FORM 485APOS

Post-effective amendments [Rule 485(a)]

Filing Date: **1994-03-02**
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PRUDENTIAL EQUITY FUND

CIK:**356683**| IRS No.: **133104589** | State of Incorp.:**MD** | Fiscal Year End: **1231**
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Mailing Address
ONE SEAPORT PLZ
NEW YORK NY 10292

Business Address
199 WATER ST
NEW YORK NY 10292
2122141250

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 2, 1994

REGISTRATION NO. 2-75128

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. 16 /X/

AND/OR

REGISTRATION STATEMENT UNDER THE
INVESTMENT COMPANY ACT OF 1940
AMENDMENT NO. 17 /X/
(Check appropriate box or boxes)

PRUDENTIAL EQUITY FUND, INC.
(Exact name of registrant as specified in charter)

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):

/ / immediately upon filing pursuant to paragraph (b)

/ / on (date) pursuant to paragraph (b)

/X/ 60 days after filing pursuant to paragraph (a)

/ / on (date) pursuant to paragraph (a), of Rule 485.

Pursuant to Rule 24f-2 under the Investment Company Act of 1940, Registrant has previously registered an indefinite number of shares of its 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 28, 1994.

CROSS REFERENCE SHEET
(AS REQUIRED BY RULE 495)

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<CAPTION>

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Item	4.	General Description of Registrant........................	Cover Page; Fund Highlights; How the Fund Invests; General Information
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Item	6.	Capital Stock and Other Securities........................	Taxes, Dividends and Distributions; General Information
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Item	8.	Redemption or Repurchase..........	Shareholder Guide; How the Fund Values its Shares; General Information
Item	9.	Pending Legal Proceedings.........	Not Applicable
PART B			
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Item	12.	General Information and History...	General Information and History
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
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Item	20.	Tax Status........................	Dividends, Distributions and Taxes
Item	21.	Underwriters......................	Distributor
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PART C

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.

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PRUDENTIAL EQUITY FUND, INC.

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PROSPECTUS DATED MARCH 2, 1994

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Prudential Equity Fund, Inc. (the Fund) is an open-end, diversified management investment company whose investment objective is long-term growth of capital. The Fund will seek to achieve this objective by investing primarily in common stocks of major, established corporations which, in the opinion of its investment adviser, are believed to be in sound financial condition and to have prospects of price appreciation greater than broadly based stock indices. The Fund may also invest in options on stocks and stock indices. See "How the Fund Invests--Investment Objective and Policies."

The Fund's purchase and sale of put and call options and related short-term trading may result in a high portfolio turnover rate. These activities may be considered speculative and may result in higher risks and costs to the Fund. The Fund may also buy and sell stock index options, futures and options on futures, forward foreign currency exchange contracts, options on foreign currencies and futures contracts on foreign currencies and options thereon pursuant to limits described herein. See "How the Fund Invests--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 March 2, 1994, which information is incorporated herein by reference (is legally considered to be a part of this Prospectus) and is available without charge upon request to Prudential Equity Fund, Inc., at the address or telephone number noted above.

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INVESTORS ARE ADVISED TO READ THIS PROSPECTUS AND RETAIN IT FOR FUTURE REFERENCE.

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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 EQUITY FUND, INC.

Prudential Equity Fund, Inc. 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 Fund's investment objective is long-term growth of capital. It seeks to achieve this objective by investing primarily in common stocks of major, established corporations which, in the opinion of the Fund's investment adviser, are believed to be in sound financial condition and to have prospects of price appreciation greater than broadly based stock indices. The Fund may also invest in preferred stocks and bonds. See "How the Fund Invests--Investment Objective and Policies" at page 7.

WHAT ARE THE FUND'S SPECIAL CHARACTERISTICS AND RISKS?

In seeking to achieve its investment objective, the Fund may engage in the purchase and sale of put and call options and related short-term trading which may result in a high portfolio turnover rate. These activities may be considered speculative and may result in higher risks and costs to the Fund. The Fund may also buy and sell stock index options, futures and options on futures,forward foreign currency exchange contracts, options on foreign currencies and futures contracts on foreign currencies and options thereon pursuant to limits described herein. See "How the Fund Invests--Investment Objective and Policies" at page 7.

In addition, the Fund may invest up to 30% of its total assets in foreign securities. Investing in securities of foreign companies and countries involves certain considerations and risks not typically associated with investing in securities of domestic companies. See "How the Fund Invests--Other Investments and Policies" at page 13.

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 $500 million, .475 of 1% of the next $500 million and .45 of 1% of the average daily net assets in excess of $1 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 15.

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 .25 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 1% of the average daily net assets of the Class B shares. See "How the Fund Is Managed--Distributor" at page 16.

WHAT IS THE MINIMUM INVESTMENT?

The minimum initial investment is $1,000. Thereafter, the minimum investment is $100. There is no minimum investment requirement for certain retirement 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 21 and "Shareholder Guide--Shareholder Services" at page 28.

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 18 and "Shareholder Guide--How to Buy Shares of the Fund" at page 21.

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 5.25% 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 22.

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 24.

HOW ARE DIVIDENDS AND DISTRIBUTIONS PAID?

The Fund expects to pay dividends of net investment income semi-annually and make distributions of any net capital gains 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 21.

FUND EXPENSES

SHAREHOLDER TRANSACTION EXPENSES+	CLASS A SHARES (INITIAL SALES CHARGE ALTERNATIVE)	CLASS B SHARES (DEFERRED SALES CHARGE ALTERNATIVE)
Maximum Sales Load Imposed on Purchases (as a percentage of offering price).....	5.25%	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 (AS A PERCENTAGE OF AVERAGE NET ASSETS)	CLASS A	CLASS B
Management Fees..........................	.47%	.47%
12b-1 Fees+.............................	.25++	1.00
Other Expenses..........................	.24	.24
Total Fund Operating Expenses...........	.96%	1.71%

EXAMPLE	1 YEAR	3 YEARS	5 YEARS	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...	$ 62	$ 81	$103	$ 164
Class B...	$ 67	$ 84	$103	$ 202
You would pay the following expenses on the same investment, assuming no redemption:				
Class A...	$ 62	$ 81	$103	$ 164
Class B...	$ 17	$ 54	$ 93	$ 202

The above example is based on restated 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 estimated operating expenses of the Fund, such as Directors' and professional fees, registration fees, reports to shareholders, transfer agency and custodian fees.

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+ 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 total gross sales, subject to certain exclusions. This 6.25% limitation is imposed on each class of 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 an annual rate of .30 of 1% of the average daily net assets of the Class A shares, the Distributor has agreed to limit its distribution expenses with respect to Class A shares of the Fund to .25 of 1% of the average daily net asset value of the Class A shares for the fiscal year ending December 31, 1994. See " How the Fund Is Managed--Distributor."
</TABLE>

FINANCIAL HIGHLIGHTS
(FOR A SHARE OUTSTANDING THROUGHOUT EACH OF THE INDICATED PERIODS)
(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 share of Class A common stock outstanding, total return, ratios to average net assets and other supplemental data for 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,
	1993	1992	1991	1990
<S>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:				
Net asset value, beginning of period	$ 12.07	$ 11.39	$ 9.84	$ 11.46
INCOME FROM INVESTMENT OPERATIONS				
Net investment income	.23	.24	.27	.31
Net realized and unrealized gain (loss) on investment transactions	2.42	1.30	2.09	(.36)
Total from investment operations	2.65	1.54	2.36	(.05)
LESS DISTRIBUTIONS				
Dividends from net investment income	(.22)	(.23)	(.24)	(.35)
Distributions from net realized capital gains	(.70)	(.63)	(.57)	(1.22)
Total distributions	(.92)	(.86)	(.81)	(1.57)
Net asset value, end of period	$ 13.80	$ 12.07	$ 11.39	$ 9.84
TOTAL RETURN#:	22.14%	13.65%	24.55%	(.47)%
RATIOS/SUPPLEMENTAL DATA:				
Net assets, end of period (000)	$ 232,535	$ 136,834	$ 82,845	$ 30,264
Average net assets (000)	$ 190,778	$ 111,489	$ 57,845	$ 27,371
Ratios to average net assets:				
Expenses, including distribution fees	.91%	.94%	.97%	1.01 %*
Expenses, excluding distribution fees	.71%	.74%	.77%	.84 %*
Net investment income	1.71%	1.91%	2.36%	2.86 %*
Portfolio turnover	21%	22%	19%	76 %

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*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>

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

The following financial highlights with respect to the five-year 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 share of Class B common stock outstanding, total return, ratios to average net assets and other supplemental data for the periods 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
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:							
Net asset value, beginning of period............................	$ 12.08	$ 11.40	$ 9.85	$ 11.83	$ 9.18	$ 8.19	$ 9.04
INCOME FROM INVESTMENT OPERATIONS........................							
Net investment income.............	.12	.14	.18	.26	.19	.19	.03
Net realized and unrealized gain (loss) on investment transactions......................	2.42	1.30	2.09	(.76)	2.75	.99	.11
Total from investment operations......................	2.54	1.44	2.27	(.50)	2.94	1.18	.14
LESS DISTRIBUTIONS							
Dividends from net investment income............................	(.12)	(.13)	(.15)	(.26)	(.20)	(.19)	(.15)
Distributions from net realized capital gains.....................	(.70)	(.63)	(.57)	(1.22)	(.09)	--	(.84)
Total distributions.............	(.82)	(.76)	(.72)	(1.48)	(.29)	(.19)	(.99)
Net asset value, end of period.....	$ 13.80	$ 12.08	$ 11.40	$ 9.85	$ 11.83	$ 9.18	$ 8.19
TOTAL RETURN++:....................	21.13 %	12.72 %	23.55 %	(4.28)%	32.04 %	14.39 %	0.87%
RATIOS/SUPPLEMENTAL DATA:							
Net assets, end of period (000)....	$ 1,794,634	$ 1,203,740	$ 904,382	$ 578,213	$ 629,230	$ 514,943	$ 525,549
Average net assets (000)..........	$ 1,522,992	$ 1,042,028	$ 757,485	$ 583,016	$ 567,575	$ 530,415	$ 531,051
Ratios to average net assets:							
Expenses, including distribution fees+++.........................	1.71 %	1.74 %	1.77 %	1.89 %	1.62 %	1.61 %	1.67%
Expenses, excluding distribution fees+++.........................	.71 %	.74 %	.77 %	.89 %	.82 %	.86 %	.79%
Net investment income............	.91 %	1.11 %	1.56 %	2.27 %	1.66 %	1.84 %	1.03%
Portfolio turnover.................	21 %	22 %	19 %	76 %	57 %	57 %	90%

<CAPTION>

	1986+	1985+	1984+
<S>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:			
Net asset value, beginning of period............................	$ 9.05	$ 7.21	$ 7.20
INCOME FROM INVESTMENT OPERATIONS........................			
Net investment income.............	.12	.14	.13
Net realized and unrealized gain (loss) on investment transactions......................	1.15	2.12	.25
Total from investment operations......................	1.27	2.26	.38

LESS DISTRIBUTIONS			
Dividends from net investment income	(.06)	(.05)	(.08)
Distributions from net realized capital gains	(1.22)	(.37)	(.29)
Total distributions	(1.28)	(.42)	(.37)
Net asset value, end of period	$ 9.04	$ 9.05	$ 7.21
TOTAL RETURN++:	14.66 %	32.25 %	5.88 %
RATIOS/SUPPLEMENTAL DATA:			
Net assets, end of period (000)	$ 315,781	$ 104,333	$ 47,500
Average net assets (000)	$ 253,230	$ 68,454	$ 41,022
Ratios to average net assets:			
Expenses, including distribution fees+++	1.52 %	1.27 %	1.52 %
Expenses, excluding distribution fees+++	.86 %	1.13 %	1.52 %
Net investment income	1.40 %	1.85 %	1.87 %
Portfolio turnover	123 %	106 %	105 %

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*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.

+Restated to reflect 2 for 1 stock split paid to shareholders of record on April 23, 1986.

++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."

</TABLE>

HOW THE FUND INVESTS

INVESTMENT OBJECTIVE AND POLICIES

THE FUND'S INVESTMENT OBJECTIVE IS LONG-TERM GROWTH OF CAPITAL. THE FUND WILL SEEK TO ACHIEVE THIS OBJECTIVE BY INVESTING PRIMARILY IN COMMON STOCKS OF MAJOR, ESTABLISHED CORPORATIONS WHICH, IN THE OPINION OF THE FUND'S INVESTMENT ADVISER, ARE BELIEVED TO BE IN SOUND FINANCIAL CONDITION AND HAVE PROSPECTS OF PRICE APPRECIATION GREATER THAN BROADLY BASED STOCK INDICES. THE FUND MAY ALSO INVEST IN PREFERRED STOCKS AND BONDS, WHICH HAVE EITHER ATTACHED WARRANTS OR A CONVERSION PRIVILEGE INTO COMMON STOCKS. AT TIMES, WHEN ECONOMIC CONDITIONS OR GENERAL LEVELS OF COMMON STOCK PRICES ARE SUCH THAT THE INVESTMENT ADVISER DEEMS IT PRUDENT TO ADOPT A DEFENSIVE POSITION BY REDUCING OR CURTAILING INVESTMENTS IN COMMON STOCKS, A LARGER PROPORTION OF THE FUND'S ASSETS THAN USUAL MAY BE INVESTED IN PREFERRED STOCKS OR SHORT-TERM OR LONG-TERM DEBT INSTRUMENTS (EITHER CONVERTIBLE OR NON-CONVERTIBLE). THE SHARES OF THE FUND ARE SUBJECT TO THE RISKS OF COMMON STOCK INVESTMENT, AND THERE CAN BE NO ASSURANCE THAT THE FUND WILL ACHIEVE ITS INVESTMENT OBJECTIVE. The Fund may invest up to 30% of its assets in foreign securities, which may involve additional risks. Such investment risks include future adverse political and economic developments, possible seizure or nationalization of the company in which securities the Fund has invested and possible establishment of exchange controls or other foreign governmental laws that might adversely affect the payment of dividends.

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.

HEDGING AND INCOME ENHANCEMENT STRATEGIES

THE FUND MAY ALSO ENGAGE IN VARIOUS PORTFOLIO STRATEGIES TO REDUCE CERTAIN RISKS OF ITS INVESTMENTS AND TO ATTEMPT TO ENHANCE INCOME. THESE STRATEGIES INCLUDE (1) THE PURCHASE OF AND THE WRITING (I.E., SALE) OF PUT OPTIONS AND COVERED CALL OPTIONS ON EQUITY SECURITIES, (2) THE PURCHASE OF PUT AND CALL OPTIONS AND THE SELLING OF COVERED CALL OPTIONS ON INDICES, (3) THE PURCHASE AND SALE OF EXCHANGE TRADED STOCK INDEX FUTURES AND OPTIONS THEREON AND (4) THE PURCHASE AND SALE OF OPTIONS ON FOREIGN CURRENCIES AND FUTURES CONTRACTS ON FOREIGN CURRENCIES AND OPTIONS THEREON. THE FUND MAY ENGAGE IN THESE TRANSACTIONS ON SECURITIES OR COMMODITIES EXCHANGES OR, IN THE CASE OF EQUITY, STOCK INDEX AND FOREIGN CURRENCY OPTIONS, ALSO IN THE OVER-THE-COUNTER MARKET. THE FUND MAY ALSO PURCHASE AND SELL FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS. The Fund's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations and there can be no assurance that any of these strategies will succeed. New financial products and risk management techniques continue to be developed and the Fund may use these new investments and techniques to the extent they are consistent with its investment objective and policies. See "Investment Objective and Policies" in the Statement of Additional Information.

