudential). The Subadvisory Agreement provides that PIC furnish investment advisory services in connection with the management of the Fund. In connection therewith, PIC is obligated to keep certain books and records of the Fund. PMF continues to have responsibility for all investment advisory services pursuant to the Management Agreement and supervises PIC's performance of such services. PIC is reimbursed by PMF for the reasonable costs and expenses incurred by PIC in furnishing those services.

The Subadvisory Agreement was last approved by the Board of Directors, including a majority of the Directors who are not parties to such contracts or interested persons of such parties as defined in the Investment Company Act, on May 3, 1993, and by shareholders of the Fund on April 28, 1988.

The Subadvisory Agreement provides that it will terminate in the event of its assignment (as defined in the Investment Company Act) or upon the termination of the Management Agreement. The Subadvisory Agreement may be terminated by the Fund, PMF or

PIC upon not more than 60 days', nor less than 30 days', written notice. The Subadvisory Agreement provides that it will continue in effect for a period of more than two years from its execution only so long as such continuance is specifically approved at least annually in accordance with the requirements of the Investment Company Act.

The Manager and the Subadviser (The Prudential Investment Corporation) are subsidiaries of Prudential which, as of December 31, 1991, was the largest insurance company in the United States and the second largest insurance company in the world. Prudential has been engaged in the insurance business since 1875. In July 1993, Institutional Investor ranked Prudential the third largest institutional money manager of the 300 largest money management organizations in the United States as of December 31, 1992.

DISTRIBUTOR

Prudential Mutual Fund Distributors, Inc. (PMFD), One Seaport Plaza, New York, New York 10292, acts as the distributor of the Class A shares of the Fund. Prudential Securities Incorporated (formerly Prudential-Bache Securities Inc.), One Seaport Plaza, New York, New York 10292 (Prudential Securities), acts as the distributor of the Class B shares of the Fund.

Pursuant to separate Distribution and Service Plans (the Class A Plan and the Class B Plan, collectively the Plans) adopted by the Fund under Rule 12b-1 under the Investment Company Act and separate distribution agreements (the Distribution Agreements), PMFD and Prudential Securities (collectively the Distributor) incur the expenses of distributing the Fund's Class A and Class B shares, respectively. See "How the Fund is Managed--Distributor" in the Prospectus.

Prior to January 22, 1990, the Fund offered only one class of shares (the existing Class B shares). On October 6, 1989, the Board of Directors, including a majority of the Directors who are not interested persons of the Fund and who have no direct or indirect financial interest in the operation of the Class A or Class B Plan or in any agreement related to either Plan (the Rule 12b-1 Directors), at a meeting called for the purpose of voting on each Plan, adopted a new plan of distribution for the Class A shares of the Fund (the Class A Plan) and approved an amended and restated plan of distribution with respect to the Class B shares of the Fund (the Class B Plan). On February 8, 1993, the Board of Directors, including a majority of the Rule 12b-1 Directors, at a meeting called for the purpose of voting on each Plan, approved modifications to the Fund's Class A and Class B Plans and Distribution Agreements to conform them to recent amendments to the National Association of Securities Dealers, Inc. (NASD) maximum sales charge rule described below. As modified, the Class A Plan provides that (i) up to .25 of 1% of the average daily net assets of the Class A shares may be used to pay for personal service and the maintenance of shareholder accounts (service fee) and (ii) total distribution fees (including the service fee of .25 of 1%) may not exceed .30 of 1%. As modified, the Class B Plan provides that (i) up to .25 of 1% of the average daily net assets of the Class B shares may be paid as a service fee and (ii) up to .50 of 1% (including the service fee) of the average daily net assets of the Class B shares (asset-based sales charge) may be used as reimbursement for distribution-related expenses with respect to the Class B shares. The Plans were last approved by the Board of Directors, including a majority of the Rule 12b-1 Directors, on April 30, 1992. The Class A Plan was approved by the Class A shareholders on December 19, 1990. The Class B Plan was approved by shareholders of the Fund on January 11, 1990.

CLASS A PLAN. For the fiscal year ended December 31, 1993, PMFD incurred distribution and service expenses in the aggregate of approximately $11,786, all of which was recovered through the distribution fee paid by the Fund to PMFD under the Class A Plan. This amount was primarily expended on commission credits to Prudential Securities and Prusec for payment of account servicing fees to financial advisers.

CLASS B PLAN. For the fiscal year ended December 31, 1993, the Distributor received $4,274,596 from the Fund under the Plan. It is estimated that the Distributor spent approximately $4,599,900 in distributing the Fund's Class B shares, on behalf of the Fund during the year ended December 31, 1993. It is estimated that of this amount approximately $5,000 (0.1%) was spent on printing and mailing of prospectuses to other than current shareholders; $1,677,400 (36.5%) on compensation to Prusec, an affiliated broker-dealer, for commissions to its financial advisers and other expenses, including an allocation of overhead and other branch office distribution-related expenses, incurred by it for distribution of Fund shares; $645,000 (14.0%) on interest and/or carrying costs; and $2,272,500 (49.4%) on commission credits to Prudential Securities branch offices for payments of commissions to financial advisers ($1,336,900 or 29.1%) and an allocation on account of overhead and other branch office distribution-related expenses ($935,600 or 20.3%). The term "overhead and other branch office distribution-related expenses" represents (a) the expenses of operating the Prudential Securities branch offices in connection with the sale of Fund shares, including lease costs, the salaries and employee benefits of operations and sales support personnel, utility costs, communications costs and the costs of stationery and supplies, (b) the costs of client sales seminars, (c) travel expenses of mutual fund sales coordinators to promote the sale of Fund shares and (d) other incidental expenses relating to branch promotion of Fund sales.

The Distributor also receives the proceeds of contingent deferred sales charges paid by holders of Class B shares upon certain redemptions of Class B shares. See "Shareholder Guide--How to Sell Your Shares--Contingent Deferred Sales Charge--Class B

Shares" in the Prospectus. The amount of distribution expenses reimbursable by the Class B shares of the Fund is reduced by the amount of such contingent deferred sales charges. For the fiscal year ended December 31, 1993, the Distributor received approximately $510,600 in contingent deferred sales charges.

The Class A and Class B Plans continue in effect from year to year, provided that each such continuance is approved at least annually by a vote of the Board of Directors, including a majority vote of the Rule 12b-1 Directors, cast in person at a meeting called for the purpose of voting on such continuance. The Class A and Class B Plans may each be terminated at any time, without penalty, by the vote of a majority of the Directors who are not interested persons or by the vote of the holders of a majority of the outstanding shares of the applicable class on not more than 60 days' written notice to any other party to the Plans. Neither Plan may be amended to increase materially the amounts to be spent for the services described therein without approval by the shareholders of the applicable class, and all material amendments are required to be approved by the Board of Directors in the manner described above. Each Plan will automatically terminate in the event of its assignment. The Fund will not be contractually obligated to pay expenses incurred under either the Class A or Class B Plan if it is terminated or not continued.

Pursuant to each Plan, the Board of Directors will review at least quarterly a written report of the distribution expenses incurred on behalf of the Class A and Class B shares of the Fund by PMFD and Prudential Securities, respectively. The report will include an itemization of the distribution expenses and the purposes of such expenditures. In addition, as long as the Plans remain in effect, the selection and nomination of Directors who are not interested persons of the Fund shall be committed to the Directors who are not interested persons of the Fund.

Pursuant to each Distribution Agreement, the Fund has agreed to indemnify PMFD and Prudential Securities to the extent permitted by applicable law against certain liabilities under the Securities Act of 1933, as amended. Each Distribution Agreement was last approved by the Board of Directors, including a majority of the Rule 12b-1 Directors, on May 3, 1993.

NASD MAXIMUM SALES CHARGE RULE. Pursuant to rules of the NASD, the Distributor is required to limit aggregate initial sales charges, deferred sales charges and asset-based sales charges to 6.25% of total gross sales of each class of shares. In the case of Class B shares, interest charges on unreimbursed distribution expenses equal to the prime rate plus one percent per annum may be added to the 6.25% limitation. Sales from the reinvestment of dividends and distributions are not included in the calculation of the 6.25% limitation. The annual asset-based sales charge on Class B shares of the Fund may not exceed .75 of 1%. The 6.25% limitation applies to the Fund rather than on a per shareholder basis. If aggregate sales charges were to exceed 6.25% of total gross sales of either class, all sales charges on shares of that class would be suspended.

PORTFOLIO TRANSACTIONS AND BROKERAGE

The Manager is responsible for decisions to buy and sell securities and futures contracts for the Fund, the selection of brokers, dealers and futures commission merchants to effect the transactions and the negotiation of brokerage commissions, if any. The term "Manager" as used in this section includes the "Subadviser." Fixed-income securities are generally traded on a "net" basis with dealers acting as principal for their own accounts without a stated commission, although the price of the security usually includes a profit to the dealer. In underwritten offerings, securities are purchased at a fixed price which includes an amount of compensation to the underwriter, generally referred to as the underwriter's concession or discount. The Fund will not deal with Prudential Securities in any transaction in which Prudential Securities acts as principal. Purchases and sales of securities on a securities exchange, while infrequent, and purchases and sales of futures on a commodities exchange or board of trade will be effected through brokers who charge a commission for their services. Orders may be directed to any broker including, to the extent and in the manner permitted by applicable law, Prudential Securities and its affiliates.

In placing orders for portfolio securities of the Fund, the Manager is required to give primary consideration to obtaining the most favorable price and efficient execution. This means that the Manager will seek to execute each transaction at a price and commission, if any, which provide the most favorable total cost or proceeds reasonably attainable in the circumstances. While the Manager generally seeks reasonably competitive spreads or commissions, the Fund will not necessarily be paying the lowest spread or commission available. Within the framework of the policy of obtaining most favorable price and efficient execution, the Manager will consider research and investment services provided by brokers or dealers who effect or are parties to portfolio transactions of the Fund, the Manager or the Manager's other clients. Such research and investment services are those which brokerage houses customarily provide to institutional investors and include statistical and economic data and research reports on particular companies and industries. Such services are used by the Manager in connection with all of its investment activities, and some of such services obtained in connection with the execution of transactions for the Fund may be used in managing other investment accounts.

Conversely, brokers furnishing such services may be selected for the execution of transactions of such other accounts, whose aggregate assets are larger than the Fund, and the services furnished by such brokers may be used by the Manager in providing investment management for the Fund. Commission rates are established pursuant to negotiations with the broker based on the quality and quantity of execution services provided by the broker in light of generally prevailing rates. The Manager's policy is to pay higher commissions to brokers, other than Prudential Securities, for particular transactions than might be charged if a different broker had been selected, on occasions when, in the Manager's opinion, this policy furthers the objective of obtaining best price and execution. In addition, the Manager is authorized to pay higher commissions on brokerage transactions for the Fund to brokers other than Prudential Securities in order to secure research and investment services described above, subject to the primary consideration of obtaining the most favorable price and efficient execution in the circumstances and subject to review by the Fund's Board of Directors from time to time as to the extent and continuation of this practice. The allocation of orders among brokers and the commission rates paid are reviewed periodically by the Board of Directors.

Subject to the above considerations, the Manager may use Prudential Securities as a broker or futures commission merchant for the Fund. In order for Prudential Securities to effect any portfolio transactions for the Fund on an exchange or board of trade, the commissions, fees or other remuneration received by Prudential Securities must be reasonable and fair compared to the commissions, fees or other remuneration paid to other brokers or futures commission merchants in connection with comparable transactions involving similar securities or futures contracts being purchased or sold on a securities exchange or board of trade during a comparable period of time. This standard would allow Prudential Securities to receive no more than the remuneration which would be expected to be received by an unaffiliated broker or futures commission merchant in a commensurate arm's-length transaction. Furthermore, the Board of Directors of the Fund, including a majority of the Directors who are not "interested" Directors, has adopted procedures which are reasonably designed to provide that any commissions, fees or other remuneration paid to Prudential Securities are consistent with the foregoing standard. Brokerage transactions with Prudential Securities are also subject to such fiduciary standards as may be imposed upon Prudential Securities by applicable law.

Portfolio securities may not be purchased from any underwriting or selling syndicate of which Prudential Securities, during the existence of the syndicate, is a principal underwriter (as defined in the Investment Company Act), except in accordance with rules of the Securities and Exchange Commission. This limitation, in the opinion of the Fund, will not significantly affect the Fund's ability to pursue its present objective. However, in the future in other circumstances, the Fund may be at a disadvantage because of this limitation in comparison to other funds with similar investment objectives but not subject to such limitations.

The Fund paid no brokerage commissions to Prudential Securities for the fiscal years ended December 31, 1991, 1992 and 1993.

PURCHASE AND REDEMPTION OF FUND SHARES

Shares of the Fund may be purchased at a price equal to the next determined net asset value per share, plus a sales charge which, at the election of the investor, may be imposed either (i) at the time of purchase (the initial sales charge alternative), or (ii) on a deferred basis (the deferred sales charge alternative). See "Shareholder Guide" in the Prospectus.

The Fund issues two classes of shares: Class A shares are sold to investors choosing the initial sales charge alternative and Class B shares are sold to investors choosing the deferred sales charge alternative. The two classes of shares represent an interest in the same portfolio of investments of the Fund and have the same rights, except that each class bears the separate expenses of its Rule 12b-1 distribution plan and has exclusive voting rights with respect to such plan. See "Distributor." The two classes also have separate exchange privileges. See "Shareholder Investment Account--Exchange Privilege."

SPECIMEN PRICE MAKE-UP

Under the current distribution arrangements between the Fund and the Distributor, Class A shares of the Fund are sold at a maximum sales charge of 4.5% and Class B shares of the Fund are sold at net asset value.* Using the Fund's net asset value at December 31, 1993, the maximum offering price of the Fund's shares is as follows:

<TABLE>
<CAPTION>

CLASS A	
Net asset value and redemption price per Class A share	$16.30
Maximum sales charge (4.5% of offering price)	.77
Offering price to public	$17.07

<CAPTION>

CLASS B	
Net asset value, offering price and redemption price per Class B share*	$16.33

</TABLE>

----

*Class B shares are subject to a contingent deferred sales charge on certain redemptions. See "Shareholder Guide--How to Sell Your Shares--Contingent Deferred Sales Charge--Class B Shares" in the Prospectus.

REDUCTION AND WAIVER OF INITIAL SALES CHARGES--CLASS A SHARES

RETIREMENT AND GROUP PLANS. Class A shares are offered at net asset value to participants in certain retirement, deferred compensation, affinity group and group savings plans, provided the plan has existing assets of at least $10 million or 2,500 eligible employees or members. The term "existing assets" includes transferable cash, shares of Prudential Mutual Funds held at the Transfer Agent and GICs maturing within three years. The retirement and group plans eligible for this waiver of the initial sales charge include, but are not limited to, pension, profit-sharing or stock bonus plans qualified or non-qualified within the meaning of Section 401 of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), deferred compensation and annuity plans within the meaning of Sections 403(b)(7) and 457 of the Internal Revenue Code, certain affinity group plans such as plans of credit unions and trade associations and certain group savings plans.

COMBINED PURCHASE AND CUMULATIVE PURCHASE PRIVILEGE. If an investor or eligible group of related investors purchases Class A shares of the Fund concurrently with Class A shares of other series of the Fund or other Prudential Mutual Funds, the purchases may be combined to take advantage of the reduced sales charges applicable to larger purchases. See the table of breakpoints under "Shareholder Guide--How to Buy Shares of the Fund" in the Prospectus.

An eligible group of related Fund investors includes any combination of the following:

(a) an individual;

(b) the individual's spouse, their children and their parents;

(c) the individual's Individual Retirement Account (IRA);

(d) any company controlled by the individual (a person, entity or group that holds 25% or more of the outstanding voting securities of a company will be deemed to control the company, and a partnership will be deemed to be controlled by each of its general partners);

(e) a trust created by the individual, the beneficiaries of which are the individual, his or her spouse, parents or children;

(f) a Uniform Gifts to Minors Act/Uniform Transfers to Minors Act account created by the individual or the individual's spouse; and

(g) one or more employee benefit plans of a company controlled by an individual.

In addition, an eligible group of related Fund investors may include an employer (or group of related employers) and one or more qualified retirement plans of such employer or employers (an employer controlling, controlled by or under common control with another employer is deemed related to that employer).

The Distributor must be notified at the time of purchase that the investor is entitled to a reduced sales charge. The reduced sales charges will be granted subject to confirmation of the investor's holdings. The Combined Purchase and Cumulative Purchase Privilege does not apply to individual participants in retirement and group plans described above under "Retirement and Group Plans."

RIGHTS OF ACCUMULATION. Reduced sales charges are also available through Rights of Accumulation, under which an investor or an eligible group of related investors, as described above under "Combined Purchase and Cumulative Purchase Privilege," may aggregate the value of their existing holdings of the Class A shares of the Fund and Class A shares of other Prudential Mutual Funds to determine the reduced sales charge. However, the value of shares held directly with the Transfer Agent and through Prudential Securities will not be aggregated to determine the reduced sales charge. All shares must be held either directly with the Transfer Agent or through Prudential Securities. The value of existing holdings for purposes of determining the reduced sales charge is calculated using the maximum offering price (net asset value plus maximum sales charge) as of the previous business day. See "How the Fund Values its Shares" in the Prospectus. The Distributor must be notified at the time of purchase that the investor is entitled to a reduced sales charge. The reduced sales charges will be granted subject to confirmation of the investor's holdings. Rights of accumulation are not available to individual participants in the retirement and group plans described above under "Retirement and Group Plans."

LETTERS OF INTENT. Reduced sales charges are also available to investors (or an eligible group of related investors) who enter into a written Letter of Intent providing for the purchase, within a thirteen-month period, of Class A shares of the Fund and Class A shares of other Prudential Mutual Funds. All Class A shares of the Fund and Class A shares of other Prudential Mutual Funds which were previously purchased and are still owned are also included in determining the applicable reduction. However, the value of shares held directly with the Transfer Agent and through Prudential Securities will not be aggregated to determine the reduced sales charge. All shares must be held either directly with the Transfer Agent or through Prudential Securities. The Distributor must be notified at the time of purchase that the investor is entitled to a reduced sales charge. The reduced sales charges will be granted subject to confirmation of the investor's holdings. Letters of Intent are not available to individual participants in retirement and group plans described above under "Retirement and Group Plans."

A Letter of Intent permits a purchaser to establish a total investment goal to be achieved by any number of investments over a thirteen-month period. Each investment made during the period will receive the reduced sales charge applicable to the amount represented by the goal, as if it were a single investment. Escrowed Class A shares totaling 5% of the dollar amount of the Letter of Intent will be held by the Transfer Agent in the name of the purchaser. The effective date of a Letter of Intent may be back-dated up to 90 days, in order that any investments made during this 90-day period, valued at the purchaser's cost, can be applied to the fulfillment of the Letter of Intent goal.

The Letter of Intent does not obligate the investor to purchase, nor the Fund to sell, the indicated amount. In the event the Letter of Intent goal is not achieved within the thirteen-month period, the purchaser is required to pay the difference between the sales charge otherwise applicable to the purchases made during this period and sales charges actually paid. Such payment may be made directly to the Distributor or, if not paid, the Distributor will liquidate sufficient escrowed shares to obtain such difference. If the goal is exceeded in an amount which qualifies for a lower sales charge, a price adjustment is made by refunding to the purchaser the amount of excess sales charge, if any, paid during the thirteen-month period. Investors electing to purchase Class A shares of the Fund pursuant to a Letter of Intent should carefully read such Letter of Intent.

SHAREHOLDER INVESTMENT ACCOUNT

Upon the initial purchase of Class A or Class B shares of the Fund, a

Shareholder Investment Account is established for each investor under which a record of the shares held is maintained by the Transfer Agent. If a share certificate is desired, it must be requested in writing for each transaction. Certificates are issued only for full shares and may be redeposited in the Account at any time. There is no charge to the investor for issuance of a certificate. Whenever a transaction takes place in the Shareholder Investment Account, the shareholder will be mailed a statement showing the transaction and the status of the Account. The Fund makes available to the shareholders the following privileges and plans.

AUTOMATIC REINVESTMENT OF DIVIDENDS AND/OR DISTRIBUTIONS

For the convenience of investors, all dividends and distributions are automatically reinvested in full and fractional shares of the Fund at net asset value per share. An investor may direct the Transfer Agent in writing not less than five full business days prior to the record date to have subsequent dividends and/or distributions sent to him or her in cash rather than reinvested. In the case of recently purchased shares for which registration instructions have not been received on the record date, cash payment will be made directly to the dealer. Any shareholder who receives a cash payment representing a dividend or distribution may reinvest such distribution at net asset value by returning the check or the proceeds to the Transfer Agent within 30 days after the payment date. Such investment will be made at the net asset value per share next determined after receipt of the check or proceeds by the Transfer Agent. Such shareholder will receive credit for any contingent deferred sales charge paid in connection with the amount of proceeds being reinvested.

EXCHANGE PRIVILEGE

The Fund makes available to its Class A and Class B shareholders the privilege of exchanging their shares of the Fund for shares of certain other Prudential Mutual Funds, including one or more specified money market funds, subject in each case to the minimum investment requirements of such funds. Shares of such other Prudential Mutual Funds may also be exchanged for Class A and Class B shares, respectively, of the Fund. All exchanges are made on the basis of relative net asset value next determined after receipt of an order in proper form. An exchange will be treated as a redemption and purchase for tax purposes. Shares may be exchanged for shares of another fund only if shares of such fund may legally be sold under applicable state laws. For retirement and group plans having a limited menu of Prudential Mutual Funds, the Exchange Privilege is available for those funds eligible for investment in the particular program.

It is contemplated that the exchange privilege may be applicable to new mutual funds whose shares may be distributed by the Distributor.

CLASS A. Shareholders of the Fund may exchange their Class A shares for Class A shares of certain other Prudential Mutual Funds, shares of Prudential Structured Maturity Fund and Prudential Government Securities Trust (Intermediate Term Series) and shares of the money market funds specified below. No fee or sales load will be imposed upon the exchange. Shareholders of money market funds who acquired such shares upon exchange of Class A shares may use the Exchange Privilege only to acquire Class A shares of the Prudential Mutual Funds participating in the Exchange Privilege.

The following money market funds participate in the Class A Exchange Privilege:

Prudential California Municipal Fund
(California Money Market Series)

Prudential Government Securities Trust
(Money Market Series)
(U.S. Treasury Money Market Series)

Prudential Municipal Series Fund
(Connecticut Money Market Series)
(Massachusetts Money Market Series)
(New Jersey Money Market Series)
(New York Money Market Series)

Prudential MoneyMart Assets

Prudential Tax-Free Money Fund

CLASS B. Shareholders of the Fund may exchange their Class B shares for Class B shares of certain other Prudential Mutual Funds and shares of Prudential Special Money Market Fund, a money market fund. If Class B shares of the Fund are exchanged for Class B shares of other Prudential Mutual Funds, no contingent deferred sales charge will be payable upon such exchange of Class B shares, but a contingent deferred sales charge will be payable upon the redemption of Class B shares acquired as a result of the exchange. The applicable sales charge will be that imposed by the fund in which shares were initially purchased and the purchase date will be deemed to be the first day of the month after the initial purchase, rather than the date of the exchange.

Class B shares of the Fund may also be exchanged for shares of Prudential Special Money Market Fund without imposition of any contingent deferred sales charge at the time of exchange. Upon subsequent redemption from such money market fund or after re-exchange into the Fund, such shares will be subject to the Class B contingent deferred sales charge calculated by excluding the time such shares were held in the money market fund. In order to minimize the period of time in which shares are subject to a contingent deferred sales charge, shares exchanged out of the money market fund will be exchanged on the basis of their remaining holding periods, with the longest remaining holding periods being transferred first. In measuring the time period shares are held in a money market fund and "tolled" for purposes of calculating the CDSC holding period, exchanges are deemed to have been made on the last day of the month. Thus, if shares are exchanged into the Fund from a money market fund during the month (and are held in the Fund at the end of the month), the entire month will be included in the CDSC holding period. Conversely, if shares are exchanged into a money market fund prior to the last day of the month (and are held in the money market fund on the last day of the month), the entire month will be excluded from the CDSC holding period.

At any time after acquiring shares of other funds participating in the Class B exchange privilege the shareholder may again exchange those shares (and any reinvested dividends and distributions) for Class B shares of the Fund without subjecting such shares to any contingent deferred sales charge. Shares of any fund participating in the Class B exchange privilege that were acquired through reinvestment of dividends or distributions may be exchanged for Class B shares of other funds without being subject to any contingent deferred sales charge.

Additional details about the Exchange Privilege and prospectuses for each of the Prudential Mutual Funds are available from the Fund's Transfer Agent, Prudential Securities or Prusec. The Exchange Privilege may be modified, terminated or suspended on sixty days' notice, and any fund, including the Fund, or the Distributor, has the right to reject any exchange application relating to such fund's shares.

DOLLAR COST AVERAGING

Dollar cost averaging is a method of accumulating shares by investing a fixed amount of dollars in shares at set intervals. An investor buys more shares when the price is low and fewer shares when the price is high. The average cost per share is lower than it would be if a constant number of shares were bought at set intervals.

Dollar cost averaging may be used, for example, to plan for retirement, to save for a major expenditure, such as the purchase of a home, or to finance a college education. The cost of a year's education at a four-year college today averages around $14,000 at a private college and around $4,800 at a public university. Assuming these costs increase at a rate of 7% a year, as has been projected, for the freshman class of 2007, the cost of four years at a private college could reach $163,000 and over $97,000 at a public university./1/

The following chart shows how much you would need in monthly investments to achieve specified lump sums to finance your investment goals/2/.

<TABLE>
<CAPTION>

PERIOD OF MONTHLY INVESTMENTS:	$100,000	$150,000	$200,000	$250,000
<S>	<C>	<C>	<C>	<C>
25 Years............................	$ 110	$ 165	$ 220	$ 275
20 Years............................	176	264	352	440
15 Years............................	296	444	592	740
10 Years............................	555	833	1,110	1,388
5 Years............................	1,371	2,057	2,742	3,428

</TABLE>

See "Automatic Savings Accumulation Plan."

- ---------

/1/Source information concerning the costs of education at public universities is available from The College Board Annual Survey of Colleges, 1992. Information about the costs of private colleges is from the Digest of Education Statistics, 1992; The National Center for Educational Statistics; and the U.S. Department of Education. Average costs for private institutions include tuition, fees, room and board.

/2/The chart assumes an effective rate of return of 8% (assuming monthly compounding). This example is for illustrative purposes only and is not intended to reflect the performance of an investment in shares of the Fund. The investment return and principal value of an investment will fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost.

AUTOMATIC SAVINGS ACCUMULATION PLAN (ASAP)

Under ASAP, an investor may arrange to have a fixed amount automatically invested in Class A or Class B shares of the Fund monthly by authorizing his or her bank account or Prudential Securities account (including a Command Account) to be debited to invest specified dollar amounts in shares of the Fund. The investor's bank must be a member of the Automatic Clearing House System. Share certificates are not issued to ASAP participants.

Further information about this program and an application form can be obtained from the Transfer Agent, Prudential Securities or Prusec.

SYSTEMATIC WITHDRAWAL PLAN

A systematic withdrawal plan is available for shareholders having Class A or Class B shares of the Fund held through Prudential Securities or the Transfer Agent. Such withdrawal plan provides for monthly or quarterly checks in any amount, except as provided below, up to the value of the shares in the shareholder's account. Withdrawals of Class B shares may be subject to a CDSC. See "Shareholder Guide--How to Sell Your Shares--Contingent Deferred Sales Charge--Class B Shares" in the Prospectus.

In the case of shares held through the Transfer Agent (i) a $10,000 minimum account value applies, (ii) withdrawals may not be for less than $100 and (iii) the shareholder must elect to have all dividends and/or distributions automatically reinvested in additional full and fractional shares at net asset value on shares held under this plan. See "Shareholder Investment Account--Automatic Reinvestment of Dividends and/or Distributions."

Prudential Securities and the Transfer Agent act as agents for the shareholder in redeeming sufficient full and fractional shares to provide the amount of the periodic withdrawal payment. The systematic withdrawal plan may be terminated at any time, and the Distributor reserves the right to initiate a fee of up to $5 per withdrawal, upon 30 days' written notice to the shareholder.

Withdrawal payments should not be considered as dividends, yield, or income. If periodic withdrawals continuously exceed reinvested dividends and distributions, the shareholder's original investment will be correspondingly reduced and ultimately exhausted.

Furthermore, each withdrawal constitutes a redemption of shares, and any gain or loss realized generally must be recognized for federal income tax purposes. In addition, withdrawals made concurrently with purchases of additional shares are inadvisable because of the sales charge applicable to (i) the purchase of Class A shares and (ii) the withdrawal of Class B shares. Each shareholder should consult his or her own tax adviser with regard to the tax consequences of the systematic withdrawal plan.

NET ASSET VALUE

The net asset value per share is the net worth of the Fund (assets, including securities at value, minus liabilities) divided by the number of shares outstanding. The Fund will compute its net asset value once daily at 4:15 P.M., New York time, on each day the New York Stock Exchange is open for trading except on days on which no orders to purchase, sell or redeem Fund shares have been received or days on which changes in the value of the Fund's portfolio securities do not affect the net asset value. The New York Stock Exchange is closed on the following holidays: New Year's Day, Washington's Birthday, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Portfolio securities for which market quotations are readily available are valued at their bid quotations. When market quotations are not readily available, such securities and other assets are valued at fair value in accordance with procedures adopted by the Board of Directors. Under these procedures, the Fund values municipal securities on the basis of valuations provided by a pricing service which uses information with respect to transactions in bonds, quotations from bond dealers, market transactions in comparable securities and various relationships between securities in determining value. This service is expected to be furnished by J. J. Kenny Information Systems Inc. Short-term securities maturing within 60 days of the valuation date are valued at amortized cost, if their original maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if their original term to maturity exceeded 60 days, unless such valuation is determined not to represent fair value by the Board of Directors.

TAXES, DIVIDENDS AND DISTRIBUTIONS

The Fund will declare a dividend immediately prior to 4:15 P.M. on each day that net asset value per share of the Fund is determined of all of the daily net income of the Fund to shareholders of record of the Fund as of 4:15 P.M., New York time, of the preceding business day. The amount of the dividend may fluctuate from day to day. Unless otherwise requested by the shareholder, dividends are automatically reinvested monthly in additional full or fractional shares of the Fund at net asset value per share. The dividend payment date is on or about the 25th day of each month, although the Fund reserves the right to change this date without further notice to shareholders. Shareholders may receive cash payments from the Fund equal to the dividends earned during the month by completing the appropriate section on the Application Form or by notifying Prudential Mutual Fund Services, Inc. (PMFS), the Fund's Transfer and Dividend Disbursing Agent, at least five business days prior to the payable date. Cash distributions are paid by check within five business days after the dividend payment date.

The Fund intends to distribute to shareholders of record monthly dividends consisting of all of the net investment income of the Fund. Net capital gains of the Fund will be distributed at least annually.

The per share dividends on Class B shares will be lower than the per share dividends on Class A shares as a result of the higher distribution fee applicable with respect to the Class B shares. Distributions of net capital gains, if any, will be paid in the same amount for Class A and Class B shares. See "Net Asset Value."

The Fund has qualified and intends to remain qualified as a regulated investment company under the Internal Revenue Code of 1986, as amended (Internal Revenue Code). Under the Internal Revenue Code, the Fund is not subject to federal income taxes on the taxable income that it distributes to shareholders, provided that at least 90% of its net investment income and net short-term capital gains in excess of net long-term capital losses in each taxable year is so distributed. Qualification as a regulated investment company under the Internal Revenue Code requires, among other things, that the Fund (a) derive at least 90% of its annual gross income (without offset for losses from the sale or other disposition of securities or foreign currencies) from interest, payments with respect to securities loans, dividends and gains from the sale or other disposition of securities or foreign currencies and certain financial futures, options and forward contracts; (b) derive less than 30% of its gross income from gains from the sale or other disposition of securities or options thereon held for less than three months; and (c) diversify its holdings so that, at the end of each quarter of the taxable year, (i) at least 50% of the market value of the Fund's assets is represented by cash, U.S. Government securities and other securities limited in respect of any one issuer to an amount not greater than 5% of the market value of the Fund's assets and 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of its assets is invested in the securities of any one issuer (other than U.S. Government securities). The Fund intends to comply with the provisions of the Internal Revenue Code that require at least 50% of the value of its total assets at the close of each quarter of its taxable year to consist of obligations the interest on which is exempt from federal income tax in order to pass through tax-exempt income to its shareholders.

The Fund generally will be subject to a nondeductible excise tax of 4% to the extent that it does not meet certain minimum distribution requirements as of the end of each calendar year. The Fund intends to make timely distributions of the Fund's income in compliance with these requirements. As a result, it is anticipated that the Fund will not be subject to the excise tax.

Gains or losses on sales of securities by the Fund will be treated as long-term capital gains or losses if the securities have been held by it for more than one year except in certain cases where the Fund acquires a put. Other gains or losses on the sale of securities will be short-term capital gains or losses. Certain financial futures contracts held by the Fund will be required to be "marked to market" for federal income tax purposes, that is, treated as having been sold at their fair market value on the last day of the Fund's taxable year. Any gain or loss recognized on actual or deemed sales of these financial futures contracts will be treated 60% as long-term capital gain or loss and 40% as short-term capital gain or loss. The Fund may be required to defer the recognition of losses on financial futures contracts to the extent of any unrecognized gains on related positions held by the Fund.

The Fund's gains and losses on the sale, lapse, or other termination of call options it holds on financial futures contracts will generally be treated as gains and losses from the sale of financial futures contracts. If call options written by the Fund expire unexercised, the premiums received by the Fund give rise to short-term capital gains at the time of expiration. The Fund may also have short-term gains and losses associated with closing transactions with respect to call options written by the Fund. If call options written by the Fund are exercised, the selling price of the financial futures contract is increased by the amount of the premium received by the Fund, and the capital gain or loss on the sale of the futures contract is long-term or short-term, depending on the contract's holding period.

Upon the exercise of a put held by the Fund, the premium initially paid for the put is offset against the amount received for the futures contract, bond or note sold pursuant to the put thereby decreasing any gain (or increasing any loss) realized on the sale. Generally, such gain or loss is short-term or long-term capital gain or loss, depending on the holding period of the futures contract, bond or note. However, in certain cases in which the put is not acquired on the same day as the underlying securities identified to be used in the put's exercise, gain on the exercise, sale or disposition of the put is short-term capital gain. If a put is sold prior to exercise, any gain or loss recognized by the Fund would be short-term or long-term capital gain or loss, depending on the holding period of the put. If a put expires unexercised, the Fund would realize short-term or long-term capital loss, depending on the holding period of the put, in an amount equal to the premium paid for the put. In certain cases in which the put and securities identified to be used in its exercise are acquired on the same day, however, the premium paid for the unexercised put is added to the basis of the identified securities. In certain cases, a put may affect the holding period of the underlying security for purposes of the 30% of gross income test described above, and accordingly, the Fund's ability to utilize puts or dispose of securities with respect to which it has held a put may be limited.

Interest on indebtedness incurred or continued by a shareholder, whether a corporation or an individual, to purchase or carry shares of the Fund is not deductible to the extent that distributions from the Fund are exempt from Federal income tax. The Treasury has the authority to issue regulations which would disallow the interest deduction if incurred to purchase or carry shares of the Fund owned by the taxpayer's spouse, minor child or an entity controlled by the taxpayer. Shareholders who have held their shares for six months or less may be subject to a disallowance of losses from the sale or exchange of those shares to the extent of any dividends received by the shareholders on such shares and, if such losses are not disallowed, they will be treated as long-term capital losses to the extent of any distribution of long-term capital gains received by the shareholders with respect to such shares. Entities or persons who are "substantial users" (or related persons) of facilities financed by private activity bonds should consult their tax advisers before purchasing shares of the Fund.

Any loss realized on a sale, redemption or exchange of shares of the Fund by a shareholder will be disallowed to the extent the shares are replaced within a 61-day period (beginning 30 days before the disposition of shares). Shares purchased pursuant to the reinvestment of a dividend will constitute a replacement of shares. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss.

A shareholder who acquires shares of the Fund and sells or otherwise disposes of such shares within 90 days of acquisition may not be allowed to include certain sales charges incurred in acquiring such shares for purposes of calculating gain or loss realized upon a sale or exchange of shares of the Fund.

Exempt-interest dividends attributable to interest on certain "private activity" tax-exempt obligations is a preference item for purposes of computing the alternative minimum tax for both individuals and corporations. Moreover, exempt-interest dividends, whether or not on private activity bonds, that are held by corporations will be taken into account (i) in determining the alternative minimum tax imposed on 75% of the excess of adjusted current earnings over alternative minimum taxable income, (ii) in calculating the environmental tax equal to 0.12 percent of a corporation's modified alternative minimum taxable income in excess of $2 million, and (iii) in determining the foreign branch profits tax imposed on the effectively connected earnings and profits (with adjustments) of United States branches of foreign corporations. The Fund plans to avoid to the extent possible investing in private activity tax-exempt obligations.

PENNSYLVANIA PERSONAL PROPERTY TAX. The Fund has obtained a written letter of determination from the Pennsylvania Department of Revenue that the Fund is subject to the Pennsylvania foreign franchise tax upon initiating its intended business activities in Pennsylvania. Accordingly, Fund shares are believed to be exempt from Pennsylvania personal property taxes. The Fund anticipates that it will continue such business activities but reserves the right to suspend them at any time, resulting in the termination of the personal property tax exemption.

The Fund may be subject to state or local tax in certain other states where it is deemed to be doing business. Further, in those states which have income tax laws, the tax treatment of the Fund and of shareholders of the Fund with respect to distributions by the Fund may differ from federal tax treatment. The exemption of interest income for federal income tax purposes may not result in similar exemption under the laws of a particular state or local taxing authority. The Fund will report annually to its shareholders the percentage and source, on a state-by-state basis, of interest income on

Municipal Bonds received by the Fund during the preceding year and on other aspects of the federal income tax status of distributions made by the Fund.

Shareholders are urged to consult their own tax advisers regarding specific questions as to federal, state or local taxes.

PERFORMANCE INFORMATION

YIELD. The Fund may from time to time advertise its yield as calculated over a 30-day period. The yield is determined separately for Class A and Class B shares. Yield is determined separately for Class A and Class B shares. The yield will be computed by dividing the Fund's net investment income per share earned during this 30-day period by the net asset value per share on the last day of this period.

Yield is calculated according to the following formula:

$$\text{YIELD} = 2 \left[\left(\frac{a -- b}{cd} +1\right)/6/-1\right]$$

Where: a = dividends and interest earned during the period.
b = expenses accrued for the period (net of reimbursements).
c = the average daily number of shares outstanding during the period that were entitled to receive dividends.
d = the maximum offering price per share on the last day of the period.

The yield for the 30-day period ended December 31, 1993 for the Fund's Class A and Class B shares was 4.62% and 4.46%, respectively.

Yield fluctuates and an annualized yield quotation is not a representation by the Fund as to what an investment in the Fund will actually yield for any given period. Actual yields will depend upon not only changes in interest rates generally during the period in which the investment in the Fund is held, but also on any realized or unrealized gains and losses and changes in the Fund's expenses.

TAX EQUIVALENT YIELD. The Fund may also calculate the tax equivalent yield over a 30-day period. The tax equivalent yield is determined separately for Class A and Class B shares. The tax equivalent yield will be determined by first computing the yield as discussed above. The Fund will then determine what portion of the yield is attributable to securities, the income of which is exempt for federal income tax purposes. This portion of the yield will then be divided by one minus 39.6% (the assumed maximum tax rate for individual taxpayers not subject to Alternative Minimum Tax) and then added to the portion of the yield that is attributable to other securities.

Tax equivalent yield is calculated according to the following formula:

$$\text{TAX EQUIVALENT YIELD} = \frac{\text{Yield}}{1-.396}$$

The tax equivalent yield for the 30-day period ended December 31, 1993 for the Fund's Class A and Class B shares was 7.68% and 7.38%, respectively.

AVERAGE ANNUAL TOTAL RETURN. The Fund may also from time to time advertise its average annual total return. Average annual total return is determined separately for Class A and Class B shares. See "How the Fund Calculates Performance" in the Prospectus.

Average annual total return is computed according to the following formula:

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

Where: P = a hypothetical initial payment of $1000.
T = average annual total return.
n = number of years.
ERV = Ending Redeemable Value at the end of the 1, 5 or 10 year periods (or fractional portion thereof) of a hypothetical $1000 payment made at the beginning of the 1, 5 or 10 year periods.

Average annual total return takes into account any applicable initial or contingent deferred sales charges but does not take into account any federal or state income taxes that may be payable upon redemption.

The average annual total return with respect to the Class A shares for the one year and since inception periods ended December 31, 1993 was 7.54% and 9.17%, respectively. The average annual total return with respect to the Class B shares of the Fund for the one, five, and ten year periods ended on December 31, 1993 was 7.15%, 9.11% and 10.32%, respectively.

AGGREGATE TOTAL RETURN. The Fund may from time to time advertise its aggregate total return. Aggregate total return is determined separately for Class A and Class B shares. See "How the Fund Calculates Performance" in the Prospectus.

Aggregate total return represents the cumulative change in the value of an investment in the Fund and is computed by the following formula:

$$\frac{ERV - P}{P}$$

Where: P = a hypothetical initial payment of $1000.
ERV = Ending Redeemable Value at the end of the 1, 5, or 10 year periods (or fractional portion thereof) of a hypothetical $1000 investment made at the beginning of the 1, 5 or 10 year periods.

Aggregate total return does not take into account any federal or state income taxes that may be payable upon redemption or any applicable initial or contingent deferred sales charges.

The aggregate total return with respect to the Class A shares for the one year and since inception (two and two-thirds years) periods ended December 31, 1993 was 12.60% and 47.99%, respectively. The aggregate total return with respect to the Class B shares of the Fund for the one, five and ten-year periods ended on December 31, 1993 was 12.15%, 55.71% and 167.20%, respectively. See "How the Fund Calculates Performance" in the Prospectus.

From time to time, the performance of the Fund may be measured against various indices. Set forth below is a chart which compares the performance of different types of investments over the long term and the rate of inflation/1/.

[GRAPHIC APPEARS HERE]

/1/Source: Ibbotson-Associates, "Stocks, Bonds, Bills and Inflation--1993 Yearbook" (annually updates the work of Roger G. Ibbotson and Rex A. Sinquefield). Common stock returns are based on the Standard & Poor's 500 Stock Index, a market-weighted, unmanaged index of 500 common stocks in a variety of industry sectors. It is a commonly used indicator of broad stock price movements. This chart is for illustrative purposes only, and is not intended to represent the performance of any particular investment or fund.

CUSTODIAN AND TRANSFER AND DIVIDEND DISBURSING AGENT AND INDEPENDENT ACCOUNTANTS

State Street Bank and Trust Company, One Heritage Drive, North Quincy, Massachusetts 02171, serves as Custodian for the Fund's portfolio securities and cash and, in that capacity, maintains certain financial and accounting books and records pursuant to an agreement with the Fund.

Prudential Mutual Fund Services, Inc. (PMFS), Raritan Plaza One, Edison, New Jersey 08837, serves as the Transfer and Dividend Disbursing Agent of the Fund. It is a wholly-owned subsidiary of PMF. PMFS provides customary transfer agency services to the Fund, including the handling of shareholder communications, the processing of shareholder transactions, the maintenance of shareholder account records, payment of dividends and distributions, and related functions. For these services, PMFS receives an annual fee per shareholder account, a new account set-up fee for each manually-established account and a monthly inactive zero balance account fee per shareholder account. PMFS is also reimbursed for its out-of-pocket expenses, including but not limited to postage, stationery, printing, allocable communications expenses and other costs. For the fiscal year ended December 31, 1993, the Fund incurred fees of $483,900 for the services of PMFS.

Price Waterhouse, 1177 Avenue of the Americas, New York, New York 10036, serves as the Fund's independent accountants and, in that capacity, audits the Fund's annual financial statements.

<TABLE>
PRUDENTIAL NATIONAL MUNICIPALS FUND — Portfolio of Investments December 31, 1993

<CAPTION>

Moody's Rating	Principal Amount		Value

(Unaudited)	(000)	Description (a)	(Note 1)
<S>	<C>	<C>	<C>
		LONG-TERM INVESTMENTS--98.0%	
		Alabama--1.0%	
Baa1	$ 6,000	Courtland Ind. Dev. Brd. Rev., Champion Int'l. Corp., 7.20%, 12/1/13, Ser. A...................	$ 6,640,500
Aaa	2,000+	Univ. So. Alabama Hosp. & Auxiliary Rev., A.M.B.A.C., 7.00%, 5/15/04........	2,306,480

			8,946,980

		Alaska--0.5%	
		Anchorage Gen. Oblig., A.M.B.A.C.,	
Aaa	1,755+	7.00%, 8/1/04.........	1,993,750
Aaa	2,075	7.00%, 8/1/06.........	2,357,283

			4,351,033

		Arizona--1.4%	
Aaa	3,805	Mesa Ind. Dev. Auth., Hlth. Care Facs. Rev., 7.50%, 1/1/04, B.I.G...............	4,378,794
Aa	4,580	Salt River Proj., Elec. Sys. Rev., Agricultural Imp. & Pwr. Dist., 4.75%, 1/1/17, Ser. C...................	4,282,025
Aaa	3,750	Univ. Arizona Med. Ctr. Corp., Hosp. Rev., M.B.I.A., 5.00%, 7/1/21.........	3,598,575

			12,259,394

		California--4.0%	
		California St. Pub. Wks. Brd. Lease Rev., Dept. of Corrections, A.M.B.A.C.,	
Aaa	6,500	5.25%, 12/1/13........	6,563,765
Aaa	12,000	5.00%, 12/1/19........	11,511,480
		Univ. of California Projs. Rev., Ser. A,	
A1	6,125	5.50%, 6/1/10.........	6,224,225
A1	4,500	5.50%, 6/1/14.........	4,554,990
Aaa	$ 5,000	Sacramento Mun. Util. Dist., Elec. Util., M.B.I.A., 6.375%, 8/15/22.......	$ 5,471,500

			34,325,960

		Colorado--5.2%	
		Colorado Springs Arpt. Rev.,	
BBB*	3,700	6.90%, 1/1/12, Ser. A...................	4,026,488
BBB*	7,960	7.00%, 1/1/22, Ser. A...................	8,688,101
		Denver City & Cnty. Arpt. Rev.,	
Baa1	9,500	7.25%, 11/15/12, Ser. B...................	10,419,125
Baa1	3,750	7.75%, 11/15/13, Ser. D...................	4,530,225
Baa1	10,750	7.75%, 11/15/21, Ser. D...................	12,050,535
Baa1	5,000	7.25%, 11/15/25, Ser. A...................	5,520,200

			45,234,674
		Delaware--0.6%	
		Wilmington, Gen. Oblig.,	
Aaa	5,500	5.00%, 7/1/08, F.G.I.C............	5,511,165
		District Of Columbia--0.5%	
		Dist. of Columbia, Cert. of Part.,	
BBB*	4,000	7.30%, 1/1/13.........	4,500,000
		Florida--2.1%	
		Broward Cnty. Res. Rec. Rev., Broward Cnty. L.P. South,	
A	14,045	7.95%, 12/1/08........	16,028,997
		Florida St. Brd. Ed., Cap. Outlay,	
Aa	195	9.125%, 6/1/14........	290,062
Aa	1,260+	9.125%, 6/1/14........	1,874,250
			18,193,309
		Georgia--6.0%	
		Atlanta Urban Res. Fin. Auth., Clark Atlanta Univ. Dorm. Proj.,	
N.R.	4,890+	9.25%, 6/1/10.........	6,302,330

</TABLE>

See Notes to Financial Statements.