OPTIONS TRANSACTIONS

OPTIONS ON EQUITY SECURITIES. THE FUND INTENDS TO PURCHASE AND WRITE (I.E., SELL) PUT AND CALL OPTIONS ON EQUITY SECURITIES THAT ARE TRADED ON SECURITIES EXCHANGES, ON NASDAQ (NASDAQ OPTIONS) OR IN THE OVER-THE-COUNTER MARKET. A call option is a short-term contract (having a duration of nine months or less) pursuant to which the purchaser, in return for a premium paid, has the right to buy the security underlying the option at a specified exercise price at any time during the term of

the option or, in the case of a European-style option, at the expiration of the option. The writer of the call option receives a premium and has the obligation, if the option is exercised, to deliver the underlying security against payment of the exercise price. A put option is a similar contract which gives the purchaser, who pays a premium, the right to sell the underlying security at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy the underlying security upon exercise at the exercise price. The Fund will purchase put options only when its investment adviser perceives significant short-term risk, but substantial long-term appreciation, in the underlying security.

THE FUND WILL WRITE CALL OPTIONS ONLY IF THEY ARE COVERED. A call option is covered if the Fund holds on a share-for-share basis a call on the same security as the call written by the Fund where the exercise price of the call held is equal to or less than the exercise price of the call written or greater than the exercise price of the call written if the difference is maintained by the Fund in cash, Treasury bills or other high grade short-term obligations in a segregated account with its custodian. The premium paid by the purchaser of an option will reflect, among other things, the relationship of the exercise price to the market price and volatility of the underlying security, the remaining term of the option, supply and demand and interest rates.

If the writer of an option wishes to terminate the obligation, he or she may effect a "closing purchase transaction." This is accomplished by buying an option of the same series as the option previously written. The effect of the purchase is that the writer's position will be cancelled by the clearing corporation. However, a writer may not effect a closing purchase transaction after he or she has been notified of the exercise of an option. Similarly, an investor who is the holder of an option may liquidate his or her position by effecting a "closing sale transaction." This is accomplished by selling an option of the same series as the option previously purchased. There is no guarantee that either a closing purchase or a closing sale transaction can be effected. To secure the obligation to deliver the underlying security in the case of a call option, the writer of an exchange-traded option or a NASDAQ option is required to pledge for the benefit of the broker the underlying security or other assets in accordance with the rules of The Options Clearing Corporation (OCC), an institution created to interpose itself between buyers and sellers of options. Technically, the OCC assumes the other side of every purchase and sale transaction on an exchange and, by doing so, guarantees the transaction.

In the case of OTC options, it is not possible to effect a closing transaction in the same manner as exchange-traded options because a clearing corporation is not interposed between the buyer and seller of the option. In order to terminate the obligation represented by an OTC option, the Fund would need to agree to the termination of the obligation represented by an OTC option with the counterparty thereto. Any such cancellation, if agreed to, may require the Fund to pay a premium to the counterparty. Alternatively, the Fund could write an OTC put option in effect to close its position on an OTC call option or write a call option to close its position on an OTC put option. However, the Fund would remain exposed to each counterparty's credit risk on the call or put option until such option is exercised or expires. There is no guarantee that the Fund will be able to write put or call options, as the case may be, that will effectively close an existing position.

The Fund will realize a profit from a closing transaction if the price of the transaction is less than the premium received from writing the option or is more than the premium paid to purchase the option; the Fund will realize a loss from a closing transaction if the price of the transaction is more than the premium received from writing the option or is less than the premium paid to purchase the option. Because increases in the market price of a call option will generally reflect increases in the market price of the underlying security, any loss resulting from the repurchase of a call option is likely to be offset in whole or in part by appreciation of the underlying security owned by the Fund.

THE FUND MAY ALSO PURCHASE A "PROTECTIVE PUT," I.E., A PUT OPTION ACQUIRED FOR THE PURPOSE OF PROTECTING A PORTFOLIO SECURITY FROM A DECLINE IN MARKET VALUE. In exchange for the premium paid for the put option, the Fund acquires the right to sell the underlying security at the exercise price of the put regardless of the extent to which the underlying security declines in value. The loss to the Fund is limited to the premium paid for, and transaction costs in connection with, the put plus the initial excess, if any, of the market price of the underlying security over the exercise price. However, if the market price of the security

underlying the put rises, the profit the Fund realizes on the sale of the security will be reduced by the premium paid for the put option less any amount (net of transaction costs) for which the put may be sold. Similar principles apply to the purchase of puts on stock indices, as described below.

OPTIONS ON STOCK INDICES. THE FUND MAY ALSO PURCHASE AND WRITE (I.E., SELL) PUT AND CALL OPTIONS ON STOCK INDICES TRADED ON SECURITIES EXCHANGES, ON NASDAQ OR IN THE OVER-THE-COUNTER MARKET. Options on stock indices are similar to options on stock except that, rather than the right to take or make delivery of stock at a specified price, an option on a stock index gives the holder the right to receive, upon exercise of the option, an amount of cash if the closing level of the stock index upon which the option is based is greater than, in the case of a call, or less than, in the case of a put, the exercise price of the option. This amount of cash is equal to such difference between the closing price of the index and the exercise price of the option expressed in dollars times a specified multiple (the multiplier). The writer of the option is obligated, in return for the premium received, to make delivery of this amount. Unlike stock options, all settlements are in cash, and gain or loss depends on price movements in the stock market generally (or in a particular industry or segment of the market) rather than price movements in individual stocks.

The multiplier for an index option performs a function similar to the unit of trading for a stock option. It determines the total dollar value per contract of each point in the difference between the exercise price of an option and the current level of the underlying index. A multiplier of 100 means that a one-point difference will yield $100. Options on different indices may have different multipliers.

Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Fund will realize a gain or loss on the purchase or sale of an option on an index depends upon movements in the level of stock prices in the stock market generally or in an industry or market segment rather than movements in the price of a particular stock. Accordingly, successful use by the Fund of options on indices would be subject to the investment adviser's ability to predict correctly movements in the direction of the stock market generally or of a particular industry. This requires different skills and techniques than predicting changes in the price of individual stocks. The Fund's investment adviser currently uses these techniques in conjunction with the management of other mutual funds.

Because exercises of index options are settled in cash, a call writer cannot determine the amount of its settlement obligations in advance and, unlike call writing on specific stocks, cannot provide in advance for, or cover, its potential settlement obligations by acquiring and holding the underlying securities. In addition, unless the Fund has other liquid assets which are sufficient to satisfy the exercise of a call, the Fund would be required to liquidate portfolio securities or borrow in order to satisfy the exercise.

THE FUND'S SUCCESSFUL USE OF OPTIONS ON INDICES DEPENDS UPON THE INVESTMENT ADVISER'S ABILITY TO PREDICT THE DIRECTION OF THE MARKET AND IS SUBJECT TO VARIOUS ADDITIONAL RISKS. The correlation between movements in the index and the price of the securities being written against is imperfect and the risk from imperfect correlation increases as the composition of the Fund's portfolio diverges from the composition of the relevant index. Accordingly, a decrease in the value of the securities being written against may not be wholly offset by a gain on the exercise of a stock index put option held by the Fund. Likewise, if a stock index call option written by the Fund is exercised, the Fund may incur a loss on the transaction which is not offset, wholly or in part, by an increase in the value of the securities being written against, which securities may, depending on market circumstances, decline in value. For additional discussion of risks associated with these transactions, see "Investment Objective and Policies--Limitations on Purchase and Sale of Stock Options, Options on Indices and Stock Index Futures--Risks of Options on Indices" in the Statement of Additional Information.

OPTIONS POSITION LIMITS. Transactions by the Fund in options on securities and on stock indices will be subject to limitations, if any, established by each of the exchanges, boards of trade or other trading facilities (including NASDAQ) governing the maximum number of options in each class which may be written or purchased by a single investor or group of investors acting in concert, regardless of whether the options are written on the same or different exchanges, boards of trade or other trading facilities or are held or written in one or more accounts or through one or more brokers. Thus, the number of options which the

Fund may write or purchase may be affected by options written or purchased by other investment advisory clients of the Fund's investment adviser. An exchange, board of trade or other trading facility may order the liquidation of positions found to be in excess of these limits, and it may impose certain other sanctions.

OPTIONS ON FOREIGN CURRENCIES. THE FUND IS PERMITTED TO PURCHASE AND WRITE PUT AND CALL OPTIONS ON FOREIGN CURRENCIES AND ON FUTURES CONTRACTS ON FOREIGN CURRENCIES TRADED ON SECURITIES EXCHANGES OR BOARDS OF TRADE (FOREIGN AND DOMESTIC) FOR HEDGING PURPOSES IN A MANNER SIMILAR TO THAT IN WHICH FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS AND FUTURES CONTRACTS ON FOREIGN CURRENCIES WILL BE EMPLOYED. Options on foreign currencies and on futures contracts on foreign currencies are similar to options on stock, except that the Fund has the right to take or make delivery of a specified amount of foreign currency, rather than stock.

THE FUND MAY PURCHASE AND WRITE OPTIONS TO HEDGE THE FUND'S PORTFOLIO SECURITIES DENOMINATED IN FOREIGN CURRENCIES. If there is a decline in the dollar value of a foreign currency in which the Fund's portfolio securities are denominated, the dollar value of such securities will decline even though the foreign currency value remains the same. To hedge against the decline of the foreign currency, the Fund may purchase put options on futures contracts on such foreign currency. If the value of the foreign currency declines, the gain realized on the put option would offset, in whole or in part, the adverse effect such decline would have on the value of the portfolio securities. Alternatively, the Fund may write a call option on a futures contract on the foreign currency. If the value of the foreign currecy declines, the option would not be exercised and the decline in the value of the portfolio securities denominated in such foreign currency would be offset in part by the premium the Fund received for the option.

If, on the other hand, the investment advisor anticipates purchasing a foreign security and also anticipates a rise in the value of such foreign currency (thereby increasing the cost of such security), the Fund may purchase call options on the foreign currency. The purchase of such options could offset, at least partially, the effects of the adverse movements of the exchange rates. Alternatively, the Fund could write a put option on the currency and, if the exchange rates move as anticipated, the option would expire unexercised.

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS

THE FUND MAY ENTER INTO FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS TO PROTECT

THE VALUE OF ITS PORTFOLIO AGAINST FUTURE CHANGES IN THE LEVEL OF CURRENCY EXCHANGE RATES. A forward contract on foreign currency is an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days agreed upon by the parties from the date of the contract at a price set on the date of the contract. These contracts are traded in the interbank market conducted directly between currency traders (typically large commercial banks) and their customers. A forward contract generally has no deposit requirements, and no commissions are charged for such trades.

The Fund may not use forward contracts to generate income, although the use of such contracts may incidentally generate income. There is no limitiation on the value of forward contracts into which the Fund may enter. However, the Fund's dealings in forward contracts will be limited to hedging involving either specific transactions or portfolio positions. Transaction hedging is the purchase or sale of a forward contract with respect to specific receivables or payables of the Fund generally arising in connection with the purchase or sale of its portfolio securitites and accruals of interest or dividends receivable and Fund expenses. Position hedging is the sale of a foreign currency with respect to portfolio security positions denominated or quoted in that currency. The Fund will not speculate in forward contracts. The Fund may not position hedge with respect to a particular currency for an amount greater than the aggregate market value (determined at the time of making any sale of a forward contract) of securities held in its portfolio denominated or quoted in, or currently convertible into, such currency.

When the Fund enters into a contract for the purchase or sale of a security denominated in a foreign currency, or when the Fund anticipates the receipt in a foreign currency of dividends or interest payments on a security which it holds, the Fund may desire to "lock in" the U.S. dollar price of the security or the U.S. dollar equivalent of such dividend or interest payment, as the case may be. By entering into a forward contract for a fixed amount of dollars for the purchase or sale of the amount of foreign currency

involved in the underlying transaction, the Fund will be able to protect itself against possible loss resulting from an adverse change in the relationship between the U.S. dollar and the subject foreign currency during the period between the date on which the security is purchased or sold, or on which the dividend or interest payment is declared, and the date on which such payments are made or received. Additionally, when the investment adviser believes that the currency of a particular foreign country may suffer a substantial decline against the U.S. dollar, the Fund may enter into a forward contract, for a fixed amount of dollars, to sell the amount of foreign currency approximating the value of some or all of the portfolio securities of the Fund denominated in such foreign currency. Requirements under the Internal Revenue Code for qualification as a regulated investment company may limit the Fund's ability to engage in transactions in forward contracts. See "Dividends, Distributions and Taxes" in the Statement of Additional Information.

FUTURES TRANSACTIONS

STOCK INDEX FUTURES. THE FUND MAY USE STOCK INDEX FUTURES TRADED ON A COMMODITIES EXCHANGE OR BOARD OF TRADE FOR HEDGING AND RISK REDUCTION PURPOSES.

A STOCK INDEX FUTURES CONTRACT IS AN AGREEMENT IN WHICH THE WRITER (OR SELLER) OF THE CONTRACT AGREES TO DELIVER TO THE BUYER AN AMOUNT OF CASH EQUAL TO A SPECIFIC DOLLAR AMOUNT TIMES THE DIFFERENCE BETWEEN THE VALUE OF A SPECIFIC STOCK INDEX AT THE CLOSE OF THE LAST TRADING DAY OF THE CONTRACT AND THE PRICE AT WHICH THE AGREEMENT IS MADE. No physical delivery of the underlying stocks in the index is made. When the futures contract is entered into, each party deposits with a broker or in a segregated custodial account approximately 5% of the contract amount, called the "initial margin." Subsequent payments to and from the broker, called "variation margin," will be made on a daily basis as the price of the underlying stock index fluctuates making the long and short positions in the futures contracts more or less valuable, a process known as "marked to market."

OPTIONS ON STOCK INDEX FUTURES. The Fund may also purchase and write options on stock index futures for hedging, income enhancement and risk reduction purposes. In the case of options on stock index futures, the holder of the option pays a premium and receives the right, upon exercise of the option at a specified price during the option period, to assume a position in a stock index futures contract (a long position if the option is a call and short position if the option is a put). If the option is exercised by the holder before the last trading day during the option period, the option writer delivers the futures position, as well as any balance in the writer's futures margin account, which represents the amount by which the market price of the stock index 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 stock index future. If it is exercised on the last trading day, the option writer delivers to the option holder cash in an amount equal to the difference between the option exercise price and the closing level of the relevant index on the date the option expires.

FUTURES CONTRACTS ON FOREIGN CURRENCIES. THE FUND IS PERMITTED TO BUY AND SELL FUTURES CONTRACTS ON FOREIGN CURRENCIES (FUTURES CONTRACTS) SUCH AS THE EUROPEAN CURRENCY UNIT, AND PURCHASE AND WRITE OPTIONS THEREON FOR HEDGING AND RISK REDUCTION PURPOSES. A European Currency Unit is a basket of specified amounts of the currencies of certain member states of the European Economic Community, a Western European economic cooperative organization including, INTER ALIA, France, Germany, The Netherlands and the United Kingdom. The Fund will engage in transactions in only those futures contracts and options thereon that are traded on a commodities exchange or a board of trade. A "sale" of a futures contract on foreign currency means the assumption of a contractual obligation to deliver the specified amount of foreign currency at a specified price in a specified future month. A "purchase" of a futures contract means the assumption of a contractual obligation to acquire the currency called for by the contract at a specified price in a specified future month. At the time a futures contract is purchased or sold, the Fund must allocate cash or securities as a deposit payment (initial margin). Thereafter, the futures contract is valued daily and the payment of "variation margin" may be required, resulting in the Fund's paying or receiving cash that reflects any decline or increase, respectively, in the contract's value, a process known as "marked to market."