<TABLE>
PRUDENTIAL NATIONAL MUNICIPALS FUND
<CAPTION>

Moody's Rating (Unaudited)	Principal Amount (000)	Description (a)	Value (Note 1)
<S>	<C>	<C>	<C>
		Georgia--(cont'd.)	
		Atlanta Wtr. & Swr. Rev.,	
Aa	$ 4,410	6.00%, 1/1/11.........	$ 4,868,243
Aa	15,850	4.75%, 1/1/23.........	14,402,737
		Georgia Mun. Elec. Auth. Pwr. Rev.,	
A1	7,000	6.25%, 1/1/17, Ser. B..................	7,817,880
		Georgia St. Gen. Oblig.,	
Aaa	5,000	6.50%, 12/1/09........	5,895,150
Aaa	5,620	4.00%, 7/1/12, Ser. C..................	4,984,153
		Georgia St. Res. Fin. Auth., Sngl. Fam. Insured Mtge., Ser. C-C1,	
Aa	6,550	8.00%, 12/1/16........	7,144,216
			51,414,709
		Illinois--2.3%	
		Chicago O'Hare Int'l. Arpt.,	
		Spec. Fac. Rev., Ref. 2nd Lien, Ser. C, M.B.I.A.,	
Aaa	8,750	5.75%, 1/1/09.........	9,303,350
Aaa	4,250	5.00%, 1/1/18.........	4,022,795
		Illinois Hlth. Facs. Auth. Rev.,	
		Westlake Cmnty. Hosp.,	
Baa1	5,450	7.75%, 1/1/04.........	6,052,716
			19,378,861
		Iowa--0.4%	

		Muscatine Elec. Rev.,	
Aaa	3,000	6.70%, 1/1/13.........	3,499,410

		Kentucky--2.5%	
		Kentucky St. Prpty. & Bldgs. Comm. Rev.,	
A	19,100	6.25%, 9/1/07.........	21,401,550

		Louisiana--4.1%	
		Louisiana St. Offshore Term. Auth., Deepwater Port Rev.,	
A3	$ 3,000	7.45%, 9/1/04, Ser. E...................	$ 3,438,630
		Orleans Parish, Sch. Brd.,	
Aaa	5,780	8.90%, 2/1/07, M.B.I.A.............	8,131,998
		Pointe Coupee Parish Poll. Ctrl. Rev., Gulf States Utils.,	
Baa3	2,850	6.70%, 3/1/13.........	3,051,609
		Regl. Louisiana Trans. Auth. Rev.,	
Aaa	3,700	8.00%, 12/1/08, F.G.I.C.............	4,352,865
		St. Charles Parish, Poll. Ctrl. Rev., Louisiana Pwr. & Lt. Co.,	
Baa3	4,000	8.25%, 6/1/14.........	4,687,160
Baa3	5,000	8.00%, 12/1/14, Ser. 1989...........	5,863,300
		West Feliciana Parish Poll. Ctrl. Rev., Gulf States Util.,	
Baa3	5,000	7.00%, 11/1/15........	5,536,900

			35,062,462

		Maryland--2.7%	
		Maryland St. Hlth. & Higher Ed. Facs. Auth. Rev., Greater Baltimore Med. Ctr.,	
Aaa	12,085	5.00%, 7/1/19, F.G.I.C.............	11,500,086
		Univ. of Maryland Med.,	
Aaa	7,000	5.00%, 7/1/20, F.G.I.C.............	6,655,040
		Northeast Waste Disp. Auth., Baltimore City Sludge Proj.,	
N.R.	4,800	7.25%, 7/1/07.........	4,804,080

			22,959,206

</TABLE>

See Notes to Financial Statements.

<TABLE>

PRUDENTIAL NATIONAL MUNICIPALS FUND

<CAPTION>

Moody's Rating (Unaudited)	Principal Amount (000)	Description (a)	Value (Note 1)
<S>	<C>	<C>	<C>
		Massachusetts--2.2%	
		Massachusetts St. Gen. Oblig.,	
A	$ 4,000	5.50%, 11/1/08........	$ 4,160,520
		Massachusetts St. Hlth. & Edl. Facs. Auth.	

		Rev.,	
		Valley Regl. Hlth. Sys.,	
Baa	4,500	8.00%, 7/1/18, Ser. B...................	5,133,915
		Massachusetts St. Tpke. Auth. Rev., F.G.I.C.,	
Aaa	9,500	5.125%, 1/1/23, Ser. A...................	9,200,465

			18,494,900

		Michigan--2.2%	
		Michigan St. Hsg. Dev. Auth. Rev., Rental Hsg.,	
A*	1,000	7.55%, 4/1/23, Ser. B...................	1,074,770
		Sngl. Fam. Mtge.,	
AA*	5,185	7.50%, 6/1/15, Ser. A...................	5,584,193
AA*	3,130	7.75%, 12/1/19, Ser. D...................	3,392,419
		Monroe Cnty. Poll. Ctrl. Rev., Detroit Edison Co., Proj. 1,	
Aaa	5,000	7.65%, 9/1/20, F.G.I.C.............	5,889,150
		Okemos Pub. Sch. Dist.,	
		Cnty. of Ingham, M.B.I.A.,	
Aaa	1,100	Zero Coupon, 5/1/12...	406,560
Aaa	1,700	Zero Coupon, 5/1/13...	595,136
		Western Michigan Univ. Rev.,	
Aaa	2,300	5.00%, 7/15/21, F.G.I.C.............	2,207,011

			19,149,239

		Missouri--2.2%	
		Missouri St. Hlth & Ed. Fac.,	
		St. Lukes Hlth. Sys., M.B.I.A.,	
Aaa	10,250	5.125%, 11/15/19......	10,012,405
		Sikeston Elec. Rev., M.B.I.A., Ser. 92,	
Aaa	$ 8,000	6.25%, 6/1/22.........	$ 8,635,200

			18,647,605

		Nevada--0.8%	
		Clark Cnty.,	
		Southwest Gas Corp.,	
Ba1	6,500	7.50%, 9/1/32, Ser. B...................	7,270,770

		New Jersey--7.1%	
		Bergen Cnty. Util. Auth.,	
		Wtr. Poll. Ctrl. Rev., Ser. B, F.G.I.C.,	
Aaa	7,640	Zero Coupon, 12/15/07............	3,855,984
Aaa	4,695	Zero Coupon, 12/15/09............	2,065,565
		Camden Cnty. Poll. Ctrl. Fin. Auth., Solid Waste Res. Rec. Rev.,	
Baa1	2,980	7.125%, 12/1/01, Ser. C...................	3,219,771
Baa1	5,100	7.50%, 12/1/09, Ser. B...................	5,512,335
		Hudson Cnty. Impvt. Auth.,	
		Solid Waste Sys.,	
BBB-*	12,000	7.10%, 1/1/20.........	13,242,960

		Mercer Cnty. Impvt. Auth. Rev., Solid Waste Res. Rec., Proj. B,	
Baa1	3,450	6.80%, 4/1/05.........	3,804,902
Baa1	7,000	Zero Coupon, 4/1/15...	1,795,010
		New Jersey Econ. Dist. Heating & Cool., Trigen Trenton Proj.,	
BBB-*	1,400	6.20%, 12/1/10........	1,461,082
		New Jersey Sports & Exposition Auth., Convention Ctr. Luxury Tax Rev., M.B.I.A.,	
Aaa	5,500	6.00%, 7/1/13.........	5,959,085

</TABLE>

See Notes to Financial Statements.

<TABLE>

PRUDENTIAL NATIONAL MUNICIPALS FUND

<CAPTION>

Moody's Rating (Unaudited)	Principal Amount (000)	Description (a)	Value (Note 1)
<S>	<C>	<C>	<C>
		New Jersey--(cont'd.)	
		New Jersey Sports & Exposition Auth., Convention Ctr. Luxury Tax Rev., M.B.I.A.,	
Aaa	$ 2,250	6.25%, 7/1/20, Ser. A..................	$ 2,455,965
		New Jersey St. Hsg. & Mtge. Fin. Agcy.,	
Aaa	5,405	7.70%, 10/1/29, M.B.I.A............	5,950,202
		New Jersey St. Tpke. Auth. Rev.,	
A	3,000	6.75%, 1/1/08, Ser. A..................	3,391,170
		New Jersey Waste Wtr. Treat., Trust Loan Rev.,	
Aa	2,000	6.875%, 6/15/09.......	2,257,420
		Union Cnty. Utils. Auth., Solid Waste Rev.,	
A-*	5,500	7.10%, 6/15/06, Ser. A..................	6,090,810

			61,062,261

		New York--13.5%	
		New York City, Gen. Oblig.,	
Baa1	5,000	8.25%, 11/15/02, Ser. F..................	6,060,700
Baa1	3,500	8.00%, 8/1/03, Ser. D..................	4,191,810
Baa1	1,500	8.00%, 8/1/04, Ser. D..................	1,795,425
Baa1	2,000	7.75%, 8/15/04, Ser. A..................	2,350,140
Baa1	1,500	8.25%, 6/1/06, Ser. B..................	1,870,605
Baa1	2,900	5.75%, 8/15/09, Ser. D..................	2,885,645
Baa1	2,295	5.75%, 8/15/10........	2,281,643
Baa1	4,730	5.50%, 10/1/10........	4,575,991
		New York City, Mun. Wtr. Fin. Auth., Wtr. & Swr. Sys. Rev.,	
Aaa	21,250	6.75%, 6/15/16, F.G.I.C............	23,911,350
Aaa	4,510	6.20%, 6/15/21, A.M.B.A.C..........	4,846,221
		New York St. Dorm. Auth.	

		Rev., Court Facs.,	
Baa1	$ 3,250	5.25%, 5/15/21........	$ 3,035,500
		New York St. Energy Resh. & Dev. Auth. Rev.,	
		Long Island Ltg. Co.,	
Baa3	12,000	7.15%, 9/1/19, Ser. A..................	13,041,480
		New York St. Hsg. Fin. Agcy. Rev., Multifamily Hsg.,	
Aa	3,350	7.05%, 8/15/24, Ser. A..................	3,683,560
		New York St. Local Gov't.	
		Assist. Corp.,	
A	9,625	6.00%, 4/1/14.........	10,391,920
A	3,000	6.875%, 4/1/19, Ser. A..................	3,416,070
A	10,000	6.50%, 4/1/20, Ser. A..................	10,875,500
		Port Auth. New York & New Jersey,	
Aaa	1,110	5.875%, 7/15/16, Ser. 84, M.B.I.A....	1,172,082
Aaa	3,900	5.875%, 7/15/17, Ser. 84, M.B.I.A....	4,121,013
A1	10,000	7.35%, 10/1/27, Ser. 72.................	11,916,900
			116,423,555
		North Carolina--0.4%	
		No. Carolina Mun. Pwr. Agcy.,	
		No. 1, Ser. A, Catawba Elec. Rev.,	
Aaa	3,500	5.00%, 1/1/18, M.B.I.A............	3,381,350
		Ohio--2.2%	
		Columbus Wtr. Sys. Rev.,	
		Ctrl. Rev. Detroit Ed.,	
A1	2,000	6.375%, 11/1/10.......	2,196,560

</TABLE>

See Notes to Financial Statements.

<TABLE>

PRUDENTIAL NATIONAL MUNICIPALS FUND

<CAPTION>

Moody's Rating (Unaudited)	Principal Amount (000)	Description (a)	Value (Note 1)
<S>	<C>	<C>	<C>
		Ohio--(cont'd.)	
		Franklin Cnty. Hosp. Rev., Holy Cross Hlth. Sys., A.M.B.A.C., Ser. B,	
Aaa	$ 3,000+	7.65%, 6/1/10.........	$ 3,615,120
		Hamilton Cnty. Wtr. Sys. Rev.,	
Aaa	3,000	5.00%, 12/1/14, F.G.I.C............	2,938,860
		Ohio St. Pub. Facs., Comm. of Higher Ed.,	
A	5,000	7.25%, 5/1/04.........	5,726,550
		Ohio St. Wtr. Dev. Auth.,	
		Poll. Ctrl. Facs. Rev., Ohio Edison,	
Baa3	4,500	7.625%, 7/1/23........	4,848,435
			19,325,525
		Oklahoma--2.4%	
		Tulsa Mun. Arpt. Trust	

		Rev., American Airlines, Inc.,	
Baa2	19,000	7.375%, 12/1/20.......	20,487,700

		Pennsylvania--1.8%	
		Beaver Cnty. Ind. Dev. Auth., Poll. Ctrl. Rev., Ohio Edison Proj.,	
Baa3	4,000	7.75%, 9/1/24, Ser. A...................	4,419,280
		Philadelphia Gas Wks. Rev.,	
Baa1	3,950	6.375%, 7/1/26........	4,155,598
		Pittsburgh Wtr. & Swr. Sys. Rev., Ser. A, F.G.I.C.,	
Aaa	7,320	4.75%, 9/1/16.........	6,801,012

			15,375,890

		Puerto Rico--8.2%	
		Puerto Rico Comnwlth.,	
Baa	10,400	5.25%, 7/1/18.........	10,052,328
		Puerto Rico Hsg. Fin. Corp., Sngl. Fam. Mtge. Rev.,	
Baa	5,975	5.10%, 12/1/03........	6,091,214
		Puerto Rico Hwy. & Trans. Auth. Rev.,	
Baa1	$ 8,405	6.375%, 7/1/08........	$ 9,218,772
Baa1	4,000	6.625%, 7/1/12, Ser. V...................	4,426,320
Baa1	4,460	6.625%, 7/1/12, Ser. T...................	4,935,347
Baa1	2,500	5.50%, 7/1/13, Ser. X...................	2,554,175
Baa1	14,000	5.50%, 7/1/15, Ser. 1993................	14,221,480
Baa1	2,000	5.50%, 7/1/15.........	2,031,640
Baa1	8,855	5.00%, 7/1/22.........	8,306,079
		Puerto Rico Tel. Auth. Rev., Ser. I, M.B.I.A.,	
Aaa	4,100	7.632%, 1/25/07.......	4,417,750
Aaa	3,800	8.162%, 1/16/15.......	4,023,250

			70,278,355

		South Carolina--2.7%	
		Charleston Waterworks & Swr. Rev.,	
Aaa	7,415	10.375%, 1/1/10.......	11,908,490
Aaa	7,265	5.00%, 1/1/22, M.B.I.A.............	6,969,242
		So. Carolina St. Pub. Svc. Auth. Rev., Santee Cooper, F.G.I.C.,	
Aaa	5,000	5.00%, 1/1/25, Ser. C...................	4,736,550

			23,614,282

		Tennessee--0.8%	
		Metropolitan Gov't. Nashville & Davidson Cnty., Wtr. & Swr. Rev.,	
A1	6,575	7.30%, 1/1/08.........	7,109,548

		Texas--9.6%	
		Alliance Arpt. Auth. Inc., Spec. Facs. Rev., American Airlines, Inc.,	
Baa1	4,500	7.50%, 12/1/29........	4,883,670

</TABLE>

See Notes to Financial Statements.

PRUDENTIAL NATIONAL MUNICIPALS FUND

Moody's Rating (Unaudited)	Principal Amount (000)	Description (a)	Value (Note 1)
		Texas--(cont'd.)	
		Austin Combined Util. Sys. Rev.,	
A	$ 5,400	7.75%, 11/15/08, Ser. B..................	$ 6,233,760
Aaa	8,625	Zero Coupon, 11/15/09, A.M.B.A.C..........	3,748,253
		Brownsville Util. Sys. Rev.,	
Baa	5,000	11.625%, 9/1/14.......	5,445,400
		Dallas Ft. Worth, Regl. Arpt. Rev., Ser. A, F.G.I.C.,	
Aaa	3,500	7.375%, 11/1/08.......	4,208,995
Aaa	3,500	7.375%, 11/1/09.......	4,208,995
		Harris Cnty. Hlth. Facs. Dev. Corp., Spec. Facs. Rev.,	
		Texas Med. Ctr. Hosp.,	
Aaa	4,100	7.25%, 5/15/07, M.B.I.A............	4,742,511
		Houston Wtr. & Swr. Sys. Rev.,	
A	4,000	6.375%, 12/1/14, Ser. B..................	4,345,800
		Katy Indpt. Sch. Dist.,	
Aaa	5,000	Zero Coupon, 2/15/09............	2,230,700
		Plano Indpt. Sch. Dist.,	
Aaa	2,000	8.625%, 2/15/02, Ser. B, F.G.I.C.....	2,488,140
		San Antonio Elec. & Gas Rev.,	
Aa1	8,500	5.00%, 2/1/17........	8,140,450
		Tarrant Cnty. Wtr. Ctrl. & Imp. Dist., A.M.B.A.C.,	
Aaa	1,500	4.75%, 3/1/12........	1,422,840
Aaa	5,000	4.75%, 3/1/13........	4,734,500
		Texas Mun. Pwr. Agcy. Rev., M.B.I.A.,	
Aaa	13,980	Zero Coupon, 9/1/14...	4,582,924
		Texas St. Higher Ed. Coordinating Brd.,	
		Coll. Student Loan Rev.,	
A	1,810	7.45%, 10/1/06........	1,978,059
		Texas Wtr. Res. Fin. Auth. Rev.,	
A	$ 12,000	7.625%, 8/15/08.......	$ 13,420,440
		Univ. Texas Univ. Rev.,	
		Fin. Sys.,	
Aa	2,500	7.00%, 8/15/07, Ser. A..................	2,856,375
Aa	3,000	6.75%, 8/15/13........	3,370,320
			83,042,132
		U. S. Virgin Islands--1.1%	
		Virgin Islands Pub. Fin. Auth. Rev., Matching Fund Loan Notes,	
N.R.	3,900	7.25%, 10/1/18, Ser. A..................	4,393,740
		Virgin Islands Wtr. & Pwr. Auth., Wtr. Sys. Rev.,	

N.R.	4,600	8.50%, 1/1/10, Ser. A	5,219,712
			9,613,452
		Utah--1.1%	
Aa	10,000	Intermountain Pwr. Agcy., Pwr. Sup. Rev., 5.00%, 7/1/23	9,371,000
		Virginia--2.8%	
Aa	8,000	Fairfax Cnty. Ind. Dev. Auth., Inova Hlth. Sys. Proj., 5.00%, 8/15/23	7,517,840
A1	10,500	Henrico Cnty. Ind. Dev. Auth. Rev., Secours Hlth. Sys., St. Mary's Proj., 7.50%, 9/1/07, Ser. B	12,227,565
Aaa	4,500	Roanoke Cnty. Wtr. Sys. Rev., F.G.I.C., 5.00%, 7/1/26, Ser. B	4,305,195
			24,050,600

</TABLE>

See Notes to Financial Statements.

<TABLE>

PRUDENTIAL NATIONAL MUNICIPALS FUND

<CAPTION>

Moody's Rating (Unaudited)	Principal Amount (000)	Description (a)	Value (Note 1)
<S>	<C>	<C>	<C>
		Washington--3.6%	
Aaa	$ 7,085	Seattle Mun. Met. Swr. Sys. Rev., 6.30%, 1/1/33, M.B.I.A.	$ 7,623,885
A1	4,450	Tacoma Dept. Pub. Util. & Lt. Div., Lt. & Pwr. Rev., 9.375%, 1/1/15	5,005,045
		Washington St. Pub. Pwr. Supply Sys. Rev.,	
Aa	5,000	Nuclear Proj. No. 1, 7.25%, 7/1/09, Ser. B	5,992,250
		Nuclear Proj. No. 2,	
Aaa	6,000	Zero Coupon, 7/1/06, M.B.I.A., Ser. A	3,131,580
Aa	2,000	7.25%, 7/1/06, Ser. A	2,377,460
Aa	4,000	7.00%, 7/1/12, Ser. B	4,487,800
		Nuclear Proj. No. 3,	
Aaa	5,000	Zero Coupon, 7/1/06, F.G.I.C., Ser. B	2,609,650
			31,227,670
		Total long-term investments (cost $782,202,036)	844,964,547
		SHORT-TERM INVESTMENTS--1.8%	
		Florida--0.5%	
		Sarasota Cnty. Pub. Hosp. Dist. Rev., Sarasota Memorial Hosp., T.E.C.P.,	

P-1	4,850	2.70%, 1/4/94, Ser. 85B................	4,850,000
		Illinois--0.2%	
		Chicago O'Hare Int'l. Arpt., American Airlines Inc., F.R.D.D., Ser. 84B,	
P-2	$ 2,000	4.00%, 1/3/94.........	$ 2,000,000
		Louisiana--0.7%	
		Louisiana Offshore Term. Auth., Loop Inc. Proj., T.E.C.P.,	
P-1	5,000	2.65%, 1/6/94, Ser. 86..................	5,000,000
		St. Charles Parish, Poll. Ctrl. Rev., Shell Oil Co. Proj., F.R.D.D.,	
VMIG1	900	4.25%, 1/3/94, Ser. 92A................	900,000
			5,900,000
		New York	
		New York City, Gen. Oblig., F.R.D.D., Ser. 94A-4,	
VMIG1	300	4.00%, 1/3/94.........	300,000
		Pennsylvania--0.1%	
		Schuylkill Cnty. Ind. Dev. Auth., Westwood Energy, F.R.D.D., Ser. 85,	
P-1	625	3.80%, 1/3/94.........	625,000
		South Carolina--0.3%	
		So. Carolina Jobs Econ. Dev. Auth. Rev., Wellman Inc. Proj., F.R.D.D.,	
Aa2	1,900	4.65%, 1/3/94, Ser. 90..................	1,900,000
Aa2	500	4.65%, 1/3/94, Ser. 92..................	500,000
			2,400,000
		Total short-term investments (cost $16,075,000)....	16,075,000

</TABLE>

See Notes to Financial Statements.

<TABLE>
PRUDENTIAL NATIONAL MUNICIPALS FUND
<CAPTION>

<C>	<C>	Description (a) <S>	Value (Note 1) <C>
		Total Investments--99.8% (cost $798,277,036; Note 4)....................	$861,039,547
		Other assets in excess of liabilities--0.2%..	1,427,136
		Net Assets--100%........	$862,466,683

- ---------------
(a) The following abbreviations are used in portfolio descriptions:
A.M.B.A.C.--American Municipal Bond Assurance Corporation

B.I.G.--Bond Investors Guaranty Insurance Company
F.G.I.C.--Financial Guaranty Insurance Company
F.R.D.D.--Floating Rate Daily Demand Note
M.B.I.A.--Municipal Bond Insurance Association
T.E.C.P.--Tax Exempt Commercial Paper
+ Prerefunded issues are secured by escrowed cash and direct U.S. guaranteed obligations.
N.R.--Not Rated by Moody's or Standard & Poor's.
* Standard and Poor's Rating.
The Fund's current Statement of Additional Information contains a description of Moody's and Standard & Poor's ratings.
</TABLE>

See Notes to Financial Statements.

PRUDENTIAL NATIONAL MUNICIPALS FUND
Statement of Assets and Liabilities
<TABLE>
<CAPTION>

Assets	December 31, 1993
<S>	<C>
Investments, at value (cost $798,277,036)	$ 861,039,547
Interest receivable	14,437,080
Receivable for Fund shares sold	459,775
Receivable for investments sold	450,000
Deferred expenses and other assets	208,236
Total assets	876,594,638
Liabilities	
Bank overdraft	2,079
Payable for Fund shares reacquired	8,504,574
Payable for investments purchased	4,154,882
Dividends payable	594,965
Distribution fee payable	363,299
Management fee payable	347,198
Accrued expenses	160,958
Total liabilities	14,127,955
Net Assets	$ 862,466,683
Net assets were comprised of:	
Common stock, at par	$ 528,169
Paid-in capital in excess of par	793,939,362
	794,467,531
Accumulated undistributed net realized gain on investments	5,236,641
Net unrealized appreciation on investments	62,762,511
Net assets, December 31, 1993	$ 862,466,683
Class A:	
Net asset value and redemption price per share ($14,167,379 (divided by) 869,114 shares of common stock issued and outstanding)	$16.30
Maximum sales charge (4.5% of offering price)	.77
Maximum offering price to public	$17.07
Class B:	
Net asset value, offering price and redemption price per share ($848,299,304 (divided by) 51,947,815 shares of common stock issued and outstanding)	$16.33

</TABLE>

See Notes to Financial Statements.

PRUDENTIAL NATIONAL MUNICIPALS FUND
Statement of Operations
<TABLE>
<CAPTION>

Year Ended
December 31,

Net Investment Income	1993
<S>	<C>
Income	
Interest	$ 53,526,003
Expenses	
Distribution fee--Class A	11,786
Distribution fee--Class B	4,274,596
Management fee	4,087,672
Transfer agent's fees and expenses	650,000
Custodian's fees and expenses	133,000
Registration fees	51,000
Audit fee	51,000
Trustees' fees	37,700
Insurance expense	26,000
Reports to shareholders	25,000
Legal fees	20,000
Miscellaneous	5,844
Total expenses	9,373,598
Net investment income	44,152,405
Net Realized and Unrealized Gain (Loss) on Investments	
Net realized gain (loss):	
Investment transactions	39,745,284
Financial futures contracts	(1,232,530)
	38,512,754
Net change in unrealized appreciation	16,778,159
Net gain on investments	55,290,913
Net Increase in Net Assets Resulting from Operations	$ 99,443,318

</TABLE>
See Notes to Financial Statements.

PRUDENTIAL NATIONAL MUNICIPALS FUND
Statement of Changes in Net Assets
<TABLE>
<CAPTION>

Increase (Decrease) in Net Assets	Years Ended December 31, 1993	1992
<S>	<C>	<C>
Operations		
Net investment income	$ 44,152,405	$ 45,067,045
Net realized gain on investment transactions	38,512,754	26,180,331
Net change in unrealized appreciation of investments	16,778,159	(2,514,851)
Net increase in net assets resulting from operations	99,443,318	68,732,525
Dividends and distributions (Note 1)		
Dividends to shareholders from net investment income		
Class A	(645,048)	(312,545)
Class B	(43,507,357)	(44,754,500)
	(44,152,405)	(45,067,045)
Distributions to shareholders from net realized gains on investment transactions		
Class A	(563,957)	(217,185)
Class B	(34,572,412)	(25,206,090)

	(35,136,369)	(25,423,275)
Fund share transactions (Note 5)		
Net proceeds from shares subscribed....................	201,764,486	227,588,260
Net asset value of shares issued in reinvestment of dividends and distributions......................	50,661,082	43,097,188
Cost of shares reacquired.........................	(246,514,570)	(310,683,037)
Net increase (decrease) in net assets from Fund share transactions.......................	5,910,998	(39,997,589)
Total increase (decrease)...........................	26,065,542	(41,755,384)
Net Assets		
Beginning of year......................	836,401,141	878,156,525
End of year............................	$ 862,466,683	$ 836,401,141

</TABLE>

See Notes to Financial Statements.

PRUDENTIAL NATIONAL MUNICIPALS FUND
Notes to Financial Statements

Prudential-Bache National Municipals Fund, Inc., doing business as Prudential National Municipals Fund (the "Fund"), is registered under the Investment Company Act of 1940 as a diversified, open-end management investment company. The investment objective of the Fund is to seek a high level of current income exempt from federal income taxes by investing substantially all of its total assets in carefully selected long-term municipal bonds of medium quality. The ability of the issuers of debt securities held by the Fund to meet their obligations may be affected by economic or political developments in a specific state, industry or region.

Note 1. Accounting Policies

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Securities Valuations: The Fund values municipal securities (including commitments to purchase such securities on a "when-issued" basis) on the basis of prices provided by a pricing service which uses information with respect to transactions in bonds, quotations from bond dealers, market transactions in comparable securities and various relationships between securities in determining values. If market quotations are not readily available from such pricing service, a security is valued at its fair value as determined under procedures established by the Directors.

Short-term securities which mature in more than 60 days are valued at current market quotations. Short-term securities which mature in 60 days or less are valued at amortized cost, which approximates market value.

Financial Futures Contracts: A financial futures contract is an agreement to purchase (long) or sell (short) an agreed amount of debt securities at a set price for delivery on a future date. Upon entering into a financial futures contract, the Fund is required to pledge to the broker an amount of cash and/or other assets equal to a certain percentage of the contract amount. This amount is known as the "initial margin". Subsequent payments, known as "variation margin", are made or received by the Fund each day, depending on the daily fluctuations in the value of the underlying security. Such variation margin is recorded for financial statement purposes on a daily basis as unrealized gain or loss.

The Fund invests in financial futures contracts solely for the purpose of hedging its existing portfolio securities or securities the Fund intends to purchase against fluctuations in value caused by changes in prevailing market interest rates. Should market conditions move unexpectedly, the Fund may not achieve the anticipated benefits of the financial futures contracts and may realize a loss. The use of futures transactions involves the risk of imperfect correlation in movements in the price of futures contracts, interest rates and the underlying hedged assets. As of December 31, 1993, there were no open financial futures contracts.

Securities Transactions and Investment Income: Securities transactions are recorded on the trade date. Realized gains and losses on sales of portfolio securities are calculated on an identified cost basis. Interest income is recorded on an accrual basis. The Fund amortizes premiums and accretes original issue discount on portfolio securities as adjustments to interest income.

Net investment income (other than distribution fees) and unrealized and realized gains or losses are allocated daily to each class of shares based upon the relative proportion of net assets of each class at the beginning of the day.

Federal Income Taxes: It is the intent of the Fund to continue to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its net income to its shareholders. For this reason and because substantially all of the Fund's gross income consists of tax-exempt interest, no federal income tax provision is required.

Dividends and Distributions: Dividends from net investment income are declared daily and paid monthly. The Fund will distribute at least annually any net capital gains. Dividends and distributions are recorded on the ex-dividend date.

Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles.

Reclassification of Capital Accounts: Effective January 1, 1993, the Fund began accounting and reporting for distributions to shareholders in accordance with Statement of Position 93-2: Determination, Disclosure, and Financial Statement Presentation of Income, Capital Gain, and Return of Capital Distributions by Investment Companies. As a result of this statement, the Fund changed the classification of distributions to shareholders to better disclose the differences between financial statement amounts and distributions determined in accordance with income tax regulations. The effect caused by adopting this statement was to increase paid-in capital and decrease accumulated undistributed net realized gains on investments by $10,952 compared to amounts previously reported through December 31, 1992.

Net investment income, net realized gains, and net assets were not affected by this change.

Note 2. Agreements

The Fund has a management agreement with Prudential Mutual Fund Management, Inc. ("PMF"). Pursuant to this agreement, PMF has responsibility for all investment advisory services and supervises the subadviser's performance of such services. PMF has entered into a subadvisory agreement with The Prudential Investment Corporation ("PIC"); PIC furnishes investment advisory services in connection with the management of the Fund. PMF pays for the cost of the subadviser's services, the compensation of officers of the Fund, occupancy and certain clerical and bookkeeping costs of the Fund. The Fund bears all other costs and expenses.

The management fee paid PMF is computed daily and payable monthly at an annual rate of .50% of the Fund's average daily net assets up to and including $250 million, .475% of the next $250 million, .45% of the next $500 million, .425% of the next $250 million, .40% of the next $250 million and .375% of the Fund's average daily net assets in excess of $1.5 billion.

The Fund has distribution agreements with Prudential Mutual Fund Distributors, Inc. ("PMFD"), which acts as the distributor of the Class A shares of the Fund, and with Prudential Securities Incorporated ("PSI"), which acts as distributor of the Class B shares of the Fund (collectively the "Distributors"). To reimburse the Distributors for their expenses incurred in distributing and servicing the Fund's Class A and B shares, the Fund, pursuant to plans of distribution, pays the Distributors a reimbursement, accrued daily and payable monthly.

Pursuant to the Class A Plan, the Fund reimburses PMFD for its expenses with respect to Class A shares at an annual rate of up to .30 of 1% of the average daily net assets of the Class A shares. Such expenses under the Class A Plan were .10 of 1% of the average daily net assets of the Class A shares for the fiscal year ended December 31, 1993. PMFD pays various broker-dealers, including PSI and Pruco Securities Corporation ("Prusec"), affiliated broker-dealers, for account servicing fees and other expenses incurred by such broker-dealers.

Pursuant to the Class B Plan, the Fund reimburses PSI for its distribution-related expenses with respect to Class B shares at an annual rate of up to .50 of 1% of the average daily net assets of the Class B Shares.

The Class B distribution expenses include commission credits for payment of commissions and account servicing fees to financial advisers and an allocation for overhead and other distribution-related expenses, interest and/or carrying charges, the cost of printing and mailing prospectuses to potential investors and of advertising incurred in connection with the distribution of shares.

The Distributors recover the distribution expenses and account servicing fees incurred through the receipt of reimbursement payments from the Fund under the plans and the receipt of initial sales charges (Class A only) and contingent deferred sales charges (Class B only) from shareholders.

PMFD has advised the Fund that it has received approximately $251,600 in front-end sales charges resulting from sales of Class A shares during the fiscal year ended December 31, 1993. From these fees, PMFD paid such sales charges to dealers (PSI and Prusec) which in turn paid commissions to salespersons and incurred other distribution costs.

With respect to the Class B Plan, at any given time the amount of expenses incurred by PSI in distributing the Fund's shares and not recovered through the imposition of contingent deferred sales charges in connection with certain redemptions of shares may exceed the total payments made by the Fund pursuant to the Class B Plan. PSI has advised the Fund that for the fiscal year ended December 31, 1993, it received approximately $510,600 in contingent deferred sales charges imposed upon certain redemptions by shareholders. PSI, as distributor, has also advised the Fund that at December 31, 1993, the amount of distribution expenses incurred by PSI and not yet reimbursed by the Fund or recovered through contingent deferred sales charges approximated $18,588,600. This amount may be recovered through future payments under the Class B Plan or contingent deferred sales charges.

In the event of termination or noncontinuation of the Class B Plan, the Fund would not be contractually obligated to pay PSI, as distributor, for any expenses not previously reimbursed or recovered through contingent deferred sales charges.

PMFD is a wholly-owned sudsidiary of PMF; PSI, PMF and PIC are indirect, wholly-owned subsidiaries of The Prudential Insurance Company of America.

Note 3. Other Transactions with Affiliates

Prudential Mutual Fund Services, Inc. ("PMFS"), a wholly-owned subsidiary of PMF, serves as the Fund's transfer agent and during the fiscal year ended December 31, 1993, the Fund incurred fees of approximately $483,900 for the services of PMFS. As of December 31, 1993, $40,000 of such fees were due to PMFS. Transfer

agent fees and expenses in the Statement of Operations include certain out-of-pocket expenses paid to non-affiliates.

Note 4. Portfolio Securities

Purchases and sales of investment securities, other than short-term investments, for the fiscal year ended December 31, 1993, were $693,356,139 and $733,397,281, respectively.

The federal income tax basis of the Portfolio's investments at December 31, 1993 was $798,349,186 and, accordingly, net unrealized appreciation for federal income tax purposes was $62,690,361 (gross unrealized appreciation--$64,026,490; gross unrealized depreciation-- $1,336,129).

Note 5. Capital

The Fund offers both Class A and Class B shares. Class A shares are sold with a front-end sales charge of up to 4.5%. Class B shares are sold with a contingent deferred sales charge which declines from 5% to zero depending on the period of time the shares are held. Both classes of shares have equal rights as to earnings, assets and voting privileges except that each class bears different distribution expenses and has exclusive voting rights with respect to its distribution plan.

There are 500 million shares of common stock, $.01 par value, per share, divided into two classes, designated Class A and Class B common stock, each of which consists of 250 million authorized shares.

Transactions in shares of common stock were as follows:

Class A	Shares	Amount
Year ended December 31, 1993:		
Shares sold....................	801,949	$ 13,267,418
Shares issued in reinvestment of dividends and distributions................	52,588	854,996
Shares reacquired.............	(468,357)	(7,812,061)
Net increase in shares outstanding..................	386,180	$ 6,310,353

	Shares	Amount
Year ended December 31, 1992:		
Shares sold....................	279,113	$ 4,503,147
Shares issued in reinvestment of dividends and distributions................	24,236	387,787
Shares reacquired.............	(59,083)	(954,955)
Net increase in shares outstanding..................	244,266	$ 3,935,979

<CAPTION>

Class B	Shares	Amount
Year ended December 31, 1993:		
Shares sold....................	11,392,790	$ 188,497,068
Shares issued in reinvestment of dividends and distributions................	3,054,242	49,806,086
Shares reacquired.............	(14,390,713)	(238,702,509)
Net increase in shares outstanding..................	56,319	$ (399,355)
Year ended December 31, 1992:		
Shares sold....................	13,941,355	$ 223,085,113
Shares issued in reinvestment of dividends and distributions................	2,664,473	42,709,401
Shares reacquired.............	(19,285,550)	(309,728,082)
Net decrease in shares outstanding..................	(2,679,722)	$ (43,933,568)

</TABLE>

Note 6. Capital Gain Distribution

On February 7, 1994 the Board of Directors of the Fund declared a distribution of long-term capital gains of $0.10 per share payable February 25, 1994 to shareholders of record on February 18, 1994.

PRUDENTIAL NATIONAL MUNICIPALS FUND
Financial Highlights

<TABLE>
<CAPTION>

	Class A				Class B				
	Years Ended December 31,			January 22, 1990+ through December 31,	Years Ended December 31,				
PER SHARE OPERATING PERFORMANCE:	1993	1992	1991	1990	1993	1992	1991	1990	1989
Net asset value, beginning of period...........	$ 15.94	$16.00	$15.09	$14.98	$ 15.97	$ 16.02	$ 15.11	$ 15.15	$ 15.04
Income from investment operations									
Net investment income...........	.90	.94	.97	.90	.84	.88	.91	.90	.96
Net realized and unrealized gain (loss) on investment transactions.....	1.05	.43	.91	.11	1.05	.44	.91	(.04)	.11
Total from investment operations.....	1.95	1.37	1.88	1.01	1.89	1.32	1.82	.86	1.07

Less distributions									
Dividends from net investment income	(.90)	(.94)	(.97)	(.90)	(.84)	(.88)	(.91)	(.90)	(.96)
Distributions from net realized gains	(.69)	(.49)	--	--	(.69)	(.49)	--	--	--
Total distributions	(1.59)	(1.43)	(.97)	(.90)	(1.53)	(1.37)	(.91)	(.90)	(.96)
Net asset value, end of period	$ 16.30	$15.94	$16.00	$15.09	$ 16.33	$ 15.97	$ 16.02	$ 15.11	$ 15.15
TOTAL RETURN#:	12.60%	8.88%	12.94%	6.88%	12.15%	8.50%	12.42%	5.96%	7.43%
RATIOS/SUPPLEMENTAL DATA:									
Net assets, end of period (000)	$ 14,167	$7,700	$3,819	$1,846	$848,299	$828,702	$874,338	$882,212	$1,033,173
Average net assets (000)	$ 11,786	$5,401	$2,697	$1,161	$854,919	$829,830	$862,249	$940,215	$1,027,726
Ratios to average net assets:									
Expenses, including distribution fees	.69%	.72%	.75%	.75%*	1.09%	1.12%	1.15%	1.13%	1.01%
Expenses, excluding distribution fees	.59%	.62%	.65%	.65%*	.59%	.62%	.65%	.64%	.66%
Net investment income	5.49%	5.79%	6.27%	6.43%*	5.09%	5.39%	5.87%	6.03%	6.45%
Portfolio turnover rate	82%	114%	59%	110%	82%	114%	59%	110%	198%

- ---------------

* Annualized.

\+ Commencement of offering of Class A shares.

\# Total return does not consider the effects of sales loads. Total return is calculated assuming a purchase of shares on the first day and a sale on the last day of each period reported and includes reinvestment of dividends and distributions. Total returns for periods of less than a full year are not annualized.

</TABLE>

See Notes to Financial Statements.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Prudential National Municipals Fund

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and financial highlights present fairly, in all material respects, the financial position of Prudential National Municipals Fund (the "Fund") at December 31, 1993, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with generally accepted accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 1993 by correspondence with the custodian and brokers, provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE
1177 Avenue of the Americas
New York, New York
February 17, 1994

APPENDIX A
DESCRIPTION OF TAX-EXEMPT SECURITY RATINGS

CORPORATE AND TAX-EXEMPT BOND RATINGS

The four highest ratings of Moody's Investors Service ("Moody's") for tax-exempt and corporate bonds are Aaa, Aa, A and Baa. Bonds rated Aaa are judged to be of the "best quality." The rating of Aa is assigned to bonds which are of "high quality by all standards," but as to which margins of protection or other elements make long-term risks appear somewhat larger than Aaa rated bonds. The Aaa and Aa rated bonds comprise what are generally known as "high grade bonds." Bonds which are rated A by Moody's possess many favorable investment attributes and are considered "upper medium grade obligations." Factors giving security to principal and interest of A rated bonds are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future. Bonds rated Baa are considered as "medium grade" obligations. 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. Moody's applies numerical modifiers "1", "2", and "3" in each generic rating classification from Aa through B in its corporate bond rating system. The modifier "1" indicates that the security ranks in the higher end of its generic rating category; the modifier "2" indicates a mid-range ranking; and the modifier "3" indicates that the issue ranks in the lower end of its generic rating category. The foregoing ratings for tax-exempt bonds are sometimes presented in parentheses preceded with a "con" indicating the bonds are rated conditionally. Bonds for which the security depends upon the completion of some act or the fulfillment of some condition are rated conditionally. These are bonds secured by (a) earnings of projects under construction, (b) earnings of projects unseasoned in operation experience, (c) rentals which begin when facilities are completed or (d) payments to which some other limiting condition attaches. Such parenthetical rating denotes the probable credit stature upon completion of construction or elimination of the basis of the condition.

The four highest ratings of Standard & Poor's Ratings Group ("Standard & Poor's") for tax-exempt and corporate bonds are AAA, AA, A and BBB. Bonds rated AAA bear the highest rating assigned by Standard & Poor's to a debt obligation and indicate an extremely strong capacity to pay principal and interest. Bonds rated AA also qualify as high-quality debt obligations. Capacity to pay principal and interest is very strong, and in the majority of instances they differ from AAA issues only in small degree. Bonds rated A have a strong capacity to pay principal and interest, although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions. The BBB rating, which is the lowest "investment grade" security rating by Standard & Poor's, indicates an adequate capacity to pay principal and interest. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay principal and interest for bonds in this category than for bonds in the A category. The foregoing ratings are sometimes followed by a "p" indicating that the rating is provisional. A provisional rating assumes the successful completion of the project being financed by the bonds being rated and indicates that payment of debt service requirements is largely and entirely dependent upon the successful and timely completion of the project. This rating, however, while addressing credit quality subsequent to completion of the project, makes no comment on the likelihood of, or the risk of default upon failure of, such completion.

TAX-EXEMPT NOTE RATINGS

The ratings of Moody's for tax-exempt notes are MIG 1, MIG 2, MIG 3 and MIG 4. Notes bearing the designation MIG 1 are judged to be of the best quality, enjoying strong protection from established cash flows of funds for their servicing or from established and broad-based access to the market for refinancing, or both. Notes bearing the designation MIG 2 are judged to be of high quality, with margins of protection ample although not so large as in the preceding group. Notes bearing the designation MIG 3 are judged to be of favorable quality, with all security elements accounted for but lacking the undeniable strength of the preceding grades. Market access for refinancing, in particular, is likely to be less well established. Notes bearing the designation MIG 4 are judged to be of adequate quality, carrying specific risk but having protection commonly regarded as required of an investment security and not distinctly or predominantly speculative.

The ratings of Standard & Poor's for municipal notes issued on or after July 29, 1984 are "SP-1", "SP-2" and "SP-3". Prior to July 29, 1984, municipal notes carried the same symbols as municipal bonds. The designation "SP-1" indicates a very strong capacity to pay principal and interest. A "+" is added for those issues determined to possess overwhelming safety characteristics. An "SP-2" designation indicates a satisfactory capacity to pay principal and interest while an "SP-3" designation indicates speculative capacity to pay principal and interest.

CORPORATE AND TAX-EXEMPT COMMERCIAL PAPER RATINGS

Moody's and Standard & Poor's rating grades for commercial paper, set forth below, are applied to Municipal Commercial Paper as well as taxable commercial paper.

Moody's Commercial Paper ratings are opinions of the ability of issuers to repay punctually promissory obligations not having an original maturity in excess of nine months. Moody's employs the following three designations, all judged to be investment grade, to indicate the relative repayment capacity of rate issuers: Prime-1, superior capacity; Prime-2, strong capacity; and Prime-3, acceptable capacity.

Standard & Poor's commercial paper rating is a current assessment of the likelihood of timely payment of debt having an original maturity of no more than 365 days. Ratings are graded into four categories, ranging from "A" for the highest quality obligations to "D" for the lowest. Issues assigned A ratings are regarded as having the greatest capacity for timely payment. Issues in this category are further refined with the designation 1, 2 and 3 to indicate the relative degree of safety. The "A-1" designation indicates the degree of safety regarding timely payment is very strong. A "+" designation is applied to those issues rated "A-1" which possess an overwhelming degree of safety. The "A-2" designation indicates that capacity for timely payment is strong. However, the relative degree of safety is not as overwhelming as for issues designated "A-1." The "A-3" designation indicates that the capacity for timely payment is satisfactory. Such issues, however, are somewhat more vulnerable to the adverse effects of changes in circumstances than obligations carrying the higher designations. Issues rated "B" are regarded as having only an adequate capacity for timely payment and such capacity may be impaired by changing conditions or short-term adversities.

PART C

OTHER INFORMATION

ITEM 24. FINANCIAL STATEMENTS AND EXHIBITS.

(A) FINANCIAL STATEMENTS:

(1) Financial statements included in the Prospectus constituting Part A of this Registration Statement:

Financial Highlights.

(2) Financial statements included in the Statement of Additional Information constituting Part B of this Registration Statement:

Portfolio of Investments at December 31, 1993.

Statement of Assets and Liabilities at December 31, 1993.

Statement of Operations for the year ended December 31, 1993.

Statement of Changes in Net Assets for the years ended December 31, 1992 and December 31, 1993.

Notes to Financial Statements.

Financial Highlights with respect to each of the five years in the period ended December 31, 1993.

Report of Independent Accountants.

(B) EXHIBITS:

1.(a) Articles of Incorporation, as amended, of the Registrant, incorporated by reference to Exhibit 1 to Pre-Effective Amendment No. 1 to Registration Statement on Form N-1 (File No. 2-66407).

(b) Amendment to Articles of Incorporation, filed April 30, 1987, incorporated by reference to Exhibit 1(b) to Post-Effective Amendment No. 11 to Registration Statement on Form N-1A (File No. 2-66407).

(c) Amendment to Articles of Incorporation filed on January 17, 1990, incorporated by reference to Exhibit 1(c) to Post-Effective Amendment No. 16 to Registration Statement on Form N-1A (File No. 2-66407).

2.Amended and restated By-Laws.*

4.Instruments defining rights of holders of the securities being offered. Incorporated by reference to Exhibits 1 and 2 above.

5.(a) Management Agreement between the Registrant and Prudential Mutual Fund Management, Inc., incorporated by reference to Exhibit 5(a) to Post-Effective Amendment No. 13 to Registration Statement on Form N-1A (File No. 2-66407).

(b) Management Agreement, as amended, between the Registrant and Prudential Mutual Fund Management, Inc., incorporated by reference to Exhibit 5(b) to Post-Effective Amendment No. 16 to Registration Statement on Form N-1A.

(c) Subadvisory Agreement between Prudential Mutual Fund Management, Inc. and the Prudential Investment Corporation, incorporated by reference to Exhibit 5(b) to Post-Effective Amendment No. 13 to Registration Statement on Form N-1A (File No. 2-66407).

6.(a) Selected Dealer Agreement, incorporated by reference to Exhibit 6(b) to Pre-Effective Amendment No. 1 to Registration Statement on Form N-1 (File No. 2-66407).