LIMITATIONS ON PURCHASES AND SALES OF FUTURES CONTRACTS AND OPTIONS THEREON. UNDER THE REGULATIONS OF THE COMMODITY EXCHANGE ACT, AN INVESTMENT COMPANY REGISTERED UNDER THE INVESTMENT COMPANY ACT IS EXCLUDED FROM THE DEFINITION OF "COMMODITY POOL OPERATOR," SUBJECT TO COMPLIANCE WITH CERTAIN CONDITIONS. THE EXEMPTION IS CONDITIONED UPON THE FUND'S PURCHASING AND SELLING FUTURES CONTRACTS AND OPTIONS THEREON FOR BONA FIDE HEDGING TRANSACTIONS, EXCEPT THAT THE FUND MAY PURCHASE AND SELL FUTURES AND OPTIONS THEREON FOR ANY OTHER PURPOSE TO THE EXTENT THAT THE AGGREGATE INITIAL MARGIN AND OPTION PREMIUMS DO NOT EXCEED 5% OF THE LIQUIDATION VALUE OF THE FUND'S TOTAL ASSETS. THE FUND INTENDS TO ENGAGE IN FUTURES TRANSACTIONS AND OPTIONS THEREON IN ACCORDANCE WITH THE REGULATIONS OF THE CPTC. THE FUND INTENDS TO PURCHASE AND SELL STOCK INDEX FUTURES AND OPTIONS THEREON 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 INTENDS TO PURCHASE AND SELL FUTURES CONTRACTS ON FOREIGN CURRENCIES AND OPTIONS THEREON AS A HEDGE AGAINST CHANGES IN THE VALUE OF THE CURRENCIES TO WHICH THE FUND IS SUBJECT OR TO WHICH THE FUND EXPECTS TO BE SUBJECT IN CONNECTION WITH FUTURE PURCHASES. THE FUND ALSO INTENDS TO PURCHASE AND SELL STOCK INDEX FUTURES AND OPTIONS THEREON AND FUTURES CONTRACTS ON FOREIGN CURRENCIES AND OPTIONS THEREON WHEN THEY ARE ECONOMICALLY APPROPRIATE FOR THE REDUCTION OF RISKS INHERENT IN THE ONGOING MANAGEMENT OF THE FUND.

THE FUND'S SUCCESSFUL USE OF FUTURES CONTRACTS AND OPTIONS THEREON DEPENDS UPON THE INVESTMENT ADVISER'S ABILITY TO PREDICT THE DIRECTION OF THE MARKET AND IS SUBJECT TO VARIOUS ADDITIONAL RISKS. The correlation between movements in the price of a futures contract and the price of the securities being hedged is imperfect and there is a risk that the value of the securities being hedged may increase or decrease at a greater rate than the related futures contract, resulting in losses to the Fund. The use of these instruments will hedge only the currency risks associated with investments in foreign securities, not market risks. Certain futures exchanges or boards of trade have established daily limits on the amount that the price of a futures contract or option thereon may vary, either up or down, from the previous day's settlement price. These daily limits may restrict the Fund's ability to purchase or sell certain futures contracts or options thereon on any particular day. In addition, if the Fund purchases futures to hedge against market advances before it can invest in common stock in an advantageous manner and the market declines, the Fund might create a loss on the futures contract. In addition, the ability of the Fund to close out a futures position or an option depends on a liquid secondary market. There is no assurance that liquid secondary markets will exist for any particular futures contract or option thereon at any particular time. See "Investment Objective and Policies" in the Statement of Additional Information.

THE FUND'S ABILITY TO ENTER INTO FUTURES CONTRACTS AND OPTIONS THEREON MAY ALSO BE LIMITED BY THE REQUIREMENTS OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, FOR QUALIFICATION AS A REGULATED INVESTMENT COMPANY.

SPECIAL RISKS OF HEDGING AND INCOME ENHANCEMENT STRATEGIES

PARTICIPATION IN THE OPTIONS OR FUTURES MARKETS AND IN CURRENCY EXCHANGE TRANSACTIONS INVOLVES INVESTMENT RISKS AND TRANSACTION COSTS TO WHICH THE FUND WOULD NOT BE SUBJECT ABSENT THE USE OF THESE STRATEGIES. If the investment adviser's prediction of movements in the direction of the securities, foreign currency and interest rate markets are inaccurate, the adverse consequences to the Fund may leave the Fund in a worse position than if such strategies were not used. Risks inherent in the use of options, foreign currency and futures contracts and options on futures contracts include (1) dependence on the investment adviser's ability to predict correctly movements in the direction of interest rates, securities prices and currency markets; (2) imperfect correlation between the price of options and futures contracts and options thereon and movements in the prices of the securities or currencies being hedged; (3) the fact that skills needed to use these strategies are different from those needed to select portfolio securities; (4) the possible absence of a liquid secondary market for any particular instrument at any time; (5) the possible need to defer closing out certain hedged positions to avoid adverse tax consequences; and (6) the possible inability of the Fund to purchase or sell a portfolio security at a time that otherwise would be favorable for it to do so, or the

possible need for the Fund to sell a portfolio security at a disadvantageous time, due to the need for the Fund to maintain "cover" or to segregate securities in connection with hedging transactions. See "Investment Objectives and Policies" and "Taxes" in the Statement of Additional Information.

OTHER INVESTMENTS AND POLICIES

FOREIGN INVESTMENTS

The Fund may invest up to 30% of its total assets in securities of foreign issuers. Investing in securities of foreign companies and countries involves certain considerations and risks which are not typically associated with investing in securities of domestic companies. Foreign companies are not generally subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. There may also be less government supervision and regulation of foreign securities exchanges, brokers and public companies than exists in the United States. Dividends and interest paid by foreign issuers may be subject to withholding and other foreign taxes which may decrease the net return on such investments as compared to dividends and interest paid to the Fund by domestic companies. There may be the possibility of expropriations, confiscatory taxation, political, economic or social instability or diplomatic developments which could affect assets of the Fund held in foreign countries. In addition, a portfolio of foreign securities may be adversely affected by fluctuations in the relative rates of exchange between the currencies of different nations and by exchange control regulations.

There may be less publicly available information about foreign companies and governments compared to reports and ratings published about U.S. companies. Foreign securities markets have substantially less volume than, for example, the New York Stock Exchange and securities of some foreign companies are less liquid and more volatile than securities of comparable U.S companies. Brokerage commissions and other transaction costs of foreign securities exchanges are generally higher than in the United States.

REPURCHASE AGREEMENTS

The Fund may on occasion enter into repurchase agreements, whereby the seller of a security agrees to repurchase that security from the Fund at a mutually agreed-upon time and price. The period of maturity is usually quite short, possibly overnight or a few days, although it may extend over a number of months. The resale price is in excess of the purchase price, reflecting an agreed-upon rate of return effective for the period of time the Fund's money is invested in the repurchase agreement. The Fund's repurchase agreements will at all times be fully collateralized in an amount at least equal to the purchase price, including accrued interest earned on the underlying securities. The instruments held as collateral are valued daily, and as the value of instruments declines, the Fund will require additional collateral in order to maintain its fully collateralized position. If the seller defaults and the value of the collateral securing the repurchase agreement declines, the Fund may incur a loss. The Fund participates in a joint repurchase account with other investment companies managed by Prudential Mutual Fund Management, Inc. pursuant to an order of the Securities and Exchange Commission (SEC). See "Investment Objective and Policies--Repurchase Agreements" in the Statement of Additional Information.

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES.

The Fund may purchase or sell securities 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 as much as a month or more 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. 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. The securities so purchased are subject to market fluctuation and no interest accrues to the purchaser during the period between purchase and settlement. At the time of delivery of the

securities the value may be more or less than the purchase price and an increase in the percentage of the Fund's assets committed to the purchase of securities on a when-issued or delayed delivery basis may increase the volatility of the Fund's net asset value.

BORROWING AND SECURITIES LENDING.

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) 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.

The Fund does not presently intend to lend securities, except to the extent that the entry into repurchase agreements may be considered securities lending. See "Investment Objective and Policies--Lending of Portfolio Securities" in the Statement of Additional Information.

SHORT SALES AGAINST-THE-BOX.

The Fund may make short sales of securities or maintain a short position, provided that at all times when a short position is open the Fund owns an equal amount of such securities or securities convertible into or exchangeable for, without payment of any further consideration, an equal amount of the securities of the same issuer as the securities sold short (a short sale against-the-box), and that not more than 25% of the Fund's net assets (determined at the time of the short sale) may be subject to such sales. Short sales will be made primarily to defer realization of gain or loss for federal tax purposes; a gain or loss in the Fund's long position will be offset by a gain or loss in its short position. The Fund does not intend to have more than 5% of its net assets (determined at the time of the short sale) subject to short sales against-the-box during the coming year.

ILLIQUID SECURITIES

The Fund may invest up to 10% of its net assets in illiquid securities including repurchase agreements which have a maturity of longer than seven days, securities with legal or contractual restrictions on resale (restricted securities) and securities that are not readily marketable. Restricted securities eligible for resale pursuant to Rule 144A under the Securities Act of 1933, as amended (the Securities Act), that have a readily available market are not considered illiquid for purposes of this limitation. The investment adviser will monitor the liquidity of such restricted securities under the supervision of the Board of Directors. Repurchase agreements subject to demand are deemed to have a maturity equal to the applicable notice period.

The staff of the SEC has also taken the position that purchased over-the-counter options and the assets used as "cover" for written over-the-counter options are illiquid securities unless the Fund and the counterparty have provided for the Fund, at its option, to unwind the OTC option. The exercise of such an option ordinarily would involve the payment by the Fund of an amount designed to reflect the counterparty's economic loss from an early termination, but does not allow the Fund to treat the assets used as "cover" as "liquid."

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 fiscal 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 .91% and 1.71%, 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 AVERAGE DAILY NET ASSETS OF THE FUND UP TO AND INCLUDING $500 MILLION, .475 OF 1% OF THE NEXT $500 MILLION OF THE AVERAGE DAILY NET ASSETS AND .45 OF 1% OF THE AVERAGE DAILY NET ASSETS IN EXCESS OF $1 BILLION. PMF 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 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 THE 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. 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 Thomas R. Jackson, a Managing Director of Prudential Equity Management Associates, a unit of PIC, the Fund's Subadviser. Mr. Jackson has responsibility for daily portfolio management and securities selection for the Fund. Mr. Jackson also serves as the portfolio manager of the Common Stock Portfolio of the Prudential Series Fund, which is one of the investment options in a Prudential variable life and annuity product. Mr. Jackson joined PIC in 1990 and has over twenty-five years of professional equity investment management experience. He was formerly co-chief investment officer of Red Oak Advisers and Century Capital Associates, private money management firms, where he managed pension and other accounts for institutions and individuals. He was also with The Dreyfus Corporation where he managed and served as president of the Dreyfus Fund. Mr. Jackson also managed an equity pension investment group at Chase Manhattan Bank.

Mr. Jackson primarily utilizes a "value" investing style in managing the Fund. Value investing is a disciplined approach which attempts to identify strong companies selling at a discount from their perceived true worth. Mr. Jackson selects stocks for the Fund's portfolio at prices which in his view are temporarily low relative to the company's earnings, assets, cash flow and dividends.

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 (PRUDENTIAL SECURITIES OR PSI), 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 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 ASSETS 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. 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 .25 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 $381,556, all of which was recovered through the distribution fee paid by the Fund to PMFD.

For the fiscal year ended December 31, 1993, PMFD received approximately $2,373,000 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 (ASSET-BASED SALES CHARGES) AT AN ANNUAL RATE OF UP TO .75 OF 1% OF THE AVERAGE DAILY NET ASSETS OF THE CLASS B SHARES. 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 $1,957,000 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 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 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, Prudential Securities received $15,229,923 from the Fund under the Class B Plan. It is estimated that Prudential Securities spent approximately $18,649,600 on behalf of the Fund during such period. At December 31, 1993, the aggregate amount of distribution expenses incurred by Prudential Securities and not yet reimbursed by the Fund or recovered through contingent deferred sales charges was approximately $16,074,000, or .90% of the 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 .20% and 1.00% 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 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, 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), 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. PMFS is a wholly-owned subsidiary of PMF. Its mailing address is P.O. Box 15005, New Brunswick, New Jersey 08906-5005.

HOW THE FUND VALUES ITS SHARES

THE FUND'S NET ASSET VALUE PER SHARE OR NAV IS DETERMINED BY SUBTRACTING ITS LIABILITIES FROM THE VALUE OF ITS ASSETS AND DIVIDING THE REMAINDER BY THE NUMBER OF OUTSTANDING SHARES. NAV IS CALCULATED SEPARATELY FOR EACH CLASS. FOR VALUATION PURPOSES, QUOTATIONS OF FOREIGN SECURITIES IN A FOREIGN CURRENCY ARE CONVERTED TO U.S. DOLLAR EQUIVALENTS. THE BOARD OF DIRECTORS HAS FIXED THE SPECIFIC TIME OF DAY FOR THE COMPUTATION OF THE FUND'S NET ASSET VALUE 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 will result in different NAVs and dividends. The NAV of Class B shares will generally be lower than the NAV of Class A shares as a result of the larger distribution fee charged to Class B shares. It is expected, however, that the NAV per share of the two classes will tend to converge immediately after the recording of dividends, to be paid by the Fund which 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 "TOTAL RETURN" (INCLUDING "AVERAGE ANNUAL" TOTAL RETURN AND "AGGREGATE" TOTAL RETURN) IN ADVERTISEMENTS AND SALES LITERATURE. TOTAL RETURN IS 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 "total return" shows how much an investment in the Fund would have increased (decreased) 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. The Fund may also advertise from time to time its 30-day yield. 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 OF 1986, AS AMENDED. 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 "DIVIDENDS, DISTRIBUTIONS AND TAXES" IN THE STATEMENT OF ADDITIONAL INFORMATION.

The Fund may, from time to time, invest in Passive Foreign Investment Companies (PFICs). PFICs are foreign corporations which derive a majority of their income from passive sources. For tax purposes, the Fund's investments in PFICs may subject the Fund to federal income taxes on certain income and gains realized by the Fund. Under proposed Treasury regulations, the Fund would be able to avoid such taxes and interest by electing to "mark-to-market" its investments in PFICs (I.E. treat them as sold for fair market value at the end of the year).

TAXATION OF SHAREHOLDERS

All dividends out of net investment income, together with distributions of 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 federal income tax long-term capital gains rate for individuals is 28%. The maximum long-term capital gains rate for corporate shareholders is currently the same as the maximum tax rate for ordinary income.

Dividends paid by the Fund are eligible for the 70% dividends-received deduction for corporate shareholders, to the extent that the Fund's income is derived from certain dividends received from domestic corporations. Capital gain distributions are not eligible for the 70% dividends-received deduction.

Any gain or loss realized upon a sale or redemption of Fund shares by a shareholder who is not a dealer in securities will be treated as long-term capital gain or loss if the shares have been held for more than one year, and otherwise as short-term capital gain or loss. Any such loss, however, on shares that are held for six months or less will be treated as long-term capital loss to the extent of any capital gain distributions received by the shareholder.

Shareholders are advised to consult their own tax advisers regarding specific questions as to federal, state or local taxes. See "Dividends, Distributions and Taxes" in the Statement of Additional Information.

WITHHOLDING TAXES

Under U.S. Treasury Regulations, the Fund generally is required to withhold and remit to the U.S. Treasury 31% of dividends, capital gain distributions and redemption proceeds on the accounts of those shareholders who fail to furnish their tax identification numbers on IRS Form W-9 (or IRS Form W-8 in the case of certain foreign shareholders) with the required certifications regarding the shareholder's status under the federal income tax law. Dividends of net investment income and net short-term capital gains 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 PAY DIVIDENDS OF NET INVESTMENT INCOME, IF ANY, SEMI-ANNUALLY AND MAKE DISTRIBUTIONS AT LEAST ANNUALLY OF ANY NET CAPITAL GAINS. 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 NAV ON THE RECORD 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 of both 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.

WHEN THE FUND GOES "EX-DIVIDEND", THE NAV OF EACH CLASS IS REDUCED BY THE AMOUNT OF THE DIVIDEND OR DISTRIBUTION ATTRIBUTABLE TO EACH CLASS. IF YOU BUY SHARES JUST PRIOR TO THE EX-DIVIDEND DATE, THE PRICE YOU PAY WILL INCLUDE THE DIVIDEND OR DISTRIBUTION AND A PORTION OF YOUR INVESTMENT WILL BE RETURNED TO YOU AS A TAXABLE DIVIDEND OR DISTRIBUTION. YOU SHOULD, THEREFORE, CONSIDER THE TIMING OF DIVIDENDS AND DISTRIBUTIONS WHEN MAKING YOUR PURCHASES.

GENERAL INFORMATION

DESCRIPTION OF COMMON STOCK

THE FUND WAS INCORPORATED IN MARYLAND ON OCTOBER 9, 1981. 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 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. In accordance with 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 the approval of 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. (PMFS or the Transfer Agent), 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 made through the Automatic Savings Accumulation Plan, the minimum initial and subsequent investment requirement is $50. See "Shareholder Services" below.

THE PURCHASE PRICE IS THE NAV 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 any 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 at (800) 225-1852 (toll-free) to receive an account number. 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 Equity 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 Equity 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 AND 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 5.25% OF THE OFFERING PRICE AND AN ANNUAL DISTRIBUTION FEE WHICH IS CURRENTLY BEING CHARGED AT A RATE OF .25 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 or 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 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" below.

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. 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 money 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 1% and, for a six-year period, a contingent deferred sales charge of up to 5%. For example, based on current fees and expenses, if you purchase Class A shares you would have to hold your investment for more than 7 years for the 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 in the Fund for more than 7 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 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 $25,000	5.25%	5.54%	5.00%
$25,000 to $49,999	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 a 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 investors who have 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 client'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 per share 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" below.

HOW TO SELL YOUR SHARES

YOU CAN 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 a regular redemption. See "How the Fund Values Its Shares". 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 charge will be imposed on any involuntary redemption.

30-DAY REPURCHASE PRIVILEGE. If you redeem your 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 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 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:

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

</TABLE>

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 NAV 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 NAV 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 account, 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.

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 CDSC. 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 cost exceeds $500,000 or $1 million:

<TABLE>
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	CONTINGENT DEFERRED SALES CHARGE AS A PERCENTAGE OF DOLLARS INVESTED OR REDEMPTION PROCEEDS	
YEAR SINCE PURCHASE PAYMENT MADE	$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 CDSC 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 SHAREHOLDERS OF THE FUND MAY EXCHANGE THEIR SHARES 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 SHAREHOLDERS 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.

- TAX-DEFERRED RETIREMENT PLANS. Various tax-deferred retirement plans, including a 401(k) plan, self-directed individual retirement accounts and "tax-sheltered accounts" under Section 403(b)(7) of the Internal Revenue Code are available through the Distributor. These plans are for use by both self-employed individuals and corporate employers. These plans permit either self-direction of accounts by participants, or a pooled account arrangement. Information regarding the establishment of these plans, the administration, custodial fees and other details is available from Prudential Securities or the Transfer Agent. If you are considering adopting such a plan, you should consult with your own legal or tax adviser with respect to the establishment and maintenance of such a plan.

- 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" above.

- REPORTS TO SHAREHOLDERS. The Fund will send to 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.

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, Inc.

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.

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MF101A 4331465

Class A: 744316-10-0
CUSIP Nos.:
Class B: 744316-20-9

PRUDENTIAL

EQUITY FUND, INC.

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[LOGO]

PRUDENTIAL EQUITY FUND, INC.
STATEMENT OF ADDITIONAL INFORMATION
DATED MARCH 2, 1994

Prudential Equity Fund, Inc., (the Fund), is an open-end diversified management investment company whose investment objective is long-term growth of capital. The Fund will seek to achieve this objective by investing primarily in common stocks of major, established corporations which, in the opinion of its investment adviser, are believed to be in sound financial condition and to have prospects of price appreciation greater than broadly based stock indices. The Fund's purchase and sale of put and call options and related short-term trading may result in a high portfolio turnover rate. These activities may be considered speculative and may result in higher risks and costs to the Fund. The Fund may also buy and sell stock index options and futures for the purpose of hedging its securities portfolio pursuant to limits described herein. See "Investment Objective and Policies."

The Fund offers two classes of shares which may be purchased at the next determined net asset value per share plus a sales charge which, at the election of the investor, may be imposed (i) at the time of purchase (Class A shares) or (ii) on a deferred basis (Class B shares). These alternatives permit an investor to choose the method of purchasing shares that is most beneficial given the amount of the purchase, the length of time the investor expects to hold the shares and other circumstances.

Each share of Class A and Class B common stock represents an identical legal interest in the investment portfolio of the Fund and has the same rights, except that the 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. Each class will have exclusive voting rights with respect to its distribution plan. Although the legal rights of holders of Class A and Class B shares are identical, the different expenses borne by each class will result in different net asset values and dividends. The two classes also have different exchange privileges.

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 March 2, 1994, a copy of which may be obtained from the Fund upon request.

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MF101B

GENERAL INFORMATION AND HISTORY

On May 12, 1983, 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 Chancellor Equity Fund, Inc. to Prudential-Bache Equity Fund, Inc. The Fund has been doing business under the name Prudential Equity Fund since March 1991. On November 18, 1993, the shareholders of the Fund approved an amendment to the Fund's Articles of Incorporation to change the Fund's name to Prudential Equity Fund, Inc.

INVESTMENT OBJECTIVE AND POLICIES

The Fund's investment objective is long-term growth of capital. The Fund attempts to achieve such objective by investing primarily in common stocks of major, established corporations which, in the opinion of the Fund's investment adviser, are believed to be in sound financial condition and to have prospects of price appreciation greater than broadly based stock indices. The Fund may also invest in preferred stocks and bonds, which have either attached warrants or a conversion privilege into common stocks. For a further description of the Fund's investment objective and policies, see "How the Fund Invests-- Investment Objective and Policies" in the Prospectus.

LIMITATIONS ON PURCHASE AND SALE OF STOCK OPTIONS, OPTIONS ON STOCK INDICES, STOCK INDEX FUTURES AND OPTIONS THEREON

The Fund may purchase put options only on equity securities held in its portfolio and write call options on stocks only if they are covered, and such call options must remain covered so long as the Fund is obligated as a writer. The Fund has undertaken with certain state securities commissions that, so long as shares of the Fund are registered in those states, it will not purchase put and call options on stock indices if, after any such purchase, the aggregate premiums paid for such options would exceed 20% of the Fund's total net assets.

The Fund may purchase put and call options and write covered call options on equity securities traded on securities exchanges, on NASDAQ or in the over-the-counter market (OTC Options).

The Fund may purchase and write put and call options on stock indices traded on securities exchanges, on NASDAQ or in the over-the-counter market.

CALL OPTIONS ON STOCK. The Fund may, from time to time, write call options on its portfolio securities. The Fund may write only call options which are "covered," meaning that the Fund either owns the underlying security or has an absolute and immediate right to acquire that security, without additional cash consideration (or for additional cash consideration held in a segregated account by its Custodian), upon conversion or exchange of other securities currently held in its portfolio. In addition, the Fund will not permit the call to become uncovered prior to the expiration of the option or termination through a closing purchase transaction as described below. If the Fund writes a call option, the purchaser of the option has the right to buy (and the Fund has the obligation to sell) the underlying security at the exercise price throughout the term of the option. The amount paid to the Fund by the purchaser of the option is the "premium." The Fund's obligation to deliver the underlying security against payment of the exercise price would terminate either upon expiration of the option or earlier if the Fund were to effect a "closing purchase transaction" through the purchase of an equivalent option on an exchange. There can be no assurance that a closing purchase transaction can be effected.

The Fund would not be able to effect a closing purchase transaction after it had received notice of exercise. In order to write a call option, the Fund is required to comply with the rules of The Options Clearing Corporation and the various exchanges with respect to collateral requirements. The Fund may not purchase call options on individual stocks except in connection with a closing purchase transaction. It is possible that the cost of effecting a closing purchase transaction may be greater than the premium received by the Fund for writing the option.

PUT OPTIONS ON STOCK. The Fund may also purchase put and call options. If the Fund purchases a put option, it has the option to sell a given security at a specified price at any time during the term of the option. If the Fund purchases a call option, it has the option to buy a security at a specified price at any time during the term of the option.

Purchasing put options may be used as a portfolio investment strategy when the investment adviser perceives significant short-term risk but substantial long-term appreciation for the underlying security. The put option acts as an insurance policy, as it protects against significant downward price movement while it allows full participation in any upward movement. If the Fund is holding a stock which it feels has strong fundamentals, but for some reason may be weak in the near term, it may purchase a put

on such security, thereby giving itself the right to sell such security at a certain strike price throughout the term of the option. Consequently, the Fund will exercise the put only if the price of such security falls below the strike price of the put. The difference between the put's strike price and the market price of the underlying security on the date the Fund exercises the put, less transaction costs, will be the amount by which the Fund will be able to hedge against a decline in the underlying security. If during the period of the option the market price for the underlying security remains at or above the put's strike price, the put will expire worthless, representing a loss of the price the Fund paid for the put, plus transaction costs. If the price of the underlying security increases, the profit the Fund realizes on the sale of the security will be reduced by the premium paid for the put option less any amount for which the put may be sold.

STOCK INDEX OPTIONS. Except as described below, the Fund will write call options on indices only if on such date it holds a portfolio of stocks at least equal to the value of the index times the multiplier times the number of contracts. When the Fund writes a call option on a broadly-based stock market index, the Fund will segregate or put into escrow with its Custodian, or pledge to a broker as collateral for the option, any combination of cash, cash equivalents or "qualified securities" with a market value at the time the option is written of not less than 100% of the current index value times the multiplier times the number of contracts.

If the Fund has written an option on an industry or market segment index, it will segregate or put into escrow with its Custodian, or pledge to a broker as collateral for the option, one or more "qualified securities," all of which are stocks of issuers in such industry or market segment, with a market value at the time the option is written of not less than 100% of the current index value times the multiplier times the number of contracts.

If at the close of business on any day the market value of such qualified securities so segregated, escrowed or pledged falls below 100% of the current index value times the multiplier times the number of contracts, the Fund will so segregate, escrow or pledge an amount in cash, Treasury bills or other high-grade short-term obligations equal in value to the difference. In addition, when the Fund writes a call on an index which is in-the-money at the time the call is written, the Fund will segregate with its Custodian or pledge to the broker as collateral cash, U.S. Government or other high-grade short-term debt obligations equal in value to the amount by which the call is in-the-money times the multiplier times the number of contracts. Any amount segregated pursuant to the foregoing sentence may be applied to the Fund's obligation to segregate additional amounts in the event that the market value of the qualified securities falls below 100% of the current index value times the multiplier times the number of contracts. A "qualified security" is an equity security which is listed on a securities exchange or listed on NASDAQ against which the Fund has not written a stock call option and which has not been hedged by the Fund by the sale of stock index futures. However, if the Fund holds a call on the same index as the call written where the exercise price of the call held is equal to or less than the exercise price of the call written or greater than the exercise price of the call written if the difference is maintained by the Fund in cash, Treasury bills or other high-grade short-term obligations in a segregated account with its Custodian, it will not be subject to the requirements described in this paragraph.

STOCK INDEX FUTURES. The Fund will purchase and sell stock index futures contracts as a hedge against changes resulting from market conditions in the values of securities which are held in the Fund's portfolio or which it intends to purchase or when they are economically appropriate for the reduction of risks inherent in the ongoing management of the Fund. In instances involving the purchase of stock index futures contracts by the Fund, an amount of cash, cash equivalents and U.S. Government securities, equal to the market value of the futures contracts, will be deposited in a segregated account with the Fund's Custodian and/or in a margin account with a broker to collateralize the position and thereby insure that the use of such futures is unleveraged.

OPTIONS ON STOCK INDEX FUTURES CONTRACTS. In the case of options on stock index futures, the holder of the option pays a premium and receives the rights, upon exercise of the option at a specified price during the option period, to assume a position in a stock index futures contract (a long position if the option is a call and a short position if the option is a put). If the option is exercised by the holder before the last trading day during the option period, the option writer delivers the futures position, as well as any balance in the writer's futures margin account, which represents the amount by which the market price of the stock index 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 stock index future. If it is exercised on the last trading day, the option writer delivers to the option holder cash in an amount equal to the difference between the option exercise price and the closing level of the relevant index on the date the option expires.

LIMITATIONS ON THE PURCHASE AND SALE OF STOCK INDEX FUTURES AND OPTIONS ON STOCK INDEX FUTURES. Under regulations of the Commodity Exchange Act, investment companies registered under the Investment Company Act of 1940, as amended (the Investment Company Act), are exempt from the definition of "commodity pool operator", subject to compliance with certain

conditions. The exemption is conditioned upon the Fund's purchasing and selling futures contracts and options thereon for BONA FIDE hedging transactions, except that the Fund may purchase and sell futures and options thereon for any other purpose to the extent that the aggregate initial margin and option premiums do not exceed 5% of the liquidation value of the Fund's total assets.

RISKS OF TRANSACTIONS IN STOCK OPTIONS. Writing of options involves the risk that there will be no market in which to effect a closing transaction. An exchange traded option may be closed out only on an exchange, board of trade or other trading facility which provides a secondary market for an option of the same series. Although the Fund will generally purchase or write only those exchange traded 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 exchange-traded options, with the result that the Fund would have to exercise its options in order to realize any profit and would incur brokerage commissions upon the exercise of call options and upon the subsequent disposition of underlying securities acquired through the exercise of call options or upon the purchase of underlying securities for the exercise of put options. If the Fund as a covered call option writer is unable to effect a closing purchase transaction in a secondary market, it will not be able to sell the underlying security until the option expires or it delivers the underlying security upon exercise.

In the case of OTC options, it is not possible to effect a closing transaction in the same manner as exchange-traded options because a clearing corporation is not interposed between the buyer and seller of the option. When the Fund writes an OTC option, it generally will be able to close out the OTC option prior to its expiration only by entering into a closing purchase transaction with the dealer with which the Fund originally wrote the OTC option. Any such cancellation, if agreed to, may require the Fund to pay a premium to the counterparty. While the Fund will enter into OTC options only with dealers which agree to, and which are expected to be capable of, entering into closing transactions with the Fund, there can be no assurance that the Fund will be able to liquidate an OTC option at a favorable price at any time prior to expiration. Until the Fund is able to effect a closing purchase transaction in a covered OTC call option the Fund has written, it will not be able to liquidate securities used as cover until the option expires or is exercised or different cover is substituted. Alternatively, the Fund could write an OTC call option to, in effect, close an existing OTC call option or write an OTC put option to close its position on an OTC put option. However, the Fund would remain exposed to each counterparty's credit risk on the put or call until such option is exercised or expires. There is no guarantee that the Fund will be able to write put or call options, as the case may be, that would effectively close an existing position. In the event of insolvency of the counterparty, the Fund may be unable to liquidate an OTC option.

The Fund may also purchase a "protective put," I.E., a put option acquired for the purpose of protecting a portfolio security from a decline in market value. In exchange for the premium paid for the put option, the Fund acquires the right to sell the underlying security at the exercise price of the put regardless of the extent to which the underlying security declines in value. The loss to the Fund is limited to the premium paid for, and transaction costs in connection with, the put plus the initial excess, if any, of the market price of the underlying security over the exercise price. However, if the market price of the security underlying the put rises, the profit the Fund realizes on the sale of the security will be reduced by the premium paid for the put option less any amount (net of transaction costs) for which the put may be sold. Similar principles apply to the purchase of puts on stock indices in the over-the-counter market.

As discussed above, an OTC option is a direct contractual relationship with another party. Consequently, in entering into OTC options, the Fund will be exposed to the risk that the counterparty will default on, or be unable to complete, due to bankruptcy or otherwise, its obligation on the option. In such an event, the Fund may lose the benefit of the transaction. Consequently, the value of an OTC option to the Fund is dependent upon the financial viability of the counterparty. If the Fund decides to enter into transactions in OTC options, the Subadviser will take into account the credit quality of counterparties in order to limit the risk of default by the counterparty.