(b) Distribution and Service Agreement between the Registrant and Prudential Mutual Fund Distributors, Inc. for Class A shares, dated July 1, 1993.*

(c) Distribution and Service Agreement between the Registrant and Prudential Securities Incorporated for Class B shares, dated July 1, 1993.*

8.(a) Custodian Agreement dated July 13, 1984, between the Registrant and State Street Bank and Trust Company, incorporated by reference to Exhibit 8(a) to Post-Effective Amendment No. 17 to Registration Statement on Form N-1A (File No. 2-66407).

(b) Revised Custodian Agreement between the Registrant and State Street Bank and Trust Company, incorporated by reference to Exhibit 8(b) to Post-Effective Amendment No. 17 to Registration Statement on Form N-1A (File No. 2-66407).

9.Transfer Agency and Service Agreement between the Registrant and Prudential Mutual Fund Services, Inc., incorporated by reference to Exhibit 9(b) to Post-Effective Amendment No. 12 to Registration Statement on Form N-1A (File No. 2-66407).

10.(a) Opinion of Sullivan & Cromwell. Incorporated by reference to Exhibit 10 to Registration Statement on Form N-1 (File No. 2-66407).

(b) Opinion of Sullivan & Cromwell.*

11.Consent of Independent Accountants.*

13.Letter of Bache Halsey Stuart Shields Incorporated. Incorporated by reference to Exhibit 13 to Pre-Effective Amendment No. 1 to Registration Statement on Form N-1 (File No. 2-66407).

15.(a) Distribution and Service Plan for Class A shares dated July 1, 1993.*

(b) Distribution and Service Plan for Class B shares dated July 1, 1993.*

16.(a) Schedule of Calculation of Average Annual Total Return (Class B Shares), incorporated by reference to Exhibit 16 to Post-Effective Amendment No. 13 to Registration Statement on Form N-1A (File No. 2-66407).

(b) Schedule of Calculation of Average Annual Total Return (Class A Shares), incorporated by reference to Exhibit 16(b) to Post-Effective Amendment No. 17 to Registration Statement on Form N-1A (File No. 2-66407).

(c) Schedule of Calculation of Aggregate Total Return for Class A and Class B shares, incorporated by reference to Exhibit 16(c) to Post-Effective Amendment to Registration Statement on Form N-1A (File No. 2-66407).

Other Exhibits
Power of Attorney for:

Lawrence C. McQuade**
Michael J. Downey**
Delayne D. Gold**

Arthur Hauspurg**
Harry A. Jacobs, Jr.**
Thomas J. McCormack**

- ---------

*Filed herewith.
**Executed copies filed under Other Exhibits to Post-Effective Amendment No. 13 to the Registration Statement on Form N-1A (File No. 2-66407).

ITEM 25. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH REGISTRANT.

None.

ITEM 26. NUMBER OF HOLDERS OF SECURITIES.

As of February 11, 1994 there were 2,260 and 41,380 record holders of Class A and Class B shares of common stock, respectively, $.01 par value per share, of the Registrant.

ITEM 27. INDEMNIFICATION.

As permitted by Sections 17(h) and (i) of the Investment Company Act of 1940 (the 1940 Act) and pursuant to Article VI of the Fund's By-Laws (Exhibit 2 to the Registration Statement), officers, directors, employees and agents of the Registrant will not be liable to the Registrant, any stockholder, officer, director, employee, agent or other person for any action or failure to act, except for bad faith, willful misfeasance, gross negligence or reckless disregard of duties, and those individuals may be indemnified against liabilities in connection with the Registrant, subject to the same exceptions. Section 2-418 of Maryland General Corporation Law permits indemnification of directors who acted in good faith and reasonably believed that the conduct was in the best interests of the Registrant. As permitted by Section 17(i) of the 1940 Act, pursuant to Section 10 of each Distribution Agreement (Exhibits 6(b) and 6(c) to the Registration Statement), each Distributor of the Registrant may be indemnified against liabilities which it may incur, except liabilities arising from bad faith, gross negligence, willful misfeasance or reckless disregard of duties.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (Securities Act) may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the 1940 Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in connection with the successful defense of any action, suit or proceeding) is asserted against the Registrant by such director, officer or controlling person in connection with the shares being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the 1940 Act and will be governed by the final adjudication of such issue.

The Registrant intends to purchase an insurance policy insuring its officers and directors against liabilities, and certain costs of defending claims against such officers and directors, to the extent such officers and directors are not found to have committed conduct constituting willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties. The insurance policy also insures the Registrant against the cost of indemnification payments to officers and directors under certain circumstances.

Section 9 of the Management Agreement (Exhibit 5(a) to the Registration Statement) and Section 4 of the Subadvisory Agreement (Exhibit 5(b) to the Registration Statement) limit the liability of Prudential Mutual Fund Management, Inc. (PMF) and The Prudential Investment Corporation (PIC), respectively, to liabilities arising from willful misfeasance, bad faith or gross negligence in the performance of their respective duties or from reckless disregard by them of their respective obligations and duties under the agreements.

The Registrant hereby undertakes that it will apply the indemnification provisions of its By-Laws and each Distribution Agreement in a manner consistent with Release No. 11330 of the Securities and Exchange Commission under the 1940 Act so long as the interpretation of Sections 17(h) and 17(i) of such Act remain in effect and are consistently applied.

ITEM 28. BUSINESS AND OTHER CONNECTIONS OF INVESTMENT ADVISER

(a) Prudential Mutual Fund Management, Inc.

See "How the Fund is Managed-Manager" in the Prospectus constituting Part A of this Registration Statement and "Manager" in the Statement of Additional Information constituting Part B of this Registration Statement.

The business and other connections of the officers of PMF are listed in Schedules A and D of Form ADV of PMF as currently on file with the Securities and Exchange Commission, the text of which is hereby incorporated by reference (File No. 801-31104, filed in October, 1993).

The business and other connections of PMF's directors and principal executive officers are set forth below. Except as otherwise indicated, the address of each person is One Seaport Plaza, New York, NY 10292.

NAME AND ADDRESS	POSITION WITH PMF	PRINCIPAL OCCUPATIONS
Maureen Behning-Doyle	Executive Vice President	Executive Vice President, PMF; Senior Vice President, Prudential Securities Incorporated (Prudential Securities)
John D. Brookmeyer, Jr. Two Gateway Center Newark, NJ 07102	Director	Senior Vice President, PIC; Senior Vice President, The Prudential Insurance Company of America (Prudential)
Susan C. Cote	Senior Vice President	Senior Vice President, PMF; Senior Vice President, Prudential Securities
Fred A. Fiandaca Raritan Plaza One Edison, NJ 08847	Executive Vice President, Chief Operating Officer and Director	Executive Vice President, Chief Operating Officer and Director, PMF; Chairman, Chief Operating Officer and Director, Prudential Mutual Fund Services, Inc., Senior Vice President, Prudential Securities
Stephen P. Fisher	Senior Vice President	Senior Vice President, PMF; Senior Vice President, Prudential Securities
Frank W. Giordano	Executive Vice President, General Counsel and Secretary	Executive Vice President, General Counsel and Secretary, PMF; Senior Vice President, Prudential Securities
Robert F. Gunia	Executive Vice President, Chief Administrative Officer, Chief Financial Officer and Director	Executive Vice President, Chief Administrative Officer, Chief Financial Officer and Director, PMF; Senior Vice President, Prudential Securities
Eugene B. Heimburg Prudential Plaza Newark, NJ 07101	Director	Senior Vice President, Prudential
Lawrence C. McQuade	Vice Chairman	Vice Chairman, PMF
Leland B. Paton	Director	Executive Vice President and Director, Prudential Securities; Director, Prudential Securities Group, Inc. ("PSG")
Richard A. Redeker	President, Chief Executive Officer and Director	President, Chief Executive Officer and Director, PMF; Executive Vice President, Director and Member of Operating Committee, Prudential Securities; Director, PSG
S. Jane Rose	Senior Vice President, Senior Counsel and Assistant Secretary	Senior Vice President, Senior Counsel and Assistant Secretary, PMF; Senior Vice President and Senior Counsel, Prudential Securities
Donald G. Southwell 210 Wash-ington Street Newark, NJ 07102	Director	Senior Vice President, Prudential; Director, PSG

(b) Prudential Investment Corporation (PIC)

See "How the Fund is Managed--Subadviser" in the Prospectus constituting Part A of this Registration Statement and "Subadviser" in the Statement of Additional Information constituting Part B of this Registration Statement.

The business and other connections of PIC's directors and executive officers are as set forth below. Except as otherwise indicated, the address of each person is Prudential Plaza, Newark, NJ 07101.

NAME AND ADDRESS	POSITION WITH PIC	PRINCIPAL OCCUPATIONS
Martin A. Berkowitz	Senior Vice President, Chief Financial and Compliance Officer	Senior Vice President, Chief Financial and Compliance Officer, PIC; Vice President, Prudential
William M. Bethke Two Gateway Center Newark, NJ 07102	Senior Vice President	Senior Vice President, Prudential
John D. Brookmeyer, Jr. Two Gateway Center Newark, NJ 07102	Senior Vice President	Senior Vice President, Prudential; Senior Vice President, PIC
Eugene B. Heimberg	Senior Vice President and Director	Senior Vice President, Prudential
Garnett L. Keith, Jr.	President and Director	Vice Chairman and Director, Prudential
William P. Link Four Gateway Center Newark, NJ 07102	Executive Vice President	Executive Vice President, Prudential
Gerald Loev	Senior Vice President	Senior Vice President, Prudential
Robert E. Riley 800 Boylston Ave Boston, MA 02199	Executive Vice President	Executive Vice President, Prudential; Director, PSG
James W. Stevens Four Gateway Center Newark, NJ 07102	Executive Vice President	Executive Vice President, Prudential; Director, PSG
Robert C. Winters	Director	Chairman of the Board and Chief Executive Officer, Prudential; Chairman of the Board and Director, PSG
Claude J. Zinngrabe, Jr.	Vice President	Vice President, Prudential

ITEM 29. PRINCIPAL UNDERWRITERS

(a)(i) Prudential Securities

Prudential Securities is distributor for Prudential Government Securities Trust (Intermediate Term Series) and for Class B shares of Prudential Adjustable Rate Securities Fund, Inc., Prudential California Municipal Fund (California Series), Prudential Equity Fund, Inc., Prudential Equity Income Fund, Prudential FlexiFund, Prudential Global Fund, Inc., Prudential-Bache Global Genesis Fund, Inc. (d/b/a Prudential Global Genesis Fund), Prudential-Bache Global Natural Resources Fund, Inc. (d/b/a Prudential Global Natural Resources Fund), Prudential-Bache GNMA Fund, Inc. (d/b/a Prudential GNMA Fund), Prudential-Bache Government Plus Fund, Inc. (d/b/a Prudential Government Plus Fund), Prudential Growth Fund, Inc., Prudential-Bache Growth Opportunity Fund, Inc. (d/b/a Prudential Growth Opportunity Fund), Prudential-Bache High Yield Fund, Inc. (d/b/a Prudential High Yield Fund), Prudential IncomeVertible (R) Fund, Prudential Intermediate Global Income Fund, Inc., Prudential Multi-Sector Fund, Inc., Prudential Municipal Bond Fund, Prudential Municipal Series Fund (except Connecticut Money Market Series, Massachusetts Money Market Series, New York Money Market Series, New Jersey Money Market Series and Florida Series), Prudential-Bache National Municipals Fund, Inc. (d/b/a Prudential National Municipals Fund), Prudential Pacific Growth Fund, Inc., Prudential Short-Term Global Income Fund, Inc., Prudential U.S. Government Fund, Prudential-Bache Utility Fund, Inc. (d/b/a Prudential Utility Fund), Global Utility Fund, Inc., The BlackRock Government Income Trust, Nicholas-Applegate Fund, Inc. (Nicholas-

Applegate Growth Equity Fund) and The Target Portfolio Trust. Prudential Securities is also a depositor for the following unit investment trusts:

The Corporate Income Fund
Corporate Investment Trust Fund
Equity Income Fund
Government Securities Income Fund
International Bond Fund
Municipal Investment Trust
Prudential Equity Trust Shares
National Equity Trust
Prudential Unit Trusts
Government Securities Equity Trust
National Municipal Trust

(ii) Prudential Mutual Fund Distributors, Inc.

Prudential Mutual Fund Distributors, Incorporated is distributor for Command Government Fund, Command Money Fund, Command Tax-Free Fund, Prudential California Municipal Fund (California Money Market Series and California Income Series and Class A Shares of the California Series), Prudential Government Securities Trust (Money Market Series and U.S. Treasury Money Market Series), Prudential-Bache MoneyMart Assets (d/b/a Prudential MoneyMart Assets), Prudential Municipal Series Fund (Connecticut Money Market Series, Massachusetts Money Market Series, New York Money Market Series, New Jersey Money Market Series and Florida Series), Prudential Institutional Liquidity Portfolio, Inc., Prudential-Bache Special Money Market Fund, Inc. (d/b/a Prudential Special Money Market Fund), Prudential-Bache Structured Maturity Fund, Inc. (d/b/a Prudential Structured Maturity Fund), Prudential-Bache Tax-Free Money Fund, Inc. (d/b/a Prudential Tax-Free Money Fund), and for Class A shares of Prudential Adjustable Rate Securities Fund, Inc., Prudential California Municipal Fund (California Series), Prudential Equity Fund, Inc., Prudential Equity Income Fund, Prudential FlexiFund, Prudential Global Fund, Inc., Prudential-Bache Global Genesis Fund, Inc. (d/b/a Prudential Global Genesis Fund) Prudential-Bache Global Natural Resources Fund, Inc. (d/b/a Prudential Global Natural Resources Fund), Prudential-Bache GNMA Fund, Inc. (d/b/a Prudential GNMA Fund), Prudential-Bache Government Plus Fund, Inc. (d/b/a Prudential Government Plus Fund), Prudential Growth Fund, Inc., Prudential-Bache Growth Opportunity Fund, Inc. (d/b/a Prudential Growth Opportunity Fund), Prudential-Bache High Yield Fund, Inc. (d/b/a Prudential High Yield Fund), Prudential IncomeVertible(R) Fund, Inc., Prudential Intermediate Global Income Fund, Inc., Prudential Multi-Sector Fund, Inc., Prudential Municipal Bond Fund, Prudential Municipal Series Fund (Arizona Series, Georgia Series, Maryland Series, Massachusetts Series, Michigan Series, Minnesota Series, New Jersey Series, North Carolina Series, Ohio Series and Pennsylvania Series), Prudential-Bache National Municipals Fund, Inc. (d/b/a Prudential National Municipals Fund), Prudential Pacific Growth Fund, Inc., Prudential Short-Term Global Income Fund, Inc., Prudential U.S. Government Fund and Prudential-Bache Utility Fund, Inc. (d/b/a Prudential Utility Fund), Global Utility Fund, Inc., and Nicholas-Applegate Fund, Inc. (Nicholas-Applegate Growth Equity Fund), The BlackRock Government Income Trust and the Target Portfolio Trust.

(b)(i) Information concerning the directors and officers of Prudential Securities Incorporated is set forth below.

NAME(/1/)	POSITIONS AND OFFICES WITH UNDERWRITER	POSITIONS AND OFFICES WITH REGISTRANT
Alan D. Hogan	Executive Vice President, Chief Administrative Officer and Director	None
Howard A. Knight	Executive Vice President, Director, Corporate Strategy and New Business Development	None
George A. Murray	Executive Vice President and Director	None
John P. Murray	Executive Vice President and Director of Risk Management	None
Leland B. Paton	Executive Vice President and Director	None
Richard A. Redeker	Director	Director
Hardwick Simmons	Chief Executive Officer, President and Director	None
Lee Spencer	Interim General Counsel	None

(ii) Information concerning the directors and officers of Prudential Mutual Fund Distributors, Inc. is set forth below.

NAME(/1/)	POSITIONS AND OFFICES WITH UNDERWRITER	POSITIONS AND OFFICES WITH REGISTRANT
Joanne Accurso-Soto	Vice President	None
Dennis Annarumma	Vice President, Assistant Treasurer and Assistant Comptroller	None
Phyllis J. Berman	Vice President	None
Fred A. Fiandaca Raritan Plaza One Edison, NJ 08847	President, Chief Executive Officer and Director	None
Stephen P. Fisher	Vice President	None
Frank W. Giordano	Executive Vice President, General Counsel, Secretary and Director	None

Robert F. Gunia.........	Executive Vice President, Treasurer, Comptroller and Director	Vice President
Andrew J. Varley........	Vice President	None
Anita L. Whelan.........	Vice President and Assistant Secretary	None

</TABLE>

- ---------

(/1/)The address of each person named is One Seaport Plaza, New York, NY 10292 unless otherwise indicated.

(c) Registrant has no principal underwriter who is not an affiliated person of the Registrant.

ITEM 30. LOCATION OF ACCOUNTS AND RECORDS

All accounts, books and other documents required to be maintained by Section 31(a) of the 1940 Act and the Rules thereunder are maintained at the offices of State Street Bank and Trust Company, One Heritage Drive, North Quincy, Massachusetts 02171, The Prudential Investment Corporation, Prudential Plaza, 745 Broad Street, Newark, New Jersey, the Registrant, One Seaport Plaza, New York, New York, and Prudential Mutual Fund Services, Inc., Raritan Plaza One, Edison, New Jersey. Documents required by Rules 31a-1 (b) (5), (6), (7), (9), (10) and (11) and 31a-1 (f) will be kept at Three Gateway Center, documents required by Rules 31a-1 (b) (4) and (11) and 31a-1 (d) at One Seaport Plaza and the remaining accounts, books and other documents required by such other pertinent provisions of Section 31(a) and the Rules promulgated thereunder will be kept by State Street Bank and Trust Company and Prudential Mutual Fund Services. Inc.

ITEM 31. MANAGEMENT SERVICES

Other than as set forth under the captions "How the Fund is Managed--Manager" and "How the Fund is Managed--Distributor" in the Prospectus and the captions "Manager" and "Distributor" in the Statement of Additional Information, constituting Parts A and B, respectively, of this Registration Statement, Registrant is not a party to any management-related service contract.

ITEM 32. UNDERTAKINGS

The Registrant hereby undertakes to furnish each person to whom a Prospectus is delivered with a copy of Registrant's latest annual report to shareholders upon request and without charge.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant certifies that it meets all of the requirements for effectiveness of this Registration Statement pursuant to Rule 485(b) under the Securities Act of 1933 and has duly caused this Post-Effective Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, and State of New York, on the 24th day of February, 1994.

PRUDENTIAL-BACHE NATIONAL MUNICIPALS FUND, INC.
(doing business as Prudential National Municipals Fund)

/s/ Lawrence C. McQuade

(LAWRENCE C. MCQUADE, PRESIDENT)

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment to the Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<C>	<S>	<C>
/s/ Lawrence C. McQuade LAWRENCE C. MCQUADE	President and Director	February 24, 1994
/s/ Delayne D. Gold DELAYNE D. GOLD	Director	February 24, 1994
/s/ Arthur Hauspurg ARTHUR HAUSPURG	Director	February 24, 1994

/s/ Harry A. Jacobs, Jr. HARRY A. JACOBS, JR.	Director	February 24, 1994
/s/ Thomas J. McCormack THOMAS J. MCCORMACK	Director	February 24, 1994
/s/ Stephen P. Munn STEPHEN P. MUNN	Director	February 24, 1994
/s/ Louis A. Weil, III LOUIS A. WEIL, III	Director	February 24, 1994
/s/ Susan C. Cote SUSAN C. COTE	Treasurer and Principal Financial and Accounting Officer	February 24, 1994

</TABLE>

EXHIBIT INDEX

1. (a) Articles of Incorporation, as amended, of the Registrant, incorporated by reference to Exhibit 1 to Pre-Effective Amendment No. 1 to Registration Statement on Form N-1 (File No. 2-66407).

(b) Amendment to Articles of Incorporation, filed April 30, 1987, incorporated by reference to Exhibit 1(b) to Post-Effective Amendment No. 11 to Registration Statement on Form N-1A (File No. 2-66407).

(c) Amendment to Articles of Incorporation filed on January 17, 1990, incorporated by reference to Exhibit 1(c) to Post-Effective Amendment No. 16 to Registration Statement on Form N-1A (File No. 2-66407).

2. Amended and restated By-Laws.*

4. Instruments defining rights of holders of the securities being offered. Incorporated by reference to Exhibits 1 and 2 above.

(b) Specimen stock certificate of the Registrant's Class A shares, incorporated by reference to Exhibit 4(b) to Post-Effective Amendment No. 16 to Registration Statement on Form N-1A.

5. (a) Management Agreement between the Registrant and Prudential Mutual Fund Management, Inc, incorporated by reference to Exhibit 5(a) to Post-Effective Amendment No. 13 to Registration Statement on Form N-1A (File No. 2-66407).

(b) Management Agreement, as amended, between the Registrant and Prudential Mutual Fund Management, Inc., incorporated by reference to Exhibit 5(b) to Post-Effective Amendment No. 16 to Registration Statement on Form N-1A.

(c) Subadvisory Agreement between Prudential Mutual Fund Management, Inc. and the Prudential Investment Corporation, incorporated by reference to Exhibit 5(b) to Post-Effective Amendment No. 13 to Registration Statement on Form N-1A (File No. 2-66407).

6. (a) Selected Dealer Agreement, incorporated by reference to Exhibit 6(b) to Pre-Effective Amendment No. 1 to Registration Statement on Form N-1 (File No. 2-66407).

(b) Distribution and Service Agreement between the Registrant and Prudential Mutual Fund Distributors, Inc. for Class A shares dated July 1, 1993.*

(c) Distribution and Service Agreement between the Registrant and Prudential Securities Incorporated for Class B shares dated July 1, 1993.*

8. (a) Custodian Agreement dated July 13, 1984, between the Registrant and State Street Bank and Trust Company, incorporated by reference to Exhibit 8(a) to Post-Effective Amendment No. 17 to Registration Statement on Form N-1A (File No. 2-66407).

(b) Revised Custodian Agreement between the Registrant and State Street Bank and Trust Company, incorporated by reference to Exhibit 8(b) to Post-Effective Amendment No. 17 to Registration Statement on Form N-1A (File No. 2-66407).

9. Transfer Agency and Service Agreement between the Registrant and Prudential Mutual Fund Services, Inc., incorporated by reference to Exhibit 9(b) to Post-Effective Amendment No. 12 to Registration Statement on Form N-1A (File No. 2-66407).

10(a). Opinion of Sullivan & Cromwell. Incorporated by reference to Exhibit 10 to Registration Statement on Form N-1 (File No. 2-66407).

(b). Opinion of Sullivan & Cromwell.*

11. Consent of Independent Accountants.*

13. Letter of Bache Halsey Stuart Shields Incorporated. Incorporated by reference to Exhibit 13 to Pre-Effective Amendment No. 1 to Registration Statement on Form N-1 (File No. 2-66407).

15. (a) Distribution and Service Plan for Class A shares dated July 1, 1993.*

(b) Distribution and Service Plan for Class B shares dated July 1, 1993.*

16. (a) Schedule of calculation of Average Annual Total Return (Class B Shares), incorporated by reference to Exhibit 16 to Post-Effective Amendment No. 13 to Registration Statement on Form N-1A (File No. 2-66407).

(b) Schedule of Calculation of Average Annual Total Return (Class A Shares), incorporated by reference to Exhibit 16(b) to Post-Effective Amendment No. 17 to Registration Statement on Form N-1A (File No. 2-66407).

(c) Schedule of Calculation of Aggregate Total Return for Class A and Class B shares, incorporated by reference to Exhibit 16(C) to Post-Effective Amendment No. 19 to Registration Statement on Form N-1A (File No. 2-66407).

Other Exhibits
Power of Attorney for:

Lawrence C. McQuade**
Michael J. Downey**
Delayne D. Gold**
Arthur Hauspurg**
Harry A. Jacobs, Jr.**
Thomas J. McCormack**

- -----------

*Filed herewith.

**Executed copies filed under Other Exhibits to Post-Effective Amendment No. 13 to the Registration Statement on Form N-1A (File No. 2-66407).