OTC options may also be illiquid securities with respect to which no secondary market exists. The Fund may not be able to effect closing transactions for such options. The staff of the SEC has taken the position that purchased OTC options and the assets used as "cover" for written OTC options are illiquid securities unless the Fund and the counterparty have provided for the Fund at its option to unwind the OTC option. The exercise of such an option ordinarily would involve the payment by the Fund of an amount designed to reflect the counterparty's economic loss from an early termination, but does allow the Fund to treat the assets used as "cover" as "liquid".

RISKS OF OPTIONS ON INDICES. The Fund's purchase and sale of options on indices will be subject to risks described above under "Risks of Transactions in Stock Options." In addition, the distinctive characteristics of options on indices create certain risks that are not present with stock options.

Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Fund will realize a gain or loss on the purchase or sale of an option on an index depends upon movements in the level of stock prices in the stock market generally or in an industry or market segment rather than movements in the price of a particular stock. Accordingly, successful use by the Fund of options on indices would be subject to the investment adviser's ability to predict correctly movements in the direction of the stock market generally or of a particular industry. This requires different skills and techniques than predicting changes in the price of individual stocks. The investment adviser currently uses such techniques in conjunction with the management of other mutual funds.

Index prices may be distorted if trading of certain stocks included in the index is interrupted. Trading in the index options also may be interrupted in certain circumstances, such as if trading were halted in a substantial number of stocks included in the index. If this occurred, the Fund would not be able to close out options which it had purchased or written and, if restrictions on exercise were imposed, may be unable to exercise an option it holds, which could result in substantial losses to the Fund. It is the Fund's policy to purchase or write options only on indices which include a number of stocks sufficient to minimize the likelihood of a trading halt in the index, for example, the S&P 100 or S&P 500 index option.

Trading in index options commenced in April 1983 with the S&P 100 option (formerly called the CBOE 100). Since that time a number of additional index option contracts have been introduced including options on industry indices. Although the markets for certain index option contracts have developed rapidly, the markets for other index options are still relatively illiquid. The ability to establish and close out positions on such options will be subject to the development and maintenance of a liquid secondary market. It is not certain that this market will develop in all index option contracts. The Fund will not purchase or sell any index option contract unless and until, in the investment adviser's opinion, the market for such options has developed sufficiently that the risk in connection with these transactions is no greater than the risk in connection with options on stocks.

SPECIAL RISKS OF WRITING CALLS ON INDICES. Because exercises of index options are settled in cash, a call writer such as the Fund cannot determine the amount of its settlement obligations in advance and, unlike call writing on specific stocks, cannot provide in advance for, or cover, its potential settlement obligations by acquiring and holding the underlying securities. However, the Fund will write call options on indices only under the circumstances described above under "Limitations on Purchase and Sale of Stock Options, Options on Stock Indices, Stock Index Futures and Options Thereon."

Price movements in the Fund's portfolio probably will not correlate precisely with movements in the level of the index and, therefore, the Fund bears the risk that the price of the securities held by the Fund may not increase as much as the index. In such event, the Fund would bear a loss on the call which is not completely offset by movements in the price of the Fund's portfolio. It is also possible that the index may rise when the Fund's portfolio of stocks does not rise. If this occurred, the Fund would experience a loss on the call which is not offset by an increase in the value of its portfolio and might also experience a loss in its portfolio. However, because the value of a diversified portfolio will, over time, tend to move in the same direction as the market, movements in the value of the Fund in the opposite direction as the market would be likely to occur for only a short period or to a small degree.

Unless the Fund has other liquid assets which are sufficient to satisfy the exercise of a call, the Fund would be required to liquidate portfolio securities in order to satisfy the exercise. Because an exercise must be settled within hours after receiving the notice of exercise, if the Fund fails to anticipate an exercise, it may have to borrow from a bank (in amounts not exceeding 20% of the Fund's total assets) pending settlement of the sale of securities in its portfolio and would incur interest charges thereon.

When the Fund has written a call, there is also a risk that the market may decline between the time the Fund has a call exercised against it, at a price which is fixed as of the closing level of the index on the date of exercise, and the time the Fund is able to sell stocks in its portfolio. As with stock options, the Fund will not learn that an index option has been exercised until the day following the exercise date but, unlike a call on stock where the Fund would be able to deliver the underlying securities in settlement, the Fund may have to sell part of its stock portfolio in order to make settlement in cash, and the price of such stocks might decline before they can be sold. This timing risk makes certain strategies involving more than one option substantially more risky with index options than with stock options. For example, even if an index call which the Fund has written is "covered" by an index call held by the Fund with the same strike price, the Fund will bear the risk that the level of the index may decline between the close of trading on the date the exercise notice is filed with the clearing corporation and the close of trading on the date the Fund exercises the call it holds or the time the Fund sells the call which in either case would occur no earlier than the day following the day the exercise notice was filed.

SPECIAL RISKS OF PURCHASING PUTS AND CALLS ON INDICES. If the Fund holds an index option and exercises it before final determination of the closing index value for that day, it runs the risk that the level of the underlying index may change before closing. If such a change causes the exercised option to fall out-of-the-money, the Fund will be required to pay the difference between the closing index value and the exercise price of the option (times the applicable multiple) to the assigned writer. Although the Fund may be able to minimize this risk by withholding exercise instructions until just before the daily cutoff time or by selling rather than exercising an option when the index level is close to the exercise price, it may not be possible to eliminate this risk entirely because the cutoff times for index options may be earlier than those fixed for other types of options and may occur before definitive closing index values are announced.

RISKS OF TRANSACTIONS IN OPTIONS ON STOCK INDEX FUTURES. There are several risks in connection with the use of options on stock index futures contracts as a hedging device. The correlation between the price of the futures contract and the movements in the index may not be perfect. Therefore, a correct forecast of interest rates and other factors affecting markets for securities may still not result in a successful hedging transaction.

Futures prices often are extremely volatile so successful use of options on stock index futures contracts by the Fund is also subject to the ability of the Fund's investment adviser to predict correctly movements in the direction of markets, changes in supply and demand, interest rates, international political and economic policies, and other factors affecting the stock market generally. For example, if the Fund has hedged against the possibility of a decrease in an index which would adversely affect the price of securities in its portfolio and the price of such securities increases instead, then 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 need to sell securities to meet such requirements at a time when it is disadvantageous to do so. Such sales of securities may be, but will not necessarily be, at increased prices which reflect the rising market.

The hours of trading of options on stock index futures contracts may not conform to the hours during which the Fund may trade the underlying securities. To the extent the futures markets close before the securities markets, significant price and rate movements can take place in the securities markets that cannot be reflected in the futures markets.

Options on stock index futures contracts are highly leveraged and the specific market movements of the contract underlying an option cannot be predicted. Options on futures must be bought and sold on exchanges. Although the exchanges provide a means of selling an option previously purchased or of liquidating an option previously written by an offsetting purchase, there can be no assurance that a liquid market will exist for a particular option at a particular time. If such a market does not exist, the Fund, as the holder of an option on futures contracts, would have to exercise the option and comply with the margin requirements for the underlying futures contract to realize any profit, and if the Fund were the writer of the option, its obligation would not terminate until the option expired or the Fund was assigned an exercise notice.

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS

Since investments in foreign companies will usually involve currencies of foreign countries, and since the Fund may hold funds in bank deposits in foreign currencies, the value of the assets of the Fund as measured in U.S. dollars may be affected favorably or unfavorably by changes in foreign currency exchange rates and exchange control regulations, and the Fund may incur costs in connection with conversions between various currencies. The Fund will conduct its foreign currency exchange transactions on a spot (I.E., cash) basis at the spot rate prevailing in the foreign currency exchange market, or through entering into forward contracts to purchase or sell foreign currencies. A forward foreign currency exchange contract involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. These contracts are traded in the interbank market conducted directly between currency traders (usually large commercial banks) and their customers. A forward contract generally has no deposit requirement, and no commissions are charged at any stage for such trades.

The Fund may enter into forward foreign currency exchange contracts in several circumstances. When the Fund enters into a contract for the purchase or sale of a security denominated in a foreign currency, or when the Fund anticipates the receipt in a foreign currency of dividends or interest payments on a security which it holds, the Fund may desire to "lock-in" the U.S. dollar price of the security or the U.S. dollar equivalent of such dividend or interest payment, as the case may be. By entering into a forward contract for a fixed amount of dollars, for the purchase or sale of the amount of foreign currency involved in the underlying transactions, the Fund will be able to protect itself against a possible loss resulting from an adverse change in the

relationship between the U.S. dollar and the subject foreign currency during the period between the date on which the security is purchased or sold, or on which the dividend or interest payment is declared, and the date on which such payments are made or received.

Additionally, when the Investment Adviser believes that the currency of a particular foreign country may suffer a substantial decline against the U.S. dollar, the Fund may enter into a forward contract for a fixed amount of dollars, to sell the amount of foreign currency approximating the value of some or all of the Fund's portfolio securities denominated in such foreign currency. The precise matching of the forward contract amounts and the value of the securities involved will not generally be possible since the future value of securities in foreign currencies will change as a consequence of market movements in the value of those securities between the date on which the forward contract is entered into and the date it matures. The projection of short-term currency market movement is extremely difficult, and the successful execution of a short-term hedging strategy is highly uncertain. The Fund will not enter into such forward contracts or maintain a net exposure to such contracts where the consummation of the contracts would obligate the Fund to deliver an amount of foreign currency in excess of the value of the Fund's portfolio securities or other assets denominated in that currency. Under normal circumstances, consideration of the prospect for currency parities will be incorporated into the long-term investment decisions made with regard to overall diversification strategies. However, the Fund believes that it is important to have the flexibility to enter into such forward contracts when it determines that the best interests of the Fund will thereby be served. The Fund's Custodian will place cash or liquid equity or debt securities into a segregated account of the Fund in an amount equal to the value of the Fund's total assets committed to the consummation of forward foreign currency exchange contracts. If the value of the securities placed in the segregated account declines, additional cash or securities will be placed in the account on a daily basis so that the value of the account will equal the amount of the Fund's commitments with respect to such contracts.

The Fund generally will not enter into a forward contract with a term of greater than one year. At the maturity of a forward contract, the Fund may either sell the portfolio security and make delivery of the foreign currency, or it may retain the security and terminate its contractual obligation to deliver the foreign currency by purchasing an "offsetting" contract with the same currency trader obligating it to purchase, on the same maturity date, the same amount of the foreign currency.

It is impossible to forecast with absolute precision the market value of a particular portfolio security at the expiration of the contract. Accordingly, it may be necessary for the Fund to purchase additional foreign currency on the spot market (and bear the expense of such purchase) if the market value of the security is less than the amount of foreign currency that the Fund is obligated to deliver and if a decision is made to sell the security and make delivery of the foreign currency.

If the Fund retains the portfolio security and engages in an offsetting transaction, the Fund will incur a gain or a loss (as described below) to the extent that there has been movement in forward contract prices. Should forward prices decline during the period between the Fund's entering into a forward contract for the sale of a foreign currency and the date it enters into an offsetting contract for the purchase of the foreign currency, the Fund will realize a gain to the extent that the price of the currency it has agreed to sell exceeds the price of the currency it has agreed to purchase. Should forward contract prices increase, the Fund will suffer a loss to the extent that the price of the currency it has agreed to purchase exceeds the price of the currency it has agreed to sell.

The Fund's dealing in forward foreign currency exchange contracts will be limited to the transactions described above. Of course, the Fund is not required to enter into such transactions with regard to its foreign currency-denominated securities. It also should be realized that this method of protecting the value of the Fund's portfolio securities against a decline in the value of a currency does not eliminate fluctuations in the underlying prices of the securities which are unrelated to exchange rates. It simply establishes a rate of exchange which one can achieve at some future point in time. Additionally, although such contracts tend to minimize the risk of loss due to a decline in the value of the hedged currency, at the same time, they tend to limit any potential gain which might result should the value of such currency increase.

Although the Fund values its assets daily in terms of U.S. dollars, it does not intend physically to convert its holdings of foreign currencies into U.S. dollars on a daily basis. It will do so from time to time, and investors should be aware of the costs of currency conversion. Although foreign exchange dealers do not charge a fee for conversion, they do realize a profit based on the difference (the spread) between the prices at which they are buying and selling various currencies. Thus, a dealer may offer to sell a foreign currency to the Fund at one rate, while offering a lesser rate of exchange should the Fund desire to resell that currency to the dealer.

RISKS OF TRANSACTIONS IN OPTIONS ON FOREIGN CURRENCIES

An option position may be closed out only on an exchange, board of trade or other trading facility which provides a secondary market for an option of the same series. Although the Fund will generally purchase or write 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 or otherwise 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 profits and would incur brokerage commissions upon the exercise of call options and upon the subsequent disposition of underlying currencies acquired through the exercise of call options or upon the purchase of underlying currencies for the exercise of put options. If the Fund as a covered call option writer is unable to effect a closing purchase transaction in a secondary market, it will not be able to sell the underlying currency until the option expires or it delivers the underlying currency upon exercise.

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; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or a 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 the class or series of options) would cease to exist, although outstanding options on that exchange that had been issued by a clearing corporation as a result of trades on that exchange would 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 any of the clearing corporations inadequate, and thereby result in the institution by an exchange of special procedures which may interfere with the timely execution of customers' orders. The Fund intends to purchase and sell only those options which are cleared by a clearinghouse whose facilities are considered to be adequate to handle the volume of options transactions.

RISKS OF OPTIONS ON FOREIGN CURRENCIES

Options on foreign currencies involve the currencies of two nations and, therefore, developments in either or both countries can affect the values of options on foreign currencies. Risks include those described in the Prospectus under "How the Fund Invests--Other Investments and Policies," including government actions affecting currency valuation and the movements of currencies from one country to another. The quality of currency underlying option contracts represents odd lots in a market dominated by transactions between banks; this can mean extra transaction costs upon exercise. Options markets may be closed while round-the-clock interbank currency markets are open, and this can create price and rate discrepancies.

RISKS OF TRANSACTIONS IN FUTURES CONTRACTS ON FOREIGN CURRENCIES

There are several risks in connection with the use of futures contracts as a hedging device. Due to the imperfect correlation between the price of futures contracts and movements in the currency or group of currencies, the price of a futures contract may move more or less than the price of the currencies being hedged. Therefore, a correct forecast of currency rates, market trends or international political trends by the Manager or Subadviser may still not result in a successful hedging transaction.

Although the Fund will purchase or sell futures contracts only on exchanges where there appears to be an adequate secondary market, there is no assurance that a liquid secondary market on an exchange will exist for any particular contract or at any particular time. Accordingly, there can be no assurance that it will be possible, at any particular time, to close a futures position. In the event the Fund could not close a futures position and the value of such position declined, the Fund would be required to continue to make daily cash payments of variation margin. There is no guarantee that the price movements of the portfolio securities denominated in foreign currencies will, in fact, correlate with the price movements in the futures contracts and thus provide an offset to losses on a futures contract. Currently, futures contracts are available on the Australian Dollar, British Pound, Canadian Dollar, French Franc, Japanese Yen, Swiss Franc, DeutscheMark and Eurodollars.

Successful use of futures contracts by the Fund is also subject to the ability of the Fund's Manager or Subadviser to predict correctly movements in the direction of markets and other factors affecting currencies generally. For example, if the Fund has

hedged against the possibility of an increase in the price of securities in its portfolio and price of such securities increases 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 need 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.

The hours of trading of futures contracts may not conform to the hours during which the Fund may trade the underlying securities. To the extent that the futures markets close before the securities markets, significant price and rate movements can take place in the securities markets that cannot be reflected in the futures markets.

OPTIONS ON FUTURES CONTRACTS

An option on a futures contract gives the purchaser the right, but not the obligation, 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 option exercise period. The writer of the option is required upon exercise to assume an offsetting futures position (a short position if the option is a call and a long position if the option is a put). Upon exercise of the option, the assumption of offsetting futures positions by the writer and holder of the option will be accompanied by delivery of the accumulated cash 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. Currently options are available with respect to futures contracts on the Australian Dollar, British Pound, Canadian Dollar, French Franc, Japanese Yen, Swiss Franc, DeutscheMark and Eurodollar.

The holder or writer of an option may terminate its position by selling or purchasing an option of the same series. There is no guarantee that such closing transactions can be effected.

LIMITATIONS ON PURCHASE AND SALE OF OPTIONS ON FOREIGN CURRENCIES AND FUTURES CONTRACTS ON FOREIGN CURRENCIES

The Fund will write put options on foreign currencies and futures contracts on foreign currencies only if they are covered by segregating with the Fund's Custodian an amount of cash or short-term investments equal to the aggregate exercise price of the puts. The Fund will not (a) write puts having aggregate exercise prices greater than 25% of total net assets; or (b) purchase (i) put options on currencies or futures contracts on foreign currencies or (ii) call options on foreign currencies if, after any such purchase, the aggregate premiums paid for such options would exceed 10% of the Fund's total net assets.

The Fund intends to engage in futures contracts and options on futures contracts as a hedge against changes in the value of the currencies to which the Fund is subject or to which the Fund expects to be subject in connection with future purchases. The Fund also intends to engage in such transactions when they are economically appropriate for the reduction of risks inherent in the ongoing management of the Fund.

POSITION LIMITS

Transactions by the Fund in futures contracts and options will be subject to limitations, if any, established by each of the exchanges, boards of trade or other trading facilities (including NASDAQ) governing the maximum number of options in each class which may be written or purchased by a single investor or group of investors acting in concert, regardless of whether the options are written on the same or different exchanges, boards of trade or other trading facilities or are held or written in one or more accounts or through one or more brokers. Thus, the number of futures contracts and options which the Fund may write or purchase may be affected by the futures contracts and options written or purchased by other investment advisory clients of the Adviser. An exchange, board of trade or other trading facility may order the liquidations of positions found to be in excess of these limits, and it may impose certain other sanctions.

PORTFOLIO TURNOVER

The Fund has no fixed policy with respect to portfolio turnover; however, as a result of the Fund's investment policies, its portfolio turnover rate may exceed 100% although it is not expected to exceed 200%. The portfolio turnover rate is, generally, the percentage computed by dividing the lesser of portfolio purchases or sales by the average value of the portfolio. To the extent

that the Fund engages in short-term trading in attempting to achieve its objective, it may increase its turnover rate and incur greater brokerage commissions and other transaction costs, which are borne directly by the Fund. See "Portfolio Transactions and Brokerage."

LENDING OF PORTFOLIO SECURITIES

The Fund may lend its portfolio securities to broker-dealers, banks or other recognized institutional borrowers of securities, provided that the borrower at all times maintains cash or equivalent collateral or secures a letter of credit in favor of the Fund equal in value to at least 100% of the value of the securities loaned. During the time portfolio securities are on loan, the borrower pays the Fund an amount equivalent to any dividends or interest paid on such securities, and the Fund may invest the cash collateral and earn additional income, or it may receive an agreed-upon amount of interest income from the borrower who has delivered equivalent collateral or secured a letter of credit. Loans are subject to termination at the option of the Fund or the borrower. The Fund may pay reasonable administrative and custodial fees in connection with a loan and may pay a negotiated portion of the interest earned on the cash or equivalent collateral to the borrower or placing broker. The Fund does not have the right to vote securities on loan, but would terminate the loan and regain the right to vote if that were considered important with respect to the investment. The Fund does not intend to lend its portfolio securities during the coming year.

ILLIQUID SECURITIES

The Fund may invest up to 10% of its net assets in illiquid securities including repurchase agreements which have a maturity of longer than seven days, securities with legal or contractual restrictions on resale (restricted securities) and securities that are not readily marketable. Restricted securities eligible for resale pursuant to Rule 144A under the Securities Act of 1933, as amended (the Securities Act), that have a readily available market are not considered illiquid for purposes of this limitation. The Subadviser will monitor the liquidity of such restricted securities under the supervision of the Board of Directors. Repurchase agreements subject to demand are deemed to have a maturity equal to the notice period.

The staff of the SEC has also taken the position that purchased over-the-counter options and the assets used as "cover" for written over-the-counter options are illiquid securities unless the Fund and the counterparty have provided for the Fund at its option to unwind the OTC option.

The exercise of such an option ordinarily would involve the payment by the Fund of an amount designed to reflect the counterparty's economic loss from an early termination, but does allow the Fund to treat the assets used as "cover" as "liquid".

Historically, illiquid securities have included securities subject to contractual or legal restrictions on resale because they have not been registered under the Securities Act of 1933, as amended (Securities Act), securities which are otherwise not readily marketable and repurchase agreements having a maturity of longer than seven days. Securities which have not been registered under the Securities Act are referred to as private placements or restricted securities and are purchased directly from the issuer or in the secondary market. Mutual funds typically have not held a significant amount of restricted or other 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 restricted or other illiquid securities promptly or at reasonable prices and might thereby experience difficulty satisfying redemptions within seven days. A mutual fund might also have to register such restricted securities in order to dispose of them, resulting in additional expense and delay. Adverse market conditions could impede such a public offering of securities.

In recent years, however, a large institutional market has developed for certain securities that are not registered under the Securities Act including repurchase agreements, commercial paper, foreign securities, municipal securities and corporate bonds and notes. Institutional investors depend on an efficient institutional market in which the unregistered security can be readily resold or on an issuer's ability to honor a demand for repayment. The fact that there are contractual or legal restrictions on resale to the general public or to certain institutions may not be indicative of the liquidity of such investments.

Rule 144A allows for a broader institutional trading market for securities otherwise subject to restriction on resale to the general public. Rule 144A establishes a "safe harbor" from the registration requirements of the Securities Act for resales of certain securities to qualified institutional buyers. The investment adviser anticipates that the market for certain restricted securities such as foreign convertible securities will expand further as a result of this new regulation and the development of automated systems for the trading, clearance and settlement of unregistered securities of domestic and foreign issuers, such as the PORTAL System sponsored by the NASD.

The investment adviser will monitor the liquidity of restricted securities in the Fund's portfolio under the supervision of the Board of Directors. 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).

INVESTMENT RESTRICTIONS

The following restrictions are fundamental policies, which cannot be changed without the approval of the holders of a majority of the Fund's outstanding voting securities. A "majority of the Fund's outstanding voting securities" 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. Purchase any security (other than obligations of the U.S. Government, its agencies or instrumentalities) if as a result with respect to 75% of the Fund's total assets, more than 5% of the Fund's total assets (taken at current value) would then be invested in securities of a single issuer.

2. Make short sales of securities except short sales against-the-box (but the Fund may obtain such short-term credits as may be necessary for the clearance of transactions).

3. Concentrate its investments in any one industry (no more than 25% of the Fund's total assets will be invested in any one industry).

4. 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. For the purpose of this restriction, obligations of the Fund to Directors pursuant to deferred compensation arrangements, the purchase or sale of securities on a when-issued or delayed delivery basis, the purchase and sale of options, futures contracts and forward foreign currency exchange contracts and collateral arrangements with respect to the purchase and sale of options, futures contracts, options on futures contracts and forward foreign currency exchange contracts are not deemed to be the issuance of a senior security or a pledge of assets.

5. Purchase any security if as a result the Fund would then hold more than 10% of the outstanding voting securities of any one issuer.

6. Purchase any security if as a result the Fund would then have more than 5% of its total assets (taken at current value) invested in securities of companies (including predecessors) less than three years old.

7. Buy or sell commodities or commodity contracts or real estate or interests in real estate except that the Fund may purchase and sell stock index futures contracts, options thereon and forward foreign currency exchange contracts and securities which are secured by real estate and securities of companies which invest or deal in real estate.

8. Act as underwriter except to the extent that, in connection with the disposition of portfolio securities, it may be deemed to be an underwriter under certain federal securities laws.

9. Make investments for the purpose of exercising control or management.

10. Invest in securities of other investment companies, except by purchases in the open market involving only customary brokerage commissions and as a result of which not more than 10% of its total assets (taken at current value) would be invested in such securities, or except as part of a merger, consolidation or other acquisition.

11. Invest in interests in oil, gas or other mineral exploration or development programs, although it may invest in the common stock of companies which invest in or sponsor such programs.

12. Make loans, except through (i) repurchase agreements and (ii) loans of portfolio securities (such loans being limited to 10% of the Fund's total assets). (The purchase of a portion of an issue of securities distributed publicly, whether or not the purchase is made on the original issuance, is not considered the making of a loan.)

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

1. Invest in oil, gas and mineral leases.

2. 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.

The Fund may not purchase securities on margin, except for such short-term credits as are necessary for the clearance of purchases and sales of portfolio securities.

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.

DIRECTORS AND OFFICERS

<TABLE>
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NAME AND ADDRESS	POSITION WITH FUND	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS
<S>	<C>	<C>
Edward D. Beach c/o Prudential Mutual Fund Management, Inc. One Seaport Plaza New York, New York	Director	President and Director of BMC Fund, Inc.; formerly Vice Chairman of Broyhill Furniture Industries, Inc.; Certified Public Accountant; Secretary and Treasurer of Broyhill Family Foundation Inc.; President and Director of The High Yield Plus Fund, Inc. and The First Financial Fund, Inc.; Director of The Global Government Plus Fund, Inc. and The Global Yield Fund, Inc.
Eugene C. Dorsey c/o Prudential Mutual Fund Management, Inc. One Seaport Plaza New York, New York	Director	Chairman of Independent Sector (national coalition of philanthropic organizations) (since October 1989); formerly President, Chief Executive Officer and Trustee of the Gannett Foundation; former Publisher of four Gannett newspapers and former Vice President of Gannett Company; former Chairman of the American Council for the Arts; Director of the Regional Board of the Chase Lincoln First Bank of Rochester.
Delayne D. Gold c/o Prudential Mutual Fund Management, Inc. One Seaport Plaza New York, New York	Director	Marketing and Management Consultant.
*Harry A. Jacobs, Jr. One Seaport Plaza New York, New York	Director	Senior Director (since January 1986) of Prudential Securities; formerly Interim Chairman and Chief Executive Officer of Prudential Mutual Fund Management, Inc. (PMF) (June-September 1993); Chairman of the Board of Prudential Securities (1982-1985) and Chairman of the Board and Chief Executive Officer of Bache Group Inc. (1977-1982); 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.; Trustee of The Trudeau Institute.

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NAME AND ADDRESS	POSITION WITH FUND	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS
<S>	<C>	<C>
*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); Director of BUNZL, PLC (since June 1991); formerly Director of Crazy Eddie Inc. (1987-1990) and Director of Kaiser Tech., Ltd., and Kaiser Aluminum and Chemical Corp. (March 1987-November 1988); formerly Executive Vice President and Director of W.R. Grace & Co.; President and Director of The High Yield Income Fund, Inc., The Global Yield Fund, Inc. and The Global Government Plus Fund, Inc.
Thomas T. Mooney c/o Prudential Mutual Fund Management,	Director	President of Greater Rochester Metro Chamber of Commerce; former Rochester City Manager; Trustee of Center for Governmental Research, Inc. Director of

Inc. One Seaport Plaza New York, New York		Blue Cross of Rochester, Monroe County Water Authority, Rochester Jobs, Inc., Industrial Management Council, Inc., Executive Service Corps of Rochester and Monroe County Industrial Development Corporation; Director of The First Financial Fund, Inc., The Global Government Plus Fund, Inc., The Global Yield Fund, Inc. and The High Yield Plus Fund, Inc.
Thomas H. O'Brien c/o Prudential Mutual Fund Management, Inc. One Seaport Plaza New York, New York	Director	President, O'Brien Associates (financial and management consultants) (since April 1984); formerly, President of Jamaica Water Securities Corp. (holding company) (February 1989-August 1990); Director (September 1987-April 1991) and Chairman of the Board and Chief Executive Officer (September 1987-February 1989) of Jamaica Water Supply Company; formerly, Director of TransCanada Pipelines U.S.A. Ltd. (1984-June 1989) and Winthrop University Hospital (November 1978-June 1988); Director of Ridgewood Savings Bank and Yankee Energy System, Inc.; Secretary and Trustee of Hofstra University.
*Richard A. Redeker One Seaport Plaza New York, New York	Director	President, Chief Executive Officer and Director (since October 1993) of PMF; Director and Member of the Operating Committee (since October 1993) of Prudential Securities Incorporated (Prudential Securities); Director (since October 1993) of Prudential Securities Group, Inc. (PSG); formerly Senior Executive Vice President and Director of Kemper Financial Services, Inc. (September 1978-September 1993); Director of The Global Government Plus Fund, Inc. and The High Yield Income Fund, Inc.

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NAME AND ADDRESS	POSITION WITH FUND	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS
<S>	<C>	<C>
Nancy H. Teeters c/o Prudential Mutual Fund Management, Inc. One Seaport Plaza New York, New York	Director	Economist; formerly Vice President and Chief Economist (March 1986-June 1990) and Director of Economics (July 1984-February 1986), International Business Machines Corporation (manufacturer of computers); Member of the Board of Governors of the Horace H. Rackman School of Graduate Studies of the University of Michigan; Director of Global Utility Fund, Inc., The First Financial Fund, Inc. and The Global Yield Fund, Inc.
David W. Drasnin 39 Public Square 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) and 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 1989).
S. Jane Rose One Seaport Plaza New York, New York	Secretary	Senior Vice President (since January 1991) and Senior Counsel (since June 1987) and First Vice President (June 1987-December 1990) of PMF; Senior Vice President and Senior Counsel (since July 1992) of Prudential Securities.

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.
Deborah A. Docs One Seaport Plaza New York, New York	Assistant Secretary	Vice President (since January 1993), Associate Vice President (January 1990-December 1992), Assistant General Counsel (since November 1991), Assistant Vice President (January 1989-December 1989) and Legal Associate (May 1987-October 1991) of PMF; Vice President (since January 1993), Associate Vice President (January 1992-December 1992) and Associate General Counsel (January 1993) of Prudential Securities.

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

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 annual compensation of $7,500, in addition to certain out-of-pocket expenses.

Mr. O'Brien receives his 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 becomes payable at the option of the Director. The Fund's obligation to make payments of deferred Director's fees, together with interest thereon, is a general obligation of the Fund.

As of December 31, 1993, the Directors and officers of the Fund, as a group, owned less than 1% of the outstanding shares of common stock of the Fund.

As of December 31, 1993, Prudential Securities was the record holder for other beneficial owners of 91,855,674 shares (or .6%) of the outstanding common stock of the Fund. In the event of any meetings 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 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 and, 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 $500 million, .475 of 1% of the Fund's average daily net assets from $500 million to $1 billion and .45 of 1% of the Fund's average daily net assets in excess of $1 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 May 6, 1993 and by shareholders of the Fund on April 29, 1988.

For the fiscal years ended December 31, 1993, 1992 and 1991, PMF received management fees of $8,086,967, $5,565,827 and $3,997,818 respectively.

PMF has entered into the Subadvisory Agreement with PIC, a wholly-owned subsidiary of 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 contract or interested persons of any such parties, on May 6, 1993, and by shareholders of the Fund on April 29, 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 The Prudential Insurance Company of America (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, One Seaport Plaza, New York, New York 10292, 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 19, 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 May 6, 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 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 .75 of 1% (not 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 May 6, 1993. 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 year ended December 31, 1993, PMFD incurred distribution and service expenses in the aggregate of approximately $381,600, 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 for payment of account servicing fees to financial advisers.