<TABLE>
<CAPTION>

EXHIBIT 10(b)

SULLIVAN & CROMWELL

<S>	<C>
NEW YORK TELEPHONE: (212) 558-4000	
TELEX: 62694 (INTERNATIONAL) 127816 (DOMESTIC)	125 Broad Street, New York 10004-2498
CABLE ADDRESS: LADYCOURT, NEW YORK	
FACSIMILE: (212) 558-3588 (125 Broad Street)	250 PARK AVENUE, NEW YORK 10177-0021
(212) 558-3792 (250 Park Avenue)	1701 PENNSYLVANIA AVE, N.W. WASHINGTON, D.C. 20006-5805
	444 SOUTH FLOWER STREET, LOS ANGELES 90071-2901
	8, PLACE VENDOME, 75001 PARIS
	ST. OLAVE'S HOUSE, 9a IRONMONGER LANE, LONDON EC2V 8EY
	101 COLLINS STREET, MELBOURNE 3000
	2-1, MARUNOUCHI I-CHOME, CHIYODA-KU, TOKYO 100
	GLOUCESTER TOWER, 11 PEDDER STREET, HONG KONG
	February 24, 1994

</TABLE>

Prudential-Bache National Municipals Fund, Inc.,
One Seaport Plaza,
New York, New York 10292.

Dear Sirs:

You have requested our opinion in connection with your filing of Post-Effective Amendment No.20 to the Regis-tration Statement on Form N-1A under the Securities Act of 1933 and your registration in connection therewith of 2,119,514 shares of your Common Stock, $.01 par value (the "Shares") pursuant to Rule 24e-2 under the Investment Compa-ny Act of 1940.

As your counsel, we are familiar with your organi-zation and corporate status and the validity of your Common Stock.

We advise you that, in our opinion, the Shares, when duly issued and sold, for not less than the par value thereof, will be duly authorized and validly issued, fully paid and nonassessable.

The foregoing opinion is limited to the Federal laws of the United States and the General Corporation Laws

of the State of Maryland, and we are expressing no opinion as to the effect by the laws of any other jurisdiction.

We have relied as to certain matters on information obtained from public officials, your officers and other sources believed by us to be responsible.

We consent to the filing of this opinion with the Securities and Exchange Commission in connection with the notice referred to above. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933.

Very truly yours,

Sullivan & Cromwell

Exhibit 2

PRUDENTIAL-BACHE NATIONAL MUNICIPALS FUND, INC.

By-Laws

ARTICLE I

Stockholders

Section 1. Place of Meeting. All meetings of the stockholders shall be held at the principal office of the Corporation in the State of Maryland or at such other place within the United States as may from time to time be designated by the Board of Directors and stated in the notice of such meeting.

Section 2. Annual Meeting. The annual meeting of the stockholders of the Corporation shall be held in the month of April of each year on such date and at such hour as may from time to time be designated by the Board of Directors and stated in the notice of such meeting, for the transaction of such business as may properly be brought before the meeting; provided, however, that an annual meeting is not required to be held in any year in which the election of directors is not required to be acted upon by stockholders pursuant to the Investment Company Act of 1940.

Section 3. Special or Extraordinary Meetings. Special or extraordinary meetings of the stockholders for any purpose or purposes may be called by the Chairman of the Board, the President or a majority of the Board of Directors, and shall be called by the Secretary upon receipt of the request in writing signed by stockholders holding not less than 25% of the common stock issued and outstanding and entitled to vote thereat. Such request shall state the purpose or purposes of the proposed meeting. The

Secretary shall inform such stockholders of the reasonably estimated costs of preparing and mailing such notice of meeting and upon payment to the Corporation of such costs, the Secretary shall give notice stating the purpose or purposes of the meeting as required in this Article and by-law to all stockholders entitled to notice of such meeting. No special meeting need be called upon the request of the holders of shares entitled to cast less than a majority of all votes entitled to be cast at such meeting to consider any matter which is substantially the same as a matter voted upon at any special meeting of stockholders held during the preceding twelve months.

Section 4. Notice of Meetings of Stockholders. Not less that ten days' and not more than ninety days' written or printed notice of every meeting of stockholders, stating the time and place thereof (and the general nature of the business proposed to be transacted at any special or extraordinary meeting), shall be given to each stockholder entitled to vote thereat by leaving the same with him or at his residence or usual place of business or by mailing it, postage prepaid, and addressed to him at his address as it appears upon the books of the Corporation. If mailed, notice shall be deemed to be given when deposited in the United States mail addressed to the stockholder as aforesaid.

No notice of the time, place or purpose of any meeting of stockholders need be given to any stockholder who attends in person or by proxy or to any stockholder who, in writing executed and filed with the records of the meeting, either before or after the holding thereof, waives such notice.

Section 5. Record Dates. The Board of Directors may fix, in advance, a date not exceeding ninety days preceding the date of any meeting of stockholders, any dividend payment date or any date for the allotment of rights, as a record date for the determination of the stockholders entitled to notice of and to vote at such meeting or entitled to receive such dividends or rights, as the case may be; and only stockholders of record on such date shall be entitled to notice of and to vote at such meeting or to receive such dividends or rights, as the case may be. In the case of a meeting of stockholders, such date shall not be less than ten days prior to the date fixed for such meeting.

Section 6. Quorum, Adjournment of Meetings. The presence in person or by proxy of the holders of record of a majority of the shares of the common stock of the Corporation issued and outstanding and entitled to vote thereat shall constitute a quorum at all meetings of the stockholders except as otherwise provided in the Articles of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the holders of a majority of the stock present in person or by proxy shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite number of stockholders entitled to vote at such meeting shall be present. At such adjourned meeting at which the requisite amount of stock entitled to vote thereat shall be represented any business may be transacted which might have been transacted at the meeting as originally notified.

Section 7. Voting and Inspectors. At all meetings, stockholders of record entitled to vote thereat shall have one vote for each share of common stock standing in his name on the books of the Corporation (and such stockholders of record holding fractional shares, if any, shall have proportionate voting rights) on the date for the determination of stockholders entitled to vote at such meeting, either in person or by proxy appointed by instrument in writing subscribed by such stockholder or his duly authorized attorney.

All elections shall be had and all questions decided by a majority of the votes cast at a duly constituted meeting, except as otherwise provided by statute or by the Articles of Incorporation or by these By-Laws.

At any election of Directors, the Chairman of the meeting may, and upon the request of the holders of ten percent (10%) of the stock entitled to vote at such election shall, appoint two inspectors of election who shall first subscribe an oath or affirmation to execute faithfully the duties of inspectors at such election with strict impartiality and according to the best of their ability, and shall after the election make a certificate of the result of the vote taken. No candidate for the office of Director shall be appointed such Inspector.

Section 8. Conduct of Stockholders' Meetings. The meetings of the stockholders shall be presided over by the Chairman of the Board, or if he is not present, by the President, or if he is not present, by a Vice-President, or if none of them is present

by a Chairman to be elected at the meeting. The Secretary of the Corporation, if present, shall act as a Secretary of such meetings, or if he is not present, an Assistant Secretary shall so act; if neither the Secretary nor the Assistant Secretary is present, then the meeting shall elect its Secretary.

Section 9. Concerning Validity of Proxies, Ballots, etc. At every meeting of the stockholders, all proxies shall be received and taken in charge of and all ballots shall be received and canvassed by the Secretary of the meeting, who shall decide all questions concerning the qualification of voters, the validity of the proxies and the acceptance or rejection of votes, unless inspectors of election shall have been appointed by the Chairman of the meeting, in which event such inspectors of election shall decide all such questions.

ARTICLE II

Board of Directors

Section 1. Number and Tenure of Office. The business and affairs of the Corporation shall be conducted and managed by a Board of Directors of not less than three nor more than nine Directors, as may be determined from time to time by vote of a majority of the Directors then in office. Directors need not be stockholders.

Section 2. <u>Vacancies</u>. In case of any vacancy in the Board of Directors through death, resignation or other cause, other than an increase in the number of Directors, a majority of the remaining Directors, although a majority is less than a quorum, by

an affirmative vote, may elect a successor to hold office until the next annual meeting of stockholders or until his successor is chosen and qualifies.

Section 3. <u>Increase or Decrease in Number of Directors</u>. The Board of Directors, by the vote of a majority of the entire Board, may increase the number of Directors and may elect Directors to fill the vacancies created by any such increase in the number of Directors until the next annual meeting or until their successors are duly chosen and qualified. The Board of Directors, by the vote of a majority of the entire Board, may likewise decrease the number of Directors to a number not less than three.

Section 4. <u>Place of Meeting</u>. The Directors may hold their meetings, have one or more offices, and keep the books of the Corporation, outside the State of Maryland, at any office or offices of the Corporation or at any other place as they may from time to time by resolution determine, or in the case of meetings, as they may from time to time by resolution determine or as shall be specified or fixed in the respective notices or waivers of notice thereof.

Section 5. <u>Regular Meetings</u>. Regular meetings of the Board of Directors shall be held at such time and on such notice as the Directors may from time to time determine.

The annual meeting of the Board of Directors shall be held as soon as practicable after the annual meeting of the stockholders for the election of Directors.

Section 6. <u>Special Meetings</u>. Special meetings of the Board of Directors may be held from time to time upon call of the Chairman of the Board, the President, the Secretary or two or more of the Directors, by oral or telegraphic or written notice duly served on or sent or mailed to each Director not less than one day before such meeting. No notice need be given to any Director who attends in person or to any Director who, in writing executed and filed with the records of the meeting either before or after the holding thereof, waives such notice. Such notice or waiver of notice need not state the purpose or purposes of such meeting.

Section 7. Quorum. One-third of the Directors then in office shall constitute a quorum for the transaction of business, provided that a quorum shall in no case be less than two Directors. If at any meeting of the Board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum shall be obtained. The act of the majority of the Directors present at any meeting at which there is a quorum shall be the act of the Directors, except as may be otherwise specifically provided by statute or by the Articles of Incorporation or by these By-Laws.

Section 8. Executive Committee. The Board of Directors may, by the affirmative vote of a majority of the entire Board, appoint from the Directors an Executive Committee to consist of such number of Directors (not less than three) as the Board may from time to time determine. The Chairman of the Committee shall be elected by the Board of Directors. The Board of Directors by

such affirmative vote shall have power at any time to change the members of such Committee and may fill vacancies in the Committee by election from the Directors. When the Board of Directors is not in session, to the extent permitted by law the Executive Committee shall have and may exercise any or all of the powers of the Board of Directors in the management of the business and affairs of the Corporation. The Executive Committee may fix its own rules of procedure, and may meet when and as provided by such rules or by resolution of the Board of Directors, but in every case the presence of a majority shall be necessary to constitute a quorum. During the absence of a member of the Executive Committee, the remaining members may appoint a member of the Board of Directors to act in his place.

Section 9. Other Committees. The Board of Directors, by the affirmative vote of a majority of the whole Board, may appoint from the Directors other committees which shall in each case consist of such number of Directors (not less than two) and shall have and may exercise such powers as the Board may determine in the resolution appointing them. A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. The Board of Directors shall have power at any time to change the members and powers of any such committee, to fill vacancies and to discharge any such committee.

Section 10. Telephone Meetings. Members of the Board of Directors or a committee of the Board of Directors may participate

in a meeting by means of a conference telephone or similiar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means constitutes presence in person at the meeting.

Section 11. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting, if a written consent to such action is signed by all members of the Board or of such committee, as the case may be, and such written consent if filed with the minutes of the proceedings of the Board or committee.

Section 12. Compensation of Directors. No Director shall receive any stated salary or fees from the Corporation for his services as such if such Director is, otherwise than by reason of being such Director, an interested person (as such term is defined by the Investment Company Act of 1940) of the Corporation or of its investment adviser, administrator or principal underwriter. Except as provided in the preceding sentence, Directors shall be entitled to receive such compensation from the Corporation for their services as may from time to time be voted by the Board of Directors.

Section 13. Nominating Committee. The Board of Directors may be the affirmative vote of a majority of the entire Board appoint from its members a Nominating Committee composed of two or more directors who are not "interested persons" (as defined

in the Investment Company Act of 1940) of the Corporation, as the Board may from time to time determine. The Nominating Committee shall be empowered to elect its own chairman who may call, or direct the Secretary of the Corporation to call meetings in accordance with the notice provisions of these By-laws otherwise applicable to meetings of the Board of Directors. The Nominating Committee shall recommend to the Board a slate of persons who are not "interested person" (as defined in the Investment Company Act of 1940) of the Corporation, which may include members of the Nominating Committee, to be nominated for election as directors by the stockholders at each annual meeting of stockholders and to fill any vacancy occurring for any reason among the directors who are not such interested persons.

ARTICLE III

Officers

Section 1. Executive Officers. The executive officers of the Corporation shall be chosen by the Board of Directors as soon as may be practicable after the annual meeting of the stockholders. These may include a Chairman of the

Board of Directors (who shall be a Director) or a Chairman of the Fund and shall include a President, one or more Vice-Presidents (the number thereof to be determined by the Board of Directors), a Secretary and a Treasurer. The Board of Directors or the Executive Committee may also in its discretion appoint Assistant Secretaries, Assistant Treasurers and other officers, agents and employees, who shall have such authority and perform such duties as the Board or the

Executive Committee may determine. The Board of Directors may fill any vacancy which may occur in any office. Any two officers, except those of President and Vice-President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity, if such instrument is required by law or these By-Laws to be executed, acknowledge or verified by two or more officers.

Section 2. Term of Office. The term of office of all officers shall be one year and until their respective successors are chosen and qualified. Any officer may be removed from office at any time with or without cause by the vote of a majority of the whole Board of Directors.

Section 3. Powers and Duties. The officers of the Corporation shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time be conferred by the Board of Directors or the Executive Committee.

ARTICLE IV

Capital Stock

Section 1. Certificates for Shares. Each stockholder of the Corporation shall be entitled to a certificate or certificates for the full shares of stock of the Corporation owned by him in such form as the Board may from time to time prescribe.

Section 2. Transfer of Shares. Shares of the Corporation shall be transferable on the books of the Corporation by the holder thereof in person or by his duly authorized attorney

or legal representative, upon surrender and cancellation of certificates, if any, for the same number of shares, duly endorsed or accompanied by proper instruments of assignment and transfer, with such proof of the authenticity of the signature as the Corporation or his agents may reasonably require; in the case of shares not represented by certificates, the same or similar requirements may be imposed by the Board of Directors.

Section 3. Stock Ledgers. The stock ledgers of the Corporation, containing the name and address of the stockholders and the number of shares held by them respectively, shall be kept at the principal office of the Corporation or, if the Corporation employs a Transfer Agent, at the office of the Transfer Agent of the Corporation.

Section 4. Lost, Stolen or Destroyed Certificates. The Board of Directors or the Executive Committee may determine the conditions upon which a new certificate of stock of the Corporation of any class may be issued in place of a certificate which is alleged to have been lost, stolen or destroyed; and may, in its discretion, require the owner of such certificate or his legal representative to give bond, with sufficient surety, to the Corporation and each Transfer Agent, if any, and to indemnify it and each Transfer Agent against any and all loss or claims which may arise by reason of the issue of a new certificate in the place of the one so lost, stolen or destroyed.

ARTICLE V

Corporate Seal

The Board of Directors may provide for a suitable corporate seal, in such form and bearing such inscriptions as it may determine.

ARTICLE VI

Fiscal Year

The fiscal year of the Corporation shall begin on the first day of January and shall end on the thirty-first day of December in each year.

ARTICLE VII

Indemnification

The Corporation shall indemnify directors, officers, employees and agents of the Corporation against judgments, fines, settlements and expenses to the fullest extent authorized and in the manner permitted, by applicable federal and state law.

ARTICLE VIII

Checks, Notes, Etc.

All check and drafts on the Corporation's bank account and all bills of exchange and promissory notes, and all acceptances, obligations and other instruments for the payment of money, shall be signed by such officer or officers, or agents, as shall be thereunto authorized from time to time by the Board of Directors.

ARTICLE IX

Amendment of By-Laws

The By-Laws of the Corporation may be altered, amended, added to or repealed by the stockholders or by majority vote of the entire Board of Directors; but any such alteration, amendment, addition or repeal of the By-Laws by action of the Board of Directors may be altered or repealed by stockholders.

As amended on 5/3/93

Exhibit 6(b)

PRUDENTIAL-BACHE NATIONAL MUNICIPALS FUND, INC.

Distribution Agreement
(Class A Shares)

Agreement made as of January 22, 1990, as amended and restated on July 1, 1993, between Prudential-Bache National Municipals Fund, Inc. a Maryland Corporation (the Fund) and Prudential Mutual Fund Distributors, Inc., a Delaware Corporation (the Distributor).

WITNESSETH

WHEREAS, the Fund is registered under the Investment Company Act of 1940, as amended (the Investment Company Act), as a diversified, open-end, management investment company and it is in the interest of the Fund to offer its Class A shares for sale continuously;

WHEREAS, the Distributor is a broker-dealer registered under the Securities Exchange Act of 1934, as amended, and is engaged in the business of selling shares of registered investment companies either directly or through other broker-dealers;

WHEREAS, the Fund and the Distributor wish to enter into an agreement with each other, with respect to the continuous offering of the Fund's Class A shares from and after the date hereof in order to promote the growth of the Fund and facilitate the distribution of its Class A shares; and

WHEREAS, upon approval by the Class A shareholders of the Fund it is contemplated that the Fund will adopt a plan of distribution pursuant to Rule 12b-1 under the Investment Company Act (the Plan) authorizing payments by the Fund to the Distributor with respect to the distribution of Class A shares of the Fund.

NOW, THEREFORE, the parties agree as follows:

Section 1. Appointment of the Distributor

The Fund hereby appoints the Distributor as the principal underwriter and distributor of the Class A shares of the Fund to sell Class A shares to the public and the Distributor hereby accepts such appointment and agrees to act hereunder. The Fund hereby agrees during the term of this Agreement to sell Class A shares of the Fund to the Distributor on the terms and conditions set forth below.

Section 2. Exclusive Nature of Duties

The Distributor shall be the exclusive representative of

the Fund to act as principal underwriter and distributor of the Fund's Class A shares, except that:

2.1 The exclusive rights granted to the Distributor to purchase Class A shares from the Fund shall not apply to Class A shares of the Fund issued in connection with the merger or consolidation of any other investment company or personal holding company with the Fund or the acquisition by purchase or otherwise of all (or substantially all) the assets or the outstanding shares of any such company by the Fund.

2.2 Such exclusive rights shall not apply to Class A shares issued by the Fund pursuant to reinvestment of dividends or capital gains distributions.

2.3 Such exclusive rights shall not apply to Class A shares issued by the Fund pursuant to the reinstatement privilege afforded redeeming shareholders.

2.4 Such exclusive rights shall not apply to purchases made through the Fund's transfer and dividend disbursing agent in the manner set forth in the currently effective Prospectus of the Fund. The term "Prospectus" shall mean the Prospectus and Statement of Additional Information included as part of the Fund's Registration Statement, as such Prospectus and Statement of Additional Information may be amended or supplemented from time to time, and the term "Registration Statement" shall mean the Registration Statement filed by the Fund with the Securities and Exchange Commission and effective under the Securities Act of 1933, as amended (Securities Act), and the Investment Company Act, as such Registration Statement is amended from time to time.

Section 3. Purchase of Class A Shares from the Fund

3.1 The Distributor shall have the right to buy from the Fund the Class A shares needed, but not more than the Class A shares needed (except for clerical errors in transmission) to fill unconditional orders for Class A shares placed with the Distributor by investors or registered and qualified securities dealers and other financial institutions (selected dealers). The price which the Distributor shall pay for the Class A shares so purchased from the Fund shall be the net asset value, determined as set forth in the Prospectus.

3.2 The Class A shares are to be resold by the Distributor or selected dealers, as described in Section 6.4 hereof, to investors at the offering price as set forth in the Prospectus.

3.3 The Fund shall have the right to suspend the sale of its Class A shares at times when redemption is suspended pursuant to the conditions in

Section 4.3 hereof or at such other times as may be determined by the Board of Directors. The Fund shall also have the right to suspend the sale of its Class A shares if a

banking moratorium shall have been declared by federal or New York authorities.

3.4 The Fund, or any agent of the Fund designated in writing by the Fund, shall be promptly advised of all purchase orders for Class A shares received by the Distributor. Any order may be rejected by the Fund; provided, however, that the Fund will not arbitrarily or without reasonable cause refuse to accept or confirm orders for the purchase of Class A shares. The Fund (or its agent) will confirm orders upon their receipt, will make appropriate book entries and upon receipt by the Fund (or its agent) of payment therefor, will deliver deposit receipts for such Class A shares pursuant to the instructions of the Distributor. Payment shall be made to the Fund in New York Clearing House funds or federal funds. The Distributor agrees to cause such payment and such instructions to be delivered promptly to the Fund (or its agent).

Section 4. Repurchase or Redemption of Class A Shares by the Fund

4.1 Any of the outstanding Class A shares may be tendered for redemption at any time, and the Fund agrees to repurchase or redeem the Class A shares so tendered in accordance with its Articles of Incorporation as amended from time to time, and in accordance with the applicable provisions of the Prospectus. The price to be paid to redeem or repurchase the Class A shares shall be equal to the net asset value determined as set forth in the Prospectus. All payments by the Fund hereunder shall be made in the manner set forth in Section 4.2 below.

4.2 The Fund shall pay the total amount of the redemption price as defined in the above paragraph pursuant to the instructions of the Distributor on or before the seventh calendar day subsequent to its having received the notice of redemption in proper form. The proceeds of any redemption of Class A shares shall be paid by the Fund to or for the account of the redeeming shareholder, in each case in accordance with applicable provisions of the Prospectus.

4.3 Redemption of Class A shares or payment may be suspended at times when the New York Stock Exchange is closed for other than customary weekends and holidays, when trading on said Exchange is restricted, when an emergency exists as a result of which disposal by the Fund of securities owned by it is not reasonably practicable or it is not reasonably practicable for the Fund fairly to determine the value of its net assets, or during any other period when the Securities and Exchange Commission, by order, so permits.

Section 5. Duties of the Fund

5.1 Subject to the possible suspension of the sale of

Class A shares as provided herein, the Fund agrees to sell its Class A shares so long as it has Class A shares available.

5.2 The Fund shall furnish the Distributor copies of all information, financial statements and other papers which the Distributor may reasonably request for use in connection with the distribution of Class A shares, and this shall include one certified copy, upon request by the Distributor, of all financial statements prepared for the Fund by independent public accountants. The Fund shall make available to the Distributor such number of copies of its Prospectus and annual and interim reports as the Distributor shall reasonably request.

5.3 The Fund shall take, from time to time, but subject to the necessary approval of the Board of Directors and the shareholders, all necessary action to fix the number of authorized Class A shares and such steps as may be necessary to register the same under the Securities Act, to the end that there will be available for sale such number of Class A shares as the Distributor reasonably may expect to sell. The Fund agrees to file from time to time such amendments, reports and other documents as may be necessary in order that there will be no untrue statement of a material fact in the Registration Statement, or necessary in order that there will be no omission to state a material fact in the Registration Statement which omission would make the statements therein misleading.

5.4 The Fund shall use its best efforts to qualify and maintain the qualification of any appropriate number of its Class A shares for sales under the securities laws of such states as the Distributor and the Fund may approve; provided that the Fund shall not be required to amend its Articles of Incorporation or By-Laws to comply with the laws of any state, to maintain an office in any state, to change the terms of the offering of its Class A shares in any state from the terms set forth in its Registration Statement, to qualify as a foreign corporation in any state or to consent to service of process in any state other than with respect to claims arising out of the offering of its Class A shares. Any such qualification may be withheld, terminated or withdrawn by the Fund at any time in its discretion. As provided in Section 9.1 hereof, the expense of qualification and maintenance of qualification shall be borne by the Fund. The Distributor shall furnish such information and other material relating to its affairs and activities as may be required by the Fund in connection with such qualifications.

Section 6. Duties of the Distributor

6.1 The Distributor shall devote reasonable time and effort to effect sales of Class A shares of the Fund, but shall not be obligated to sell any specific number of Class A shares. Sales of the Class A shares shall be on the terms described in the

Prospectus. The Distributor may enter into like arrangements with other investment companies. The Distributor shall compensate the selected dealers as set forth in the Prospectus.