In addition, for the fiscal year ended December 31, 1993, PMFD received approximately $2,373,000 in initial sales charges.

CLASS B PLAN. For the fiscal year ended December 31, 1993, Prudential Securities received approximately 15,229,900 from the Fund under the Class B Plan. It is estimated that Prudential Securities spent approximately $18,649,600 on behalf of the Fund during such period. It is estimated that of the expenses incurred by the Distributor under the Class B Plan during this period, approximately 0.5% ($86,300) was spent on printing and mailing of prospectuses to other than current shareholders; 0.5% ($86,200) on sales material and advertising; 15.1% ($2,825,000) was spent on compensation to Prusec, an affiliated broker-dealer, for commissions to its financial advisers and other expenses, including an allocation on account of overhead and other branch office distribution related expenses, incurred by it for distribution of Class B shares; 2.7% ($505,100) on interest and/or carrying charges; and 81.2% ($15,147,000) was spent on the aggregate of (i) commission credits to Prudential Securities branch offices, for payments of commissions and account servicing fees to financial advisers (37.0% or $6,902,400) and (ii) an allocation on account of overhead and other branch office distribution-related expenses (44.2% or $8,244,600). The term "overhead and other branch office distribution-related expenses" represents (a) the expenses of operating the branch offices of Prudential Securities and Prusec 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.

Prudential Securities 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 year ended December 31, 1993, Prudential Securities received approximately $1,957,000 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 30 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

includes 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 6, 1993.

NASD MAXIMUM SALES CHARGE RULE. Pursuant to rules of the National Association of Securities Dealers, Inc., 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 each class of the Fund's shareholders 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, options on such securities and stock indices and stock index futures contracts and options thereon for the Fund, the selection of brokers, dealers and futures commission merchants to effect the transactions and the negotiation of brokerage commissions, if any. For purposes of this section, the term "Manager" includes the "Subadviser". Purchases and sales of securities, options and futures on an exchange or board of trade are effected through brokers or futures commission merchants who charge a negotiated commission for their services. Orders may be directed to any broker or futures commission merchant including, to the extent and in the manner permitted by applicable law, Prudential Securities and its affiliates.

In the over-the-counter market, 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. On occasion, certain money market instruments may be purchased directly from an issuer, in which case no commissions or discounts are paid. The Fund will not deal with Prudential Securities in any transaction in which Prudential Securities acts as principal. Thus, it will not deal in over-the-counter securities with Prudential Securities acting as market maker, and it will not execute a negotiated trade with Prudential Securities if execution involves Prudential Securities' acting as principal with respect to any part of the Fund's order.

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 this policy, 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 far 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 the light of generally prevailing rates. 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 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 Fund's 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, 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 being purchased or sold on an 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 arms-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. In accordance with Section 11(a) under the Securities Exchange Act of 1934, Prudential Securities may not retain compensation for effecting transactions on a national securities exchange for the Fund unless the Fund has expressly authorized the retention of such compensation in a written contract executed by the Fund and Prudential Securities. Section 11(a) provides that Prudential Securities must furnish to the Fund at least annually a statement setting forth the total amount of all compensation retained by Prudential Securities from transactions effected for the Fund during the applicable period. Brokerage transactions with Prudential Securities are also subject to such fiduciary standards as may be imposed upon Prudential Securities by applicable law.

The table presented below shows certain information regarding the payment of commissions by the Fund, including the amount of such commissions paid to Prudential Securities, for the three-year period ended December 31, 1993.

ITEM	FISCAL YEAR ENDED DECEMBER 31, 1993	1992	1991
Total brokerage commissions paid by the Fund	$ 1,616,768	$ 927,127	$ 811,155
Total brokerage commissions paid to Prudential Securities	351,201	355,900	175,366
Percentage of total brokerage commissions paid to Prudential Securities	21.7%	38.4%	21.6%

The Fund effected approximately 27.0% of the total dollar amount of its transactions involving the payment of commissions through Prudential Securities during the year ended December 31, 1993. Of the total brokerage commissions paid during that period, $1,936,452.07 (or 86.38%) were paid to firms which provided research, statistical or other services to the Manager. PMF has not separately identified a portion of such brokerage commissions as applicable to the provision of such research, statistical or other services.

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--How to Buy Shares of the Fund" 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 5.25% and Class B shares of the Fund are sold at net asset value*. At December 31, 1993, the maximum offering price of the Fund's shares was as follows:

CLASS A	
Net asset value and redemption price per Class A share	$ 13.80
Maximum sales charge (5.25% of offering price)	.76
Offering price to public	$ 14.56
CLASS B	
Net asset value, offering price and redemption price per Class B	

share*...	$ 13.80

<FN>

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* 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.

</TABLE>

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 guaranteed investment contracts 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 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--Alternative Purchase Plan" 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 corporation will be deemed to control the corporation, 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 the 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 below 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 below under "Retirement and Group Plans."

LETTERS OF INTENT. Reduced sales charges are 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 the retirement and group plans described below 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 the shares are held for the investor by the Transfer Agent. 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. An investor 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. 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.

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 this 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 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 the Class B shares acquired as a result of an 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 an eligible 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 overall cost 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

See "Automatic Savings Accumulation Plan."
<FN>
- ------------------------
(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.
</TABLE>

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. Stock 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 generally 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 must generally be recognized for federal income tax purposes. 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, particularly if used in connection with a retirement plan.

TAX-DEFERRED RETIREMENT PLANS

Various tax-deferred retirement plans, including a 401(k) Plan, self-directed individual retirement accounts and "tax sheltered accounts" under Section 403(b)(7) of the Internal Revenue Code are available through the Distributor. These plans are for use by both self-employed individuals and corporate employers. These plans permit either self-direction of accounts by participants, or a pooled account arrangement. Information regarding the establishment of these plans, their administration, custodial fees and other details are available from Prudential Securities or the Transfer Agent.

Investors who are considering the adoption of such a plan should consult with their own legal counsel or tax adviser with respect to the establishment and maintenance of any such plan.

TAX-DEFERRED RETIREMENT ACCOUNTS

INDIVIDUAL RETIREMENT ACCOUNTS. An individual retirement account (IRA) permits the deferral of federal income tax on income earned in the account until the earnings are withdrawn. The following chart represents a comparison of the earnings in a personal savings account with those in an IRA, assuming a $2,000 annual contribution, and 8% rate of return and a 39.6% federal income tax bracket and shows how much more retirement income can accumulate within an IRA as opposed to a taxable individual savings account.

TAX-DEFERRED COMPOUNDING(1)

<TABLE>
<CAPTION>

CONTRIBUTIONS MADE OVER:	PERSONAL SAVINGS	IRA
10 years................	$ 26,165	$ 31,291
15 years................	44,675	58,649
20 years................	68,109	98,846
25 years................	97,780	157,909
30 years................	135,346	244,692

<FN>

(1) The chart is for illustrative purposes only and does not represent the performance of the Fund or any specific investment. It shows taxable versus tax-deferred compounding for the periods and on the terms indicated. Earnings in the IRA account will be subject to tax when withdrawn from the account.
</TABLE>

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 value of investments listed on national securities exchanges and NASDAQ equity securities are based on the last sale price as of the close of the New York Stock Exchange (which is currently 4:00 P.M., New York

time) or, in the absence of recorded sales, at the average of readily available closing bid and asked prices on such exchanges. Unlisted securities are valued at the average of the quoted bid and asked prices in the over-the-counter market. Securities or other assets for which market quotations are not readily available are valued by appraisal at their fair value as determined in good faith by the Manager under procedures established by and under the general supervision of the Fund's Board of Directors. Options on stocks and stock indices traded on national securities exchanges are valued as of the close of options trading on such exchanges (which is currently 4:10 P.M., New York time) and stock index futures and options thereon, which are traded on commodities exchanges, are valued at their last sale price as of the close of such commodities exchanges (which is currently 4:15 P.M., New York time). If there were no sales on the applicable options or commodities exchange, options on stocks and stock indices and stock index futures and options thereon are valued at the average of the quoted bid and asked prices as of the close of the respective exchange. 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, if their term to maturity from date of purchase was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if their term to maturity from date of purchase exceeded 60 days, unless this is determined not to represent fair value by the Board of Directors. The Fund will compute its net asset value once daily at 4:15 P.M., New York time, using the prices obtained at the times indicated above 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, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

In the event that the New York Stock Exchange or the national securities exchanges on which stock options are traded adopt different trading hours on either a permanent or temporary basis, the Board of Directors of the Fund will reconsider the time at which net asset value is computed. In addition, the Fund may compute its net asset value as of any time permitted pursuant to any exemption, order or statement of the Securities and Exchange Commission or its staff.

The net asset value of Class B shares will generally be lower than the net asset value of Class A shares as a result of the larger distribution fee with respect to Class B shares. It is expected, however, that the net asset value per share of the two classes will tend to converge immediately after the recording of dividends which will differ by approximately the amount of the distribution expense accrual differential between the classes.

PERFORMANCE INFORMATION

AVERAGE ANNUAL TOTAL RETURN. The Fund may 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)to the power of n = ERV

Where: P = a hypothetical initial payment of $1,000.
T = average annual total return.
n = number of years.

ERV = ending redeemable value of a hypothetical $1,000 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 for Class A shares for the one year and three-and-eleven-twelfths year periods ended December 31, 1993 was 15.72% and 13.34%, respectively. The average annual total return for Class B shares of the Fund for the one, five, and ten year periods ended on December 31, 1993 were 16.13%, 16.24% and 14.73%, respectively.

AGGREGATE TOTAL RETURN. The Fund may also 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 according to the following formula:

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

Where: P = a hypothetical initial payment of $1000.
T = aggregate total return.

ERV = ending redeemable value of a hypothetical $1,000 payment 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 for Class A shares for the one and three-and-eleven-twelfths year periods ended on December 31, 1993 was 22.14% and 72.93%, respectively. The aggregate total return for Class B shares for the one, five and ten year periods ended on December 31, 1993 was 21.13%, 113.23% and 294.99%, respectively.

PERFORMANCE INFORMATION

YIELD. The Fund may from time to time advertise its yield as calculated over a 30-day period. YIELD IS CALCULATED SEPARATELY FOR CLASS A AND CLASS B SHARES. This yield will be computed by dividing the Fund's net investment income per share earned during this 30-day period by the maximum offering price 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.

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. The yield for the Class A and Class B shares for the 30-day period ended December 31, 1933 was 1.46% and .74%, respectively.

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)

(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.

DIVIDENDS, DISTRIBUTIONS AND TAXES

The Fund intends to declare semi-annual dividends of the Fund's net investment income. Net capital gains, if any, will be distributed at least annually. In determining amounts of capital gains to be distributed, any capital loss carryforwards from prior years will be offset against capital gains. Distributions will be paid in additional Fund shares based on net asset value, unless the shareholder elects in writing not less than five full business days prior to the record date to receive such distributions in cash.

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. Capital gains will be paid in the same amount to 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 Subchapter M of the Internal Revenue Code. Under Subchapter M the Fund is not subject to federal income taxes on the taxable income it distributes to shareholders, provided that it distributes to shareholders each year at least 90% of its net investment income and net short-term capital gains in excess of net long-term capital losses, if any. 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 gross income from dividends, interest, proceeds from securities loans, and gains from the sale or other disposition of securities or foreign currencies, or other income (including, but not limited to, gains from options, futures or forward contracts) derived with respect to its business of investing in such securities or currencies; (b) derive less than 30% of its gross income from the sale or other disposition of securities held less than three months; and (c) diversify its holdings so that, at the end of each fiscal quarter, (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 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.

The "straddle" provisions of the Internal Revenue Code may also affect the taxation of the Fund's transactions in options on securities, stock index futures and options on futures and limit the deductibility of any loss from the disposition of a position to the extent of the unrealized gain on any offsetting position. Further, any position in the straddle (E.G., a put option acquired by the Fund) may affect the holding period of the offsetting position for purposes of the 30% of gross income test described above, and accordingly the Fund's ability to enter into straddles and dispose of the offsetting positions may be limited.

Gains or losses attributable to fluctuations in exchange rates which occur between the time the Fund accrues interest or other receivables or accrues expenses or other liabilities denominated in a foreign currency and the time the Fund actually collects such receivables or pays such liabilities are treated as ordinary income or ordinary loss. Similarly, gains or losses on disposition of debt securities denominated in a foreign currency attributable to fluctuations in the value of the foreign currency between the date of acquisition of the security and the date of disposition also are treated as ordinary gain or loss. These gains, referred to under the Code as "Section 988" gains or losses, increase or decrease the amount of the Fund's investment company taxable income available to be distributed to its shareholders as ordinary income, rather than increasing or decreasing the amount of the Fund's net capital gain, as was the case prior to 1987. If Section 988 losses exceed other investment company taxable income during a taxable year, the Fund would not be able to make any taxable ordinary dividend distributions, or distributions made before the losses were realized would be recharacterized as a return of capital to shareholders, rather than as an ordinary dividend, reducing each shareholder's basis in his or her shares.

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.

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.

PENNSYLVANIA PERSONAL PROPERTY TAX. The Fund has received a written letter of determination from the Pennsylvania Department of Revenue that the Fund will be subject to the Pennsylvania foreign franchise tax. Accordingly, it is believed that Fund shares are 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 exemption.

OTHER TAX INFORMATION. The Fund may also 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. Distributions to shareholders may be subject to additional state and local taxes. Shareholders are advised to consult their own tax advisers regarding specific questions as to federal, state or local taxes.

CUSTODIAN, 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 $2,177,000 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>
<CAPTION>

SHARES	DESCRIPTION	VALUE (NOTE 1)
<C>	<S>	<C>
	COMMON STOCKS--81.9%	
	AEROSPACE/ DEFENSE--4.5%	
290,000	E-Systems, Inc..	$ 12,578,750
207,800	Lockheed Corp.	14,182,350
870,000	Loral Corp..	32,842,500
500,000	United Technologies Corp..	31,000,000
		90,603,600
	AUTOMOBILES & TRUCKS-5.2%	
500,000	Chrysler Corp.	26,625,000
554,800	Ford Motor Co.	35,784,600
600,000	General Motors Corp.	32,925,000
404,800	Navistar International Corp.*.	9,563,400
		104,898,000
	BANKS & FINANCIAL SERVICES-9.9%	
1,400,000	American Express Co.	43,225,000
300,000	BankAmerica Corp..	13,912,500
600,000	Chase Manhattan Corp..	20,325,000
600,000	Comerica, Inc.	15,975,000
35,600	Dean Witter, Discover & Co..	1,232,650
149,900	Dreyfus Corp..	6,745,500
177,000	First America Bank Corp..	6,947,250
300,000	First Interstate Bank Corp..	19,237,500
125,530	Fund American Companies, Inc.*	9,854,105
1,000,000	Great Western Financial Corp..	20,000,000
256,500	Mercantile Bankshares Corp..	4,905,563
225,000	Republic New York Corp..	10,518,750
600,000	Salomon, Inc..	28,575,000
		201,453,818
	CARDS & GIFT WRAPPINGS-0.8%	
750,000	Gibson Greetings, Inc.	15,843,750
	CHEMICALS-2.6%	
123,800+	Eastman Chemical Co.	5,880,500
355,500	IMC Fertilizer Group, Inc.	16,130,813
300,000	Monsanto Co.	$22,012,500
500,000	Wellman, Inc..	9,375,000

		53,398,813
	COMMERCIAL SERVICES-0.4%	
600,000	AAR Corp..	8,700,000
	COMPUTER HARDWARE-6.6%	
800,000	Amdahl Corp.	4,800,000
800,000	Comdisco, Inc.	15,400,000
2,300,000	Digital Equipment Corp.*	78,775,000
412,900	Gerber Scientific, Inc..	5,728,987
150,000	Hewlett-Packard Co..	11,850,000
300,000	International Business Machines Corp..	16,950,000
		133,503,987
	DIVERSIFIED CONSUMER PRODUCTS-5.2%	
400,000+	Eastman Kodak Co..	22,400,000
500,000	ITT Corp..	45,625,000
300,000	Loews Corp..	27,900,000
122,400	Premark International, Inc..	9,822,600
		105,747,600
	DRUGS & MEDICAL SUPPLIES-2.2%	
1,800,000	Baxter International, Inc.	43,875,000
	ELECTRIC POWER-1.2%	
170,000	American Electric Power, Inc..	6,311,250
570,000	General Public Utilities Corp.	17,598,750
		23,910,000
	ELECTRONICS-1.8%	
300,000	Avnet, Inc..	11,700,000
300,000	Harris Corp.	13,650,000
200,000	Varian Associates, Inc..	12,000,000
		37,350,000

</TABLE>

See Notes to Financial Statements.