6.2 In selling the Class A shares, the Distributor shall use its best efforts in all respects duly to conform with the requirements of all federal and state laws relating to the sale of such securities. Neither the Distributor nor any selected dealer nor any other person is authorized by the Fund to give any information or to make any representations, other than those contained in the Registration Statement or Prospectus and any sales literature approved by appropriate officers of the Fund.

6.3 The Distributor shall adopt and follow procedures for the confirmation of sales to investors and selected dealers, the collection of amounts payable by investors and selected dealers on such sales and the cancellation of unsettled transactions, as may be necessary to comply with the requirements of the National Association of Securities Dealers, Inc. (NASD).

6.4 The Distributor shall have the right to enter into selected dealer agreements with registered and qualified securities dealers and other financial institutions of its choice for the sale of Class A shares, provided that the Fund shall approve the forms of such agreements. Within the United States, the Distributor shall offer and sell Class A shares only to such selected dealers as are members in good standing of the NASD. Class A shares sold to selected dealers shall be for resale by such dealers only at the offering price determined as set forth in the Prospectus.

Section 7. Payments to the Distributor

The Distributor shall receive and may retain any portion of any front-end sales charge which is imposed on sales of Class A shares and not reallocated to selected dealers as set forth in the Prospectus, subject to the limitations of Article III, Section 26 of the NASD Rules of Fair Practice. Payment of these amounts to the Distributor is not contingent upon the adoption or continuation of the Plan.

Section 8. Reimbursement of the Distributor under the Plan

8.1 The Fund shall reimburse the Distributor for costs incurred by it in performing its duties under the Distribution and Service Plan and this Agreement including amounts paid on a reimbursement basis to Prudential Securities Incorporated (Prudential Securities) and Pruco Securities Corporation (Prusec), affiliates of the Distributor, under the selected dealer agreements between the Distributor and Prudential Securities and Prusec, respectively, amounts paid to other securities dealers or financial institutions under selected dealer agreements between the Distributor and such dealers and institutions and amounts paid for

personal service and/or the maintenance of shareholder accounts. Amounts reimbursable under the Plan shall be accrued daily and paid monthly or at such other intervals as the Board of Directors may determine but shall not be paid at a rate that exceeds .30 of 1%, which amount includes a service fee of up to .25 of 1%, per annum of the average daily net assets of the Class A shares of the Fund. Payment of the distribution and service fee shall be subject to the limitations of Article III, Section 26 of the NASD Rules of Fair Practice.

8.2 So long as the Plan or any amendment thereto is in effect, the Distributor shall inform the Board of Directors of the commissions and account servicing fees to be paid by the Distributor to account executives of the Distributor and to broker-dealers and financial institutions which have dealer agreements with the Distributor. So long as the Plan (or any amendment thereto) is in effect, at the request of the Board of Directors or any agent or representative of the Fund, the Distributor shall provide such additional information as may reasonably be requested concerning the activities of the Distributor hereunder and the costs incurred in performing such activities.

8.3 Costs of the Distributor subject to reimbursement hereunder are costs of performing distribution activities with respect to the Class A shares of the Fund and may include, among others:

(a) amounts paid to Prudential Securities in reimbursement of costs incurred by Prudential Securities in performing services under a selected dealer agreement between Prudential Securities and the Distributor for sale of Class A shares of the Fund, including sales commissions and trailer commissions paid to, or on account of, account executives and indirect and overhead costs associated with distribution activities, including central office and branch expenses;

(b) amounts paid to Prusec in reimbursement of costs incurred by Prusec in performing services under a selected dealer agreement between Prusec and the Distributor for sale of Class A shares of the Fund, including sales commissions and trailer commissions paid to, or on account of, agents and indirect and overhead costs associated with distribution activities;

(c) sales commissions and trailer commissions paid to, or on account of, broker-dealers and

financial institutions (other than Prudential Securities and Prusec) which have entered into selected dealer agreements with the

Distributor with respect to Class A shares of the Fund.

(d) amounts paid to, or an account of, account executives of Prudential Securities, Prusec, or of other broker-dealers or financial institutions for personal service and/or the maintenance of shareholder accounts; and

(e) advertising for the Fund in various forms through any available medium, including the cost of printing and mailing Fund Prospectuses, and periodic financial reports and sales literature to persons other than current shareholders of the Fund.

Indirect and overhead costs referred to in clauses (a) and (b) of the foregoing sentence include (i) lease expenses, (ii) salaries and benefits of personnel including operations and sales support personnel, (iii) utility expenses, (iv) communications expenses, (v) sales promotion expenses, (vi) expenses of postage, stationery and supplies and (vii) general overhead.

Section 9. Allocation of Expenses

9.1 The Fund shall bear all costs and expenses of the continuous offering of its Class A shares, including fees and disbursements of its counsel and auditors, in connection with the preparation and filing of any required Registration Statements and/or Prospectuses under the Investment Company Act or the Securities Act, and preparing and mailing annual and periodic reports and proxy materials to shareholders (including but not limited to the expense of setting in type any such Registration Statements, Prospectuses, annual or periodic reports or proxy materials). The Fund shall also bear the cost of expenses of qualification of the Class A shares for sale, and, if necessary or advisable in connection therewith, of qualifying the Fund as a broker or dealer, in such states of the United States or other jurisdictions as shall be selected by the Fund and the Distributor pursuant to Section 5.4 hereof and the cost and expense payable to each such state for continuing qualification therein until the Fund decides to discontinue such qualification pursuant to Section 5.4 hereof. As set forth in Section 8 above, the Fund shall also bear the expenses it assumes pursuant to the Plan with respect to Class A shares, so long as the Plan is in effect.

9.2 If the Plan is terminated or discontinued, the costs previously incurred by the Distributor in performing the duties set forth in Section 6 hereof shall be borne by the Distributor and

will not be subject to reimbursement by the Fund.

Section 10. Indemnification

10.1 The Fund agrees to indemnify, defend and hold the Distributor, its officers and directors and any person who controls the Distributor within the meaning of Section 15 of the Securities Act, free and harmless from and against any and all claims, demands, liabilities and expenses (including the cost of investigating or defending such claims, demands or liabilities and any counsel fees incurred in connection therewith) which the Distributor, its officers, directors or any such controlling person may incur under the Securities Act, or under common law or otherwise, arising out of or based upon any untrue statement of a material fact contained in the Registration Statement or Prospectus or arising out of or based upon any alleged omission to state a material fact required to be stated in either thereof or necessary to make the statements in either thereof not misleading, except insofar as such claims, demands, liabilities or expenses arise out of or are based upon any such untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with information furnished in writing by the Distributor to the Fund for use in the Registration Statement or Prospectus; provided, however, that this indemnity agreement shall not inure to the benefit of any such officer, director, trustee or controlling person unless a court of competent jurisdiction shall determine in a final decision on the merits, that the person to be indemnified was not liable by reason of willful misfeasance, bad faith or gross negligence in the performance of its duties, or by reason of its reckless disregard of its obligations under this Agreement (disabling conduct), or, in the absence of such a decision, a reasonable determination, based upon a review of the facts, that the indemnified person was not liable by reason of disabling conduct, by (a) a vote of a majority of a quorum of directors or trustees who are neither "interested persons" of the Fund as defined in Section 2(a)(19) of the Investment Company Act nor parties to the proceeding, or (b) an independent legal counsel in a written opinion. The Fund's agreement to indemnify the Distributor, its officers and directors or trustees and any such controlling person as aforesaid is expressly conditioned upon the Fund's being promptly notified of any action brought against the Distributor, its officers or directors or trustees, or any such controlling person, such notification to be given by letter or telegram addressed to the Fund at its principal business office. The Fund agrees promptly to notify the Distributor of the commencement of any litigation or proceedings against it or any of its officers or directors in connection with the issue and sale of any Class A shares.

10.2 The Distributor agrees to indemnify, defend and hold the Fund, its officers and Directors and any person who controls the Fund, if any, within the meaning of Section 15 of the

Securities Act, free and harmless from and against any and all claims, demands, liabilities and expenses (including the cost of investigating or defending against such claims, demands or liabilities and any counsel fees incurred in connection therewith) which the Fund, its officers and Directors or any such controlling person may incur under the Securities Act or under common law or otherwise, but only to the extent that such liability or expense incurred by the

Fund, its Directors or officers or such controlling person resulting from such claims or demands shall arise out of or be based upon any alleged untrue statement of a material fact contained in information furnished in writing by the Distributor to the Fund for use in the Registration Statement or Prospectus or shall arise out of or be based upon any alleged omission to state a material fact in connection with such information required to be stated in the Registration Statement or Prospectus or necessary to make such information not misleading. The Distributor's agreement to indemnify the Fund, its officers and Directors and any such controlling person as aforesaid, is expressly conditioned upon the Distributor's being promptly notified of any action brought against the Fund, its officers and Directors or any such controlling person, such notification being given to the Distributor at its principal business office.

Section 11. Duration and Termination of this Agreement

11.1 This Agreement shall become effective as of the date first above written and shall remain in force for two years from the date hereof and thereafter, but only so long as such continuance is specifically approved at least annually by (a) the Board of Directors of the Fund, or by the vote of a majority of the outstanding voting securities of the Class A shares of the Fund, and (b) by the vote of a majority of those Directors who are not parties to this Agreement or interested persons of any such parties and who have no direct or indirect financial interest in this Agreement or in the operation of the Fund's Plan or in any agreement related thereto (Rule 12b-1 Directors), cast in person at a meeting called for the purpose of voting upon such approval.

11.2 This Agreement may be terminated at any time, without the payment of any penalty, by a majority of the Rule 12b-1 Directors or by vote of a majority of the outstanding voting securities of the Class A shares of the Fund, or by the Distributor, on sixty (60) days' written notice to the other party. This Agreement shall automatically terminate in the event of its assignment.

11.3 The terms "affiliated person," "assignment," "interested person" and "vote of a majority of the outstanding voting securities", when used in this Agreement, shall have the respective meanings specified in the Investment Company Act.

Section 12. Amendments to this Agreement

This Agreement may be amended by the parties only if such amendment is specifically approved by (a) the Board of Directors of the Fund, or by the vote of a majority of the outstanding voting securities of the Class A shares of the Fund, and (b) by the vote of a majority of the Rule 12b-1 Directors cast in person at a meeting called for the purpose of voting on such amendment.

Section 13. Governing Law

The provisions of this Agreement shall be construed and interpreted in accordance with the laws of the State of New York as at the time in effect and the applicable provisions of the Investment Company Act. To the extent that the applicable law of the State of New York, or any of the provisions herein, conflict with the applicable provisions of the Investment Company Act, the latter shall control.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year above written.

Prudential Mutual Fund
Distributors, Inc.

By: /s/ Robert F. Gunia

Name: Robert F. Gunia
Title: Executive Vice President

Prudential-Bache National
Municipals Fund, Inc.

By: /s/ Lawrence C. McQuade

Name: Lawrence C. McQuade
Title: President

Exhibit 6(c)

PRUDENTIAL-BACHE NATIONAL MUNICIPALS FUND, INC.

Distribution Agreement (Class B Shares)

Agreement made as of April 9, 1981, as amended on June 26, 1985, and as amended and restated on January 22, 1990 and July 1, 1993, between Prudential-Bache National Municipals Fund, Inc., a Maryland Corporation (the Fund) and Prudential Securities Incorporated, a Delaware Corporation (the Distributor).

WITNESSETH

WHEREAS, the Fund is registered under the Investment Company Act of 1940, as amended (the Investment Company Act), as a diversified, open-end, management investment company and it is in the interest of the Fund to offer its Class B shares for sale continuously;

WHEREAS, the Distributor is a broker-dealer registered under the Securities Exchange Act of 1934, as amended, and is engaged in the business of selling shares of registered investment companies either directly or through other broker-dealers;

WHEREAS, the Fund and the Distributor wish to enter into an agreement with each other, with respect to the continuous offering of the Fund's Class B shares from and after the date hereof in order to promote the growth of the Fund and facilitate the distribution of its Class B shares; and

WHEREAS, the Fund has adopted a distribution and service plan pursuant to Rule 12b-1 under the Investment Company Act (the Plan) authorizing payments by the Fund to the Distributor with respect to the distribution of Class B shares of the Fund and the maintenance of Class B shareholder accounts.

NOW, THEREFORE, the parties agree as follows:

Section 1. Appointment of the Distributor

The Fund hereby appoints the Distributor as the principal underwriter and distributor of the Class B shares of the Fund to sell Class B shares to the public and the Distributor hereby accepts such appointment and agrees to act hereunder. The Fund hereby agrees during the term of this Agreement to sell Class B shares of the Fund to the Distributor on the terms and conditions set forth below.

Section 2. Exclusive Nature of Duties

The Distributor shall be the exclusive representative of the Fund to act as principal underwriter and distributor of the Fund's Class B shares, except that:

2.1 The exclusive rights granted to the Distributor to purchase Class B shares from the Fund shall not apply to Class B shares of the Fund issued in connection with the merger or consolidation of any other investment company or personal holding company with the Fund or the acquisition by purchase or otherwise of all (or substantially all) the assets or the outstanding shares of any such company by the Fund.

2.2 Such exclusive rights shall not apply to Class B shares issued by the Fund pursuant to reinvestment of dividends or capital gains distributions.

2.3 Such exclusive rights shall not apply to Class B shares issued by the Fund pursuant to the reinstatement privilege afforded redeeming shareholders.

2.4 Such exclusive rights shall not apply to purchases made through the Fund's transfer and dividend disbursing agent in the manner set forth in the currently effective Prospectus of the Fund. The term "Prospectus" shall mean the Prospectus and Statement of Additional Information included as part of the Fund's Registration Statement, as such Prospectus and Statement of Additional Information may be amended or supplemented from time to time, and the term "Registration Statement" shall mean the Registration Statement filed by the Fund with the Securities and Exchange Commission and effective under the Securities Act of 1933, as amended (the Securities Act), and the Investment Company Act, as such Registration Statement is amended from time to time.

Section 3. Purchase of Class B Shares from the Fund

3.1 The Distributor shall have the right to buy from the Fund the Class B shares needed, but not more than the Class B shares needed (except for clerical errors in transmission) to fill unconditional orders for Class B shares placed with the Distributor by investors or registered and qualified securities dealers and other financial institutions (selected dealers). The price which the Distributor shall pay for the Class B shares so purchased from the Fund shall be the net asset value, determined as set forth in the Prospectus.

3.2 The Class B shares are to be resold by the Distributor or selected dealers, as described in Section 6.4 hereof, to investors at the offering price as set forth in the

Prospectus.

3.3 The Fund shall have the right to suspend the sale of its Class B shares at times when redemption is suspended pursuant to the conditions in Section 4.3 hereof or at such other times as may be determined by the Board of Directors. The Fund shall also have the right to suspend the sale of its Class B shares if a banking moratorium shall have been declared by federal or New York authorities.

3.4 The Fund, or any agent of the Fund designated in writing by the Fund, shall be promptly advised of all purchase orders for Class B shares received by the Distributor. Any order may be rejected by the Fund; provided, however, that the Fund will not arbitrarily or without reasonable cause refuse to accept or confirm orders for the purchase of Class B shares. The Fund (or its agent) will confirm orders upon their receipt, will make appropriate book entries and upon receipt by the Fund (or its agent) of payment therefor, will deliver deposit receipts for such Class B shares pursuant to the instructions of the Distributor. Payment shall be made to the Fund in New York Clearing House funds or federal funds. The Distributor agrees to cause such payment and such instructions to be delivered promptly to the Fund (or its agent).

Section 4. Repurchase or Redemption of Class B Shares by the Fund

4.1 Any of the outstanding Class B shares may be tendered for redemption at any time, and the Fund agrees to repurchase or redeem the Class B shares so tendered in accordance with its Articles of Incorporation as amended from time to time, and in accordance with the applicable provisions of the Prospectus. The price to be paid to redeem or repurchase the Class B shares shall be equal to the net asset value determined as set forth in the Prospectus. All payments by the Fund hereunder shall be made in the manner set forth in Section 4.2 below.

4.2 The Fund shall pay the total amount of the redemption price as defined in the above paragraph pursuant to the instructions of the Distributor on or before the seventh day subsequent to its having received the notice of redemption in proper form. The proceeds of any redemption of Class B shares shall be paid by the Fund as follows: (a) any applicable contingent deferred sales charge shall be paid to the Distributor and (b) the balance shall be paid to or for the account of the redeeming shareholder, in each case in accordance with applicable provisions of the Prospectus.

4.3 Redemption of Class B shares or payment may be suspended at times when the New York Stock Exchange is closed for other than customary weekends and holidays, when trading on said Exchange is restricted, when an emergency exists as a result of

which disposal by the Fund of securities owned by it is not reasonably practicable or it is not reasonably practicable for the Fund fairly to determine the value of its net assets, or during any other period when the Securities and

Exchange Commission, by order, so permits.

Section 5. Duties of the Fund

5.1 Subject to the possible suspension of the sale of Class B shares as provided herein, the Fund agrees to sell its Class B shares so long as it has Class B shares available.

5.2 The Fund shall furnish the Distributor copies of all information, financial statements and other papers which the Distributor may reasonably request for use in connection with the distribution of Class B shares, and this shall include one certified copy, upon request by the Distributor, of all financial statements prepared for the Fund by independent public accountants. The Fund shall make available to the Distributor such number of copies of its Prospectus and annual and interim reports as the Distributor shall reasonably request.

5.3 The Fund shall take, from time to time, but subject to the necessary approval of the Board of Directors and the shareholders, all necessary action to fix the number of authorized Class B shares and such steps as may be necessary to register the same under the Securities Act, to the end that there will be available for sale such number of Class B shares as the Distributor reasonably may expect to sell. The Fund agrees to file from time to time such amendments, reports and other documents as may be necessary in order that there will be no untrue statement of a material fact in the Registration Statement, or necessary in order that there will be no omission to state a material fact in the Registration Statement which omission would make the statements therein misleading.

5.4 The Fund shall use its best efforts to qualify and maintain the qualification of any appropriate number of its Class B shares for sales under the securities laws of such states as the Distributor and the Fund may approve; provided that the Fund shall not be required to amend its Articles of Incorporation or By-Laws to comply with the laws of any state, to maintain an office in any state, to change the terms of the offering of its Class B shares in any state from the terms set forth in its Registration Statement, to qualify as a foreign corporation in any state or to consent to service of process in any state other than with respect to claims arising out of the offering of its Class B shares. Any such qualification may be withheld, terminated or withdrawn by the Fund at any time in its discretion. As provided in Section 9.1 hereof, the expense of qualification and maintenance of qualification shall be borne by the Fund. The Distributor shall furnish such information and other material relating to its affairs and

activities as may be required by the Fund in connection with such qualifications.

Section 6. Duties of the Distributor

6.1 The Distributor shall devote reasonable time and effort to effect sales of Class B shares of the Fund, but shall not be obligated to sell any specific number of Class B shares. Sales of the Class B shares shall be on the terms described in the Prospectus. The Distributor may enter into like arrangements with other investment companies. The Distributor shall compensate the selected dealers as set forth in the Prospectus.

6.2 In selling the Class B shares, the Distributor shall use its best efforts in all respects duly to conform with the requirements of all federal and state laws relating to the sale of such securities. Neither the Distributor nor any selected dealer nor any other person is authorized by the Fund to give any information or to make any representations, other than those contained in the Registration Statement or Prospectus and any sales literature approved by appropriate officers of the Fund.

6.3 The Distributor shall adopt and follow procedures for the confirmation of sales to investors and selected dealers, the collection of amounts payable by investors and selected dealers on such sales and the cancellation of unsettled transactions, as may be necessary to comply with the requirements of the National Association of Securities Dealers, Inc. (NASD).

6.4 The Distributor shall have the right to enter into selected dealer agreements with registered and qualified securities dealers and other financial institutions of its choice for the sale of Class B shares, provided that the Fund shall approve the forms of such agreements. Within the United States, the Distributor shall offer and sell Class B shares only to such selected dealers as are members in good standing of the NASD. Class B shares sold to selected dealers shall be for resale by such dealers only at the offering price determined as set forth in the Prospectus.

Section 7. Payments to the Distributor

The Distributor shall receive and may retain any contingent deferred sales charge which is imposed with respect to repurchases and redemptions of Class B shares as set forth in the Prospectus, subject to the limitations of Article III, Section 26 of the NASD Rules of Fair Practice. Payment of these amounts to the Distributor is not contingent upon the adoption or continuation of the Plan.

Section 8. Reimbursement of the Distributor under the Plan

8.1 The Fund shall reimburse the Distributor for all

costs incurred by it in performing its duties under the Distribution and Service

Plan and this Agreement including amounts paid on a reimbursement basis to Pruco Securities Corporation (Prusec), an affiliate of the Distributor, under the selected dealer agreement between the Distributor and Prusec, amounts paid to other securities dealers or financial institutions under selected dealer agreements between the Distributor and such dealers and institutions and amounts paid for personal service and/or the maintenance of shareholder accounts. Reimbursement shall only be made to the extent that payments by investors pursuant to Section 7 hereof are not sufficient to cover such costs. Amounts reimbursable under the Plan shall be accrued daily and paid monthly or at such other intervals as the Board of Directors may determine but shall not be paid at a rate that exceeds .50 of 1%, which amount includes a service fee of up to .25 of 1% per annum of the average daily net assets of the Class B shares of the Fund. Amounts reimbursable under the Plan that are not paid because they exceed .50 of 1% per annum of the average daily net assets of the Class B shares (Carry Forward Amounts) shall be carried forward and paid by the Fund as permitted within such payment limitation so long as the Plan, including any amendments thereto, is in effect, subject to the limitations of Article III, Section 26 of the NASD Rules of Fair Practice.

8.2 So long as the Plan or any amendment thereto is in effect, the Distributor shall inform the Board of Directors of the commissions (including trailer commissions) and account servicing fees to be paid by the Distributor to account executives of the Distributor and to broker-dealers and financial institutions which have selected dealer agreements with the Distributor. So long as the Plan (or any amendment thereto) is in effect, at the request of the Board of Directors or any agent or representative of the Fund, the Distributor shall provide such additional information as may reasonably be requested concerning the activities of the Distributor hereunder and the costs incurred in performing such activities.

8.3 Costs of the Distributor subject to reimbursement hereunder are all costs of performing distribution activities with respect to the Class B shares of the Fund and include, among others:

(a) sales commissions (including trailer commissions) paid to, or on account of, account executives of the Distributor;

(b) indirect and overhead costs of the Distributor associated with performance of distribution activities, including central office and branch expenses;

(c) amounts paid to Prusec in reimbursement of all

costs incurred by Prusec in performing services under a selected dealer agreement between Prusec and the Distributor for sale of Class B shares of the Fund, including sales commissions and trailer commissions paid to, or on account of, agents and indirect and overhead costs associated with distribution activities;

(d) sales commissions (including trailer commissions) paid to, or on account of, broker-dealers and financial institutions (other than Prusec) which have entered into selected dealer agreements with the Distributor with respect to Class B shares of the Fund;

(e) amounts paid to, or an account of, account executives of the Distributor or of other broker-dealers or financial institutions for personal service and/or the maintenance of shareholder accounts;

(f) advertising for the Fund in various forms through any available medium, including the cost of printing and mailing Fund Prospectuses, and periodic financial reports and sales literature to persons other than current shareholders of the Fund;

(g) to the extent permitted by applicable law, interest on unreimbursed Carry Forward Amounts as defined in Section 8.1 at a rate not to exceed that permitted under Article III, Section 26, of the NASD Rules of Fair Practice; and

(h) to the extent permitted by applicable law, unreimbursed distribution expenses incurred with respect to the sale of Class B shares that have been exchanged into the Fund.

Indirect and overhead costs referred to in clauses (b) and (c) of the foregoing sentence include (i) lease expenses, (ii) salaries and benefits of personnel including operations and sales support personnel, (iii) utility expenses, (iv) communications expenses, (v) sales promotion expenses, (vi) expenses of postage, stationery and supplies and (vii) general overhead.

Section 9. Allocation of Expenses

9.1 The Fund shall bear all costs and expenses of the

continuous offering of its Class B shares, including fees and disbursements of its counsel and auditors, in connection with the preparation and filing of any required Registration Statements and/or Prospectuses under the Investment Company Act or the Securities Act, and preparing and mailing annual and periodic reports and proxy materials to shareholders (including but not limited to the expense of setting in type any such Registration Statements, Prospectuses, annual or periodic reports or proxy materials). The Fund shall also bear the cost of expenses of qualification of the Class B shares for sale, and, if necessary or advisable in connection therewith, of qualifying the Fund as a broker or dealer, in such states of the United States or other jurisdictions as shall be selected by the Fund and the Distributor pursuant to Section 5.4 hereof and the cost and expense payable to each such state for continuing qualification therein until the Fund decides to discontinue such qualification pursuant to

Section 5.4 hereof. As set forth in Section 8 above, the Fund shall also bear the expenses it assumes pursuant to the Plan with respect to Class B shares, so long as the Plan is in effect.

9.2 Although the Fund is not liable for unreimbursed distribution expenses, in the event of termination of the Plan, the Board of Directors of the Fund may consider the appropriateness of having the Class B shares of the Fund reimburse the Distributor for the then outstanding balance of all unreimbursed distribution expenses plus interest thereon to the extent permitted by applicable law from the date of this Agreement.

Section 10. Indemnification

10.1 The Fund agrees to indemnify, defend and hold the Distributor, its officers and Directors and any person who controls the Distributor within the meaning of Section 15 of the Securities Act, free and harmless from and against any and all claims, demands, liabilities and expenses (including the cost of investigating or defending such claims, demands or liabilities and any counsel fees incurred in connection therewith) which the Distributor, its officers, Directors or any such controlling person may incur under the Securities Act, or under common law or otherwise, arising out of or based upon any untrue statement of a material fact contained in the Registration Statement or Prospectus or arising out of or based upon any alleged omission to state a material fact required to be stated in either thereof or necessary to make the statements in either thereof not misleading, except insofar as such claims, demands, liabilities or expenses arise out of or are based upon any such untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with information furnished in writing by the Distributor to the Fund for use in the Registration Statement or Prospectus; provided, however, that this indemnity agreement shall not inure to the benefit of any such officer, Director or controlling person unless a court of competent jurisdiction shall determine in a final

decision on the merits, that the person to be indemnified was not liable by reason of willful misfeasance, bad faith or gross negligence in the performance of its duties, or by reason of its reckless disregard of its obligations under this Agreement (disabling conduct), or, in the absence of such a decision, a reasonable determination, based upon a review of the facts, that the indemnified person was not liable by reason of disabling conduct, by (a) a vote of a majority of a quorum of Directors who are neither "interested persons" of the Fund as defined in Section 2(a)(19) of the Investment Company Act nor parties to the proceeding, or (b) an independent legal counsel in a written opinion. The Fund's agreement to indemnify the Distributor, its officers and Directors and any such controlling person as aforesaid is expressly conditioned upon the Fund's being promptly notified of any action brought against the Distributor, its officers or Directors, or any such controlling person, such notification to be given in writing addressed to the Fund at its principal business office. The

Fund agrees promptly to notify the Distributor of the commencement of any litigation or proceedings against it or any of its officers or Directors in connection with the issue and sale of any Class B shares.

10.2 The Distributor agrees to indemnify, defend and hold the Fund, its officers and Directors and any person who controls the Fund, if any, within the meaning of Section 15 of the Securities Act, free and harmless from and against any and all claims, demands, liabilities and expenses (including the cost of investigating or defending against such claims, demands or liabilities and any counsel fees incurred in connection therewith) which the Fund, its officers and Directors or any such controlling person may incur under the Securities Act or under common law or otherwise, but only to the extent that such liability or expense incurred by the Fund, its Directors or officers or such controlling person resulting from such claims or demands shall arise out of or be based upon any alleged untrue statement of a material fact contained in information furnished in writing by the Distributor to the Fund for use in the Registration Statement or Prospectus or shall arise out of or be based upon any alleged omission to state a material fact in connection with such information required to be stated in the Registration Statement or Prospectus or necessary to make such information not misleading. The Distributor's agreement to indemnify the Fund, its officers and Directors and any such controlling person as aforesaid, is expressly conditioned upon the Distributor's being promptly notified of any action brought against the Fund, its officers and Directors or any such controlling person, such notification to be given to the Distributor in writing at its principal business office.

Section 11. Duration and Termination of this Agreement

11.1 This Agreement shall become effective as of the date first above written and shall remain in force for two years

from the date hereof and thereafter, but only so long as such continuance is specifically approved at least annually by (a) the Board of Directors of the Fund, or by the vote of a majority of the outstanding voting securities of the Class B shares of the Fund, and (b) by the vote of a majority of those Directors who are not parties to this Agreement or interested persons of any such parties and who have no direct or indirect financial interest in this Agreement or in the operation of the Fund's Plan or in any agreement related thereto (Rule 12b-1 Directors), cast in person at a meeting called for the purpose of voting upon such approval.

11.2 This Agreement may be terminated at any time, without the payment of any penalty, by a majority of the Rule 12b-1 Directors or by vote of a majority of the outstanding voting securities of the Class B shares of the Fund, or by the Distributor, on sixty (60) days' written notice to the other party. This Agreement shall automatically terminate in the event of its assignment.

11.3 The terms "affiliated person," "assignment," "interested person" and "vote of a majority of the outstanding voting securities," when used in this Agreement, shall have the respective meanings specified in the Investment Company Act.

Section 12. Amendments to this Agreement

This Agreement may be amended by the parties only if such amendment is specifically approved by (a) the Board of Directors of the Fund, or by the vote of a majority of the outstanding voting securities of the Class B shares of the Fund, and (b) by the vote of a majority of the Rule 12b-1 Board of Directors cast in person at a meeting called for the purpose of voting on such amendment.

Section 13. Governing Law

The provisions of this Agreement shall be construed and interpreted in accordance with the laws of the State of New York as at the time in effect and the applicable provisions of the Investment Company Act. To the extent that the applicable law of the State of New York, or any of the provisions herein, conflict with the applicable provisions of the Investment Company Act, the latter shall control.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year above written.

Prudential Securities
Incorporated

By: /s/ Robert F. Gunia

Name: Robert F. Gunia
Title: Senior Vice President

Prudential-Bache National
Municipals Fund, Inc.

By: /s/ Lawrence C. McQuade

Name: Lawrence C. McQuade
Title: President

EXHIBIT 11

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Statement of Additional Information constituting part of this Post-Effective Amendment No. 20 to the registration statement (the "Registration Statement") of our report dated February 17, 1994, relating to the financial statements and financial highlights of Prudential National Municipals Fund, which appears in such Statement of Additional Information and to the incorporation by reference of our report into the Prospectus which constitutes part of this Registration Statement. We also consent to the reference to us under the heading "Custodian and Transfer and Dividend Disbursing Agent and Independent Accountants" in such Statement of Additional Information and to the reference to us under the heading "Financial Highlights" in such Prospectus.

PRICE WATERHOUSE

1177 Avenue of the Americas
New York, New York

February 24, 1994

Exhibit 15(a)

PRUDENTIAL-BACHE NATIONAL MUNICIPALS FUND, INC.

Distribution and Service Plan
(Class A Shares)

Introduction

The Distribution and Service Plan (the Plan) set forth below which is designed to conform to the requirements of Rule 12b-1 under the Investment Company Act of 1940 (the Investment Company Act) and Article III, Section 26 of the Rules of Fair Practice of the National Association of Securities Dealers, Inc. (NASD) has been adopted by Prudential-Bache National Municipals Fund, Inc., (the Fund) and by Prudential Mutual Fund Distributors, Inc., the Fund's distributor (the Distributor).

The Fund has entered into a distribution agreement (the Distribution Agreement) pursuant to which the Fund will employ the Distributor to distribute Class A shares issued by the Fund (Class A shares). Under the Distribution Agreement, the Distributor will be entitled to receive payments from investors of front-end sales charges with respect to the sale of Class A shares. Under the Plan, the Fund intends to reimburse the Distributor for costs incurred by the Distributor in distributing Class A shares of the Fund and to pay the Distributor a service fee for the maintenance of Class A shareholder accounts.

A majority of the Board of Directors or Trustees of the Fund, including a majority of those Directors or Trustees who are not "interested persons" of the Fund (as defined in the Investment Company Act) and who have no direct or indirect financial interest in the operation of this Plan or any agreements related to it (the Rule 12b-1 Directors or Trustees), have determined by votes cast in person at a meeting called for the purpose of voting on this Plan that there is a reasonable likelihood that adoption of this Plan will benefit the Fund and its shareholders. Expenditures under this Plan by the Fund for Distribution Activities (defined below) are primarily intended to result in the sale of Class A shares of the Fund within the meaning of paragraph (a)(2) of Rule 12b-1 promulgated under the Investment Company Act.

The purpose of the Plan is to create incentives to the Distributor and/or other qualified broker-dealers and their account executives to provide distribution assistance to their customers who are investors in the Fund, to defray the costs and expenses associated with the preparation, printing and distribution of prospectuses and sales literature and other promotional and distribution activities and to provide for the servicing and maintenance of shareholder accounts.

The Plan

The material aspects of the Plan are as follows:

1. Distribution Activities

The Fund shall engage the Distributor to distribute Class A shares of the Fund and to service shareholder accounts using all of the facilities of the distribution networks of Prudential Securities Incorporated (Prudential Securities) and Pruco Securities Corporation (Prusec), including sales personnel and branch office and central support systems, and also using such other qualified broker-dealers and financial institutions as the

Distributor may select. Services provided and activities undertaken to distribute Class A shares of the Fund are referred to herein as "Distribution Activities."

2. Payment of Service Fee

The Fund shall reimburse the Distributor for costs incurred by it in providing personal service and/or maintaining shareholder accounts at a rate not to exceed .25 of 1% per annum of the average daily net assets of the Class A shares (service fee). The Fund shall calculate and accrue daily amounts reimbursable by the Class A shares of the Fund hereunder and shall pay such amounts monthly or at such other intervals as the Board of Directors or Trustees may determine. Costs of the Distributor subject to reimbursement hereunder include account servicing fees and indirect and overhead costs associated with providing personal service and/or maintaining shareholder accounts.

3. Payment for Distribution Activities

The Fund shall reimburse the Distributor for costs incurred by it in performing Distribution Activities at a rate which, together with the service fee (described in Section 2 hereof), shall not exceed .30% per annum of the average daily net assets of the Class A shares of the Fund. The Fund shall calculate and accrue daily amounts reimbursable by the Class A shares of the Fund hereunder and shall pay such amounts monthly or at such other intervals as the Board of Directors or Trustees may determine.

Amounts paid to the Distributor by the Class A shares of the

Fund will not be used to pay the distribution expenses incurred with respect to the Class B shares of the Fund except that distribution expenses attributable to the Fund as a whole will be allocated to the Class A shares according to the ratio of the sales of Class A shares to the total sales of the Fund's shares over the Fund's fiscal year or such other allocation method approved by the Board of Directors or Trustees. The allocation of distribution expenses among Classes will be subject to the review of the Board of Directors or Trustees. Payments hereunder will be applied to distribution expenses in the order in which they are incurred, unless otherwise determined by the Board of Directors or Trustees.

Costs of the Distributor subject to reimbursement hereunder are costs of performing Distribution Activities and may include, among others:

(a) amounts paid to Prudential Securities in reimbursement of costs incurred by Prudential Securities in performing services under a selected dealer agreement between Prudential Securities and the Distributor for sale of Class A shares of the Fund, including sales commissions and trailer commissions paid to, or on account of, account executives and indirect and overhead costs associated with Distribution Activities, including central office and branch expenses;

(b) amounts paid to Prusec in reimbursement of costs incurred by Prusec in performing services under a selected dealer agreement between Prusec and the Distributor for sale of Class A shares of the Fund, including sales commissions and trailer commissions paid to, or on account of, agents and indirect and overhead costs associated with Distribution Activities;

(c) advertising for the Fund in various forms through any available medium, including the

cost of printing and mailing Fund prospectuses, statements of additional information and periodic financial reports and sales literature to persons other than current shareholders of the Fund; and

(d) sales commissions (including trailer commissions) paid to, or on account of, broker-dealers and financial institutions (other than Prudential Securities and Prusec) which have entered into selected dealer agreements with the Distributor with respect to shares of the Fund.

4. Quarterly Reports; Additional Information

An appropriate officer of the Fund will provide to the Board of Directors or Trustees of the Fund for review, at least quarterly, a written report specifying in reasonable detail the amounts expended for Distribution Activities (including payment of the service fee) and the purposes for which such expenditures were made in compliance with the requirements of Rule 12b-1. The Distributor will provide to the Board of Directors or Trustees of the Fund such additional information as the Board or Trustees shall from time to time reasonably request, including information about Distribution Activities undertaken or to be undertaken by the Distributor.

The Distributor will inform the Board of Directors or Trustees of the Fund of the commissions and account servicing fees to be paid by the Distributor to account executives of the Distributor and to broker-dealers and financial institutions which have selected dealer agreements with the Distributor.

5. Effectiveness; Continuation

The Plan shall not take effect until it has been approved by a vote of a majority of the outstanding voting securities (as

defined in the Investment Company Act) of the Class A shares of the Fund.

If approved by a vote of a majority of the outstanding voting securities of the Class A shares of the Fund, the Plan shall, unless earlier terminated in accordance with its terms, continue in full force and effect thereafter for so long as such continuance is specifically approved at least annually by a majority of the Board of Directors or Trustees of the Fund and a majority of the Rule 12b-1 Directors or Trustees by votes cast in person at a meeting called for the purpose of voting on the continuation of the Plan.

6. Termination

This Plan may be terminated at any time by vote of a majority of the Rule 12b-1 Directors or Trustees, or by vote of a majority of the outstanding voting securities (as defined in the Investment Company Act) of the Class A shares of the Fund.

7. Amendments

The Plan may not be amended to change the distribution expenses to be paid as provided for in Section 3 hereof so as to increase materially the amounts payable under this Plan unless such amendment shall be approved by the vote of a majority of the outstanding voting securities (as defined in the Investment Company Act) of the Class A shares of the Fund. All material amendments of the Plan, including the addition or deletion of categories of expenditures which are reimbursable hereunder, shall be approved by a majority of the Board of Directors or the Trustees of the Fund and a majority of the Rule 12b-1 Directors or Trustees by votes cast in person at a meeting called for the purpose of voting on the Plan.

8. Non-interested Directors or Trustees

While the Plan is in effect, the selection and nomination of the Directors or Trustees who are not "interested persons" of the Fund (non-interested Directors or Trustees) shall be committed to the discretion of the non-interested Directors or Trustees.

9. Records

The Fund shall preserve copies of the Plan and any related agreements and all reports made pursuant to Section 4 hereof, for a period of not less than six years from the date of effectiveness of the Plan, such agreements or reports, and for at least the first two years in an easily accessible place.

Dated: January 22, 1990
as amended and restated
on July 1, 1993

Exhibit 15(b)

PRUDENTIAL-BACHE NATIONAL MUNICIPALS FUND, INC.

Distribution and Service Plan
(Class B Shares)

Introduction

The Distribution and Service Plan (the Plan) set forth below which is designed to conform to the requirements of Rule 12b-1 under the Investment Company Act of 1940 (the Investment Company Act) and Article III, Section 26 of the Rules of Fair Practice of the National Association of Securities Dealers, Inc. (NASD) has been adopted by Prudential-Bache National Municipals Fund, Inc., (the Fund) and by Prudential Securities Incorporated (Prudential Securities), the Fund's distributor (the Distributor).

The Fund has entered into a distribution agreement (the Distribution Agreement) pursuant to which the Fund will continue to employ the Distributor to distribute Class B shares issued by the Fund (Class B shares). Under the Distribution Agreement, the Distributor will be entitled to receive payments from investors of contingent deferred sales charges imposed with respect to certain repurchases and redemptions of Class B shares. Under the Plan, the Fund wishes to reimburse the Distributor for costs incurred by the Distributor in distributing Class B shares of the Fund and to pay the Distributor a service fee for the maintenance of Class B shareholder accounts.

A majority of the Board of Directors or Trustees of the Fund including a majority who are not "interested persons" of the Fund (as defined in the Investment Company Act) and who have no direct

or indirect financial interest in the operation of this Plan or any agreements related to it (the Rule 12b-1 Directors or Trustees), have determined by votes cast in person at a meeting called for the purpose of voting on this Plan that there is a reasonable likelihood that adoption of this Plan will benefit the Fund and its shareholders. Expenditures under this Plan by the Fund for Distribution Activities (defined below) are primarily intended to result in the sale of Class B shares of the Fund within the meaning of paragraph (a)(2) of Rule 12b-1 promulgated under the Investment Company Act.

The purpose of the Plan is to create incentives to the Distributor and/or other qualified broker-dealers and their account executives to provide distribution assistance to their customers who are investors in the Fund, to defray the costs and expenses associated with the preparation, printing and distribution of prospectuses and sales literature and other promotional and distribution activities and to provide for the servicing and maintenance of shareholder accounts.

The Plan

The material aspects of the Plan are as follows:

1. Distribution Activities

The Fund shall engage the Distributor to distribute Class B shares of the Fund and to service shareholder accounts using all of the facilities of the Prudential Securities distribution network including sales personnel and branch office and central support systems, and also using such other qualified broker-dealers and

financial institutions as the Distributor may select, including Pruco Securities Corporation (Prusec). Services provided and activities undertaken to distribute Class B shares of the Fund are referred to herein as "Distribution Activities."

2. Payment of Service Fee

The Fund shall reimburse the Distributor for costs incurred by it in providing personal service and/or maintaining shareholder accounts at a rate not to exceed .25 of 1% per annum of the average daily net assets of the Class B shares (service fee). The Fund shall calculate and accrue daily amounts reimbursable by the Class B shares of the Fund hereunder and shall pay such amounts monthly or at such other intervals as the Board of Directors or Trustees may determine. Costs of the Distributor subject to reimbursement hereunder include account servicing fees and indirect and overhead costs associated with providing personal service and/or maintaining shareholder accounts.

3. Payment for Distribution Activities

The Fund shall reimburse the Distributor at a rate which, together with the service fee (described in Section 2 hereof), shall not exceed .50 of 1% per annum of the average daily net assets of the Class B shares of the Fund for costs incurred by it in performing Distribution Activities. The Fund shall calculate and accrue daily amounts reimbursable by the Class B shares of the Fund hereunder and shall pay such amounts monthly or at such other intervals as the Board of Directors or Trustees may determine. Proceeds from contingent deferred sales charges will be applied to

reduce the costs incurred in performing Distribution Activities. The Fund shall carry forward amounts reimbursable that are not paid because they exceed .50 of

1% per annum of the average daily net assets of the Class B shares of the Fund (Carry Forward Amounts) and shall pay such amounts within the .50 of 1% per annum payment rate limitation so long as this Plan, including any amendments hereto, is in effect, subject to the limitations of Article III, Section 26 of the NASD Rules of Fair Practice. Although the Fund is not liable for unreimbursed distribution expenses, in the event of termination or discontinuation of the Plan, the Board of Directors or Trustees may consider the appropriateness of having the Class B shares of the Fund reimburse the Distributor for the then outstanding Carry Forward Amounts plus interest thereon to the extent permitted by applicable law or regulation from the effective date of the Plan.

Amounts paid to the Distributor by the Class B shares of the Fund will not be used to pay the distribution expenses incurred with respect to the Class A shares of the Fund except that distribution expenses attributable to the Fund as a whole will be allocated to the Class B shares according to the ratio of the sale of Class B shares to the total sales of the Fund's shares over the Fund's fiscal year or such other allocation method approved by the Board of Directors or Trustees. The allocation of distribution expenses among Classes will be subject to the review of the Board of Directors or Trustees. Payments hereunder will be applied to distribution expenses in the order in which they are incurred,

unless otherwise determined by the Board of Directors or Trustees.

Costs of the Distributor subject to reimbursement hereunder are all costs of performing Distribution Activities and include, among others:

(a) sales commissions (including trailer commissions) paid to, or on account of, account executives of the Distributor;

(b) indirect and overhead costs of the Distributor associated with performance of distribution activities including central office and branch expenses;

(c) amounts paid to Prusec in reimbursement of all costs incurred by Prusec in performing services under a selected dealer agreement between Prusec and the Distributor for sale of Class B shares of the Fund, including sales commissions and trailer commissions paid to, or on account of, agents and indirect and overhead costs associated with Distribution Activities;

(d) advertising for the Fund in various forms through any available medium, including the cost of printing and mailing Fund prospectuses, statements of additional information and periodic financial reports and sales literature to persons other than current shareholders of the Fund;

(e) sales commissions (including trailer commissions) paid to, or on account of, broker-dealers and other financial institutions (other than Prusec) which have entered into selected dealer agreements with the Distributor with respect to shares of the Fund;

(f) to the extent permitted by law, interest on unreimbursed Carry Forward Amounts as defined in Section 3 at a rate equal to that paid by Prudential Securities for bank borrowings as such rate may vary from day to day, not to exceed that permitted under Article III, Section 26, of the NASD Rules of Fair Practice; and

(g) unreimbursed distribution expenses incurred with respect to the sale of Class B shares which have been exchanged into the Fund.

4. Quarterly Reports; Additional Information

An appropriate officer of the Fund will provide to the Board

of Directors or Trustees of the Fund for review, at least quarterly, a written report specifying in reasonable detail the amounts expended for Distribution Activities (including payment of the service fee) and the purposes for which such expenditures were made in compliance with the requirements of Rule 12b-1. The Distributor will provide to the Board of Directors or Trustees of the Fund such additional information as they shall from time to time reasonably request, including information about Distribution Activities undertaken or to be undertaken by the Distributor.

The Distributor will inform the Board of Directors or Trustees of the Fund of the commissions and account servicing fees to be paid by the Distributor to account executives of the Distributor and to broker-dealers and other financial institutions which have selected dealer agreements with the Distributor.

5. Effectiveness; Continuation

The Plan shall not take effect until it has been approved by a vote of a majority of the outstanding voting securities (as defined in the Investment Company Act) of the Class B shares of the Fund.

If approved by a vote of a majority of the outstanding voting securities of the Class B shares of the Fund, the Plan shall, unless earlier terminated in accordance with its terms, continue in full force and effect thereafter for so long as such continuance is specifically approved at least annually by a majority of the Board of Directors or Trustees of the Fund and a majority of the Rule 12b-1 Directors or Trustees by votes cast in person at a meeting called for the purpose of voting on the continuation of the Plan.

6. Termination

This Plan may be terminated at any time by vote of a majority of the Rule 12b-1 Directors or Trustees, or by vote of a majority of the outstanding voting securities (as defined in the Investment Company Act) of the Class B shares of the Fund.

7. Amendments

The Plan may not be amended to change the distribution expenses to be paid as provided for in Section 3 hereof so as to increase materially the amounts payable under this Plan unless such amendment shall be approved by the vote of a majority of the outstanding voting securities (as defined in the Investment Company Act) of the Class B shares of the Fund. All material amendments of the Plan, including the addition or deletion of categories of expenditures which are reimbursable hereunder, shall be approved by a majority of the Board of Directors or Trustees of the Fund and a majority of the Rule 12b-1 Directors or Trustees by votes cast in person at a meeting called for the purpose of voting on the Plan.

8. Non-interested Directors or Trustees

While the Plan is in effect, the selection and nomination of the Directors or Trustees who are not "interested persons" of the Fund (non-interested Directors or Trustees) shall be committed to the discretion of the non-interested Directors or Trustees.

9. Records

The Fund shall preserve copies of the Plan and any related

agreements and all reports made pursuant to Section 4 hereof, for a period of not less than six years from the date of effectiveness of the Plan, such agreements or reports, and for at least the first two years in an easily accessible place.

Dated: June 26, 1985
as amended and restated
on January 22, 1990
and July 1, 1993