PRUDENTIAL EQUITY FUND, INC.

<TABLE>
<CAPTION>

SHARES	DESCRIPTION	VALUE (NOTE 1)
<C>	<S>	<C>
	FARM & INDUSTRIAL MACHINERY-0.5%	
150,000	Deere & Co..	$ 11,100,000
	FOREST PRODUCTS-5.1%	
400,000	International Paper Co..	27,100,000
550,000	James River Corp. of Virginia.	10,587,500
1,600,000	Scott Paper Co..	65,800,000
		103,487,500

	GAS DISTRIBUTION-0.5%	
1,300,000	Arkla, Inc..	10,237,500
	HOSPITALS-3.9%	
649,700	American Medical Holdings, Inc.* . . .	12,425,512
39,400	Beverly Enterprises, Inc.*	522,050
747,720	Columbia Healthcare Corp..	24,861,690
266,800	Foundation Health Corp.*	8,270,800
459,500	Hillhaven Corp. *.	8,673,063
1,665,000	National Medical Enterprises, Inc. . .	23,310,000
		78,063,115
	INSURANCE-7.0%	
900,000	Alexander & Alexander Services	17,550,000
18,100	Citizens Corp.	355,212
1,500,000	Continental Corp..	41,437,500
500,000	First Colony Corp.	12,687,500
900,828	Old Republic International Corp. . . .	20,381,233
580,000	SAFECO Corp.	31,900,000
175,000	St. Paul Companies, Inc.	15,728,125
62,765	White River Corp. *.	2,165,393
		142,204,963
	NON - FERROUS METALS-2.7%	
250,000	Alumax Inc.*	5,375,000
300,000	Aluminum Co. of America.	20,812,500
122,750	Amax, Inc.	843,906
1,093,000	Cyprus Minerals Corp..	28,281,375
		55,312,781
	OIL & GAS EXPLORATION/ PRODUCTION-7.3%	
300,000	Amerada Hess Corp.	$13,537,500
500,000	BJ Services Co.*	9,625,000
750,000	British Petroleum PLC, ADR (United Kingdom).	48,000,000
1,100,000	Occidental Petroleum Corp.	18,837,500
400,000	Oryx Energy Co..	6,900,000
200,000	Royal Dutch Petroleum Co..	20,875,000
700,000	Total SA, ADR (France)	18,987,500
504,400	Union Texas Petroleum, Inc..	10,277,150
		147,039,650
	RETAIL-7.9%	
119,700	Dayton Hudson Corp..	7,989,975
300,000	Dillard Department Stores, Inc.. . . .	11,400,000
700,000	Federated Department Stores, Inc.* . .	14,525,000
470,000	K-Mart Corp.	9,987,500
500,000	Petrie Stores Corp..	14,562,500
1,368,300	Tandy Corp..	67,730,850
1,391,900	U.S. Shoe Corp..	20,878,500
900,000	Waban, Inc. *.	12,262,500
		159,336,825
	SPECIALTY CHEMICALS-0.2%	
22,600	LeaRonal, Inc.	355,950
100,000	Witco Corp..	3,187,500
		3,543,450
	STEEL-0.5%	
500,000	Bethlehem Steel Corp.*	10,187,500
	TELECOMMUNICATIONS-4.4%	

1,446,500	Sprint Corp.	50,265,875
1,000,000	Telefonica de Espana, ADR (Spain). . .	39,000,000
		89,265,875

</TABLE>

See Notes to Financial Statements.

PRUDENTIAL EQUITY FUND, INC.

<TABLE>
<CAPTION>

SHARES	DESCRIPTION	VALUE (NOTE 1)
<C>	<S>	<C>
	TRUCKING/SHIPPING--1.5%	
1,000,000O	OMI Corp	$ 6,875,000
550,000	Overseas Shipholding Group, Inc. . . .	12,993,750
555,400	Southern Pacific Rail Corp.*	10,969,150
		30,837,900
	Total common stocks (cost $1,346,025,042).	1,659,901,627
PRINCIPAL AMOUNT (000)	SHORT-TERM INVESTMENTS-18.1% REPURCHASE AGREEMENT	
	Joint Repurchase Agreement Account 3.15%, 1/3/94	
$367,097	(cost $367,097,000; Note 5).	367,097,000
	TOTAL INVESTMENTS--100.0% (cost $1,713,122,042; Note 4). . . .	2,026,998,627
	Other assets in excess of liabilities.	170,160
	NET ASSETS--100%.	$2,027,168,787

</TABLE>

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*Non-income producing security.
+Indicates a when-issued security.
ADR--American Depository Receipt.

See Notes to Financial Statements

PRUDENTIAL EQUITY FUND, INC.
STATEMENT OF ASSETS AND LIABILITIES

<TABLE>
<CAPTION>

ASSETS	DECEMBER 31, 1993
<S>	<C>
Investments, at value (cost $1,346,025,042).	$1,659,901,627
Repurchase Agreement (cost $367,097,000)	367,097,000
Receivable for Fund shares sold.	8,932,506

Receivable for investments sold.	3,461,617
Dividends and interest receivable.	3,191,370
Deferred expenses and other assets	29,229
Total assets.	2,042,613,349
LIABILITIES	
Bank overdraft	601,581
Payable for Fund shares reacquired	6,840,120
Payable for investments purchased.	5,583,739
Due to Distributors.	1,535,623
Due to Manager	792,503
Accrued expenses	38,571
Withholding taxes payable.	52,425
Total liabilities.	15,444,562
Net Assets	$2,027,168,787
Net assets were comprised of:	
Common stock, at par	$1,469,012
Paid-in capital in excess of par	1,638,420,903
	1,639,889,915
Undistributed net investment income.	41,806,826
Accumulated net realized gain on investments	31,595,461
Net unrealized appreciation on investments	313,876,585
Net assets, December 31, 1993	$2,027,168,787
Class A:	
Net asset value and redemption price per share ($232,534,586 DIVIDED BY 16,854,273 shares of common stock issued and outstanding).	$13.80
Maximum sales charge (5.25% of offering price)	.76
Maximum offering price to public	$14.56
Class B:	
Net asset value, offering and redemption price per share ($1,794,634,201 DIVIDED BY 130,046,894 shares of common stock issued and outstanding)	$13.80

</TABLE>

See Notes to Financial Statement.

PRUDENTIAL EQUITY FUND, INC.
Statement of Operations

<TABLE>
<CAPTION>

NET INVESTMENT INCOME	YEAR ENDED DECEMBER 31, 1993
<S>	<C>
Income	
Dividends (net of foreign withholding taxes of $479,392).	$35,991,011
Interest	9,093,326
Total income.	45,084,337
Expenses	
Distribution fee--Class A.	381,556

Distribution fee--Class B	15,229,923
Management fee	8,086,967
Transfer agent's fees and expenses	2,455,000
Reports to shareholders	786,000
Custodian's fees and expenses	285,000
Registration fees	249,000
Franchise taxes	202,000
Audit fee	45,000
Directors' fees	45,000
Insurance expense	42,000
Legal fees	25,000
Miscellaneous	13,017
Total expenses	27,845,463
Net investment income	17,238,874
REALIZED AND UNREALIZED GAIN ON INVESTMENTS	
Net realized gain on investment transactions	116,747,891
Net change in unrealized appreciation of investments	183,732,635
Net gain on investments	300,480,526
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$317,719,400

</TABLE>

See Notes to Financial Statements.

PRUDENTIAL EQUITY FUND, INC.
STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

INCREASE IN NET ASSETS	YEAR ENDED DECEMBER 31, 1993	1992
<S>	<C>	<C>
Operations		
Net investment income	$17,238,874	$13,719,123
Net realized gain on investment transactions	116,747,891	73,529,360
Net change in unrealized appreciation of investments	183,732,635	51,173,102
Net increase in net assets resulting from operations	317,719,400	138,421,585
Net equalization credits	10,311,865	6,843,469
Dividends and distributions (Note 1)		
Dividends to shareholders from net investment income		
Class A	(3,388,881)	(2,284,357)
Class B	(13,831,847)	(11,637,458)
	(17,220,728)	(13,921,815)
Distributions to shareholders from net realized gains on investment transactions		
Class A	(11,075,863)	(6,510,083)
Class B	(85,590,180)	(57,843,200)
	(96,666,043)	(64,353,283)
Fund share transactions (Note 6)		
Proceeds from shares subscribed	1,246,554,009	838,574,064
Net asset value of shares issued in reinvestment of dividends and distributions	107,310,518	73,350,581
Cost of shares reacquired	(881,414,705)	(625,567,145)
Net increase in net assets from		

Fund share transactions	472,449,822	286,357,500
Total increase	686,594,316	353,347,456
NET ASSETS		
Beginning of year	1,340,574,471	987,227,015
End of year	$2,027,168,787	$1,340,574,471

</TABLE>

See Notes to Financial Statements.

PRUDENTIAL EQUITY FUND, INC.
NOTES TO FINANCIAL STATEMENTS

Prudential Equity Fund, Inc. (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 long-term growth of capital by investing primarily in common stocks of major established corporations.

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 VALUATION: Investments, including options, traded on a national securities or commodities exchange and NASDAQ National Market equity securities are valued at the last reported sales price on the primary exchange on which they are traded. Securities traded in the over-the-counter market (including securities listed on exchanges whose primary market is believed to be over-the-counter) and listed securities for which no sale was reported on that date are valued at the mean between the last reported bid and asked prices.

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.

In connection with transactions in repurchase agreements with U.S. financial institutions, it is the Fund's policy that its custodian take possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction, including accrued interest. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

All securities are valued as of 4:15 P.M., New York time.

SECURITIES TRANSACTIONS AND INVESTMENT INCOME: Securities transactions are recorded on the trade date. Realized gains and losses on sales of investments are calculated on the identified cost basis. Dividend income is recorded on the ex-dividend date, and interest income is recorded on the accrual basis.

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.

DIVIDENDS AND DISTRIBUTIONS: Dividends from net investment income are declared and paid semi-annually. The Fund will distribute at least annually net capital gains in excess of loss carryforwards, if any. 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.

EQUALIZATION: The Fund follows the accounting practice known as equalization by which a portion of the proceeds from sales and costs of reacquisitions of Fund shares, equivalent on a per share basis to the amount of distributable net investment income on the date of the transaction, is credited or charged to undistributed net investment income. As a result, undistributed net investment income per share is unaffected by sales or reacquisitions of the Fund's shares.

TAXES: It is the Fund's policy to continue to meet the requirements of the

Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable net income and net capital gains, if any, to its shareholders. Therefore, no federal income tax provision is required.

Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.

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 decrease paid-in capital by $770,938, increase undistributed net investment income by $629,827 and increase accumulated net realized gains on investments by $141,111 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 1% of the Fund's average daily net assets up to $500 million, .475 of 1% of the next $500 million of average daily net assets and .45 of 1% of the Fund's average daily net assets in excess of $1 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 the Fund's Class A and Class 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 .20 of 1% of the average daily net assets of the Class A shares for the 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 1% of the average daily net assets of the Class B shares.

The Class B distribution expenses include commission credits for payments of commissions and account servicing fees to financial advisers and an allocation for overhead and other distribution-related expenses, for 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 service 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 $2,373,000 in front-end sales charges resulting from sales of Class A shares during the 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.

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 advised the Fund that for the year ended December 31, 1993, it received approximately $1,957,000 in contingent deferred sales charges imposed upon certain redemptions by investors. 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 $16,074,000. 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 subsidiary 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 year ended December 31, 1993, the Fund incurred fees of approximately $2,177,000 for the services of PMFS. As of December 31, 1993, $198,000 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.

For the year ended December 31, 1993, PSI earned approximately $351,200 in brokerage commissions from portfolio transactions executed on behalf of the Fund.

NOTE 4. PORTFOLIO SECURITIES Purchases and sales of investment securities, other than short-term investments, for

the year ended December 31, 1993 aggregated $488,102,364 and $304,396,823, respectively.

The federal income tax basis of the Fund's investments at December 31, 1993 was $1,713,122,042 and, accordingly, net unrealized appreciation for federal income tax purposes was $313,876,585 (gross unrealized appreciation--$389,901,278; gross unrealized depreciation--$76,024,693).

NOTE 5. JOINT REPURCHASE AGREEMENT ACCOUNT The Fund, along with other affiliated registered investment companies, transfers uninvested cash balances into a single joint account, the daily aggregate balance of which is invested in one or more repurchase agreements collateralized by U.S. Treasury or Federal agency obligations. As of December 31, 1993, the Fund has a 30.67% undivided interest in the joint account. The undivided interest for the Fund represents $367,097,000 in the principal amount. As of such date, each repurchase agreement in the joint account and the collateral therefor were as follows:

Bear, Stearns & Co., 3.18%, in the principal amount of $323,000,000, repurchase price $323,085,595, due 1/3/94; collateralized by $200,000,000 U.S. Treasury Notes, 3.875%, due 3/31/95, $5,745,000 U.S. Treasury Notes, 4.25% due, 7/31/95, $85,000 U.S. Treasury Notes, 7.375%, due 5/15/96, $30,000,000 U.S. Treasury Notes, 5.625%, due 1/31/98 and $80,030,000 U.S.Treasury Notes, 7.50%, due 11/15/01; approximate aggregate value including accrued interest--$329,564,341.

Kidder, Peabody & Co. Inc., 3.20%, in the principal amount of $375,000,000, repurchase price $375,100,000, due 1/3/94; collateralized by $200,000,000 U.S. Treasury Bond, 11.625%, due 11/15/04, $38,000,000 U.S. Treasury Bonds, 12.75%, due 11/15/10, $11,730,000 U.S. Treasury Notes, due 11/15/96, $90,000 U.S. Treasury Bonds, 9.00%, due 2/15/94 and $15,000,000 U.S. Treasury Notes, 7.375%, due 5/15/96; approximate aggregate value including accrued interest--$382,608,562.

Goldman, Sachs & Co., 3.10%, in the principal amount of $399,000,000, repurchase price $399,103,075, due 1/3/94; collateralized by $363,720,000 U.S. Treasury Bonds, 7.50%, due 11/15/16; approximate value including accrued interest--$408,104,889.

Barclays de Zoete Wedd, Inc., 3.10%, in the principal amount of $100,000,000, repurchase price $100,025,833, due 1/3/94; collateralized by $32,000,000 U.S. Treasury Notes, 7.50%, due 11/15/01, $7,305,000 U.S. Treasury Notes, 8.50%, due 2/15/00 and $49,000,000 U.S. Treasury Notes, 8.875%, due 11/15/98; approximate aggregate value including accrued interest--$102,043,014.

NOTE 6. 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 5.25%.
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, dividend into two classes, designated Class A and B common stock, each of which consists of 250 million authorized shares.

Transactions in shares of common stock were as follows:

<TABLE>
<CAPTION>

Class A	SHARES	AMOUNT
<S>	<C>	<C>
Year ended December 31, 1993:		
Shares sold	10,666,901	$ 142,866,820
Shares issued in reinvestment of dividends and distributions	1,024,585	13,957,895
Shares reacquired.	(6,172,832)	(83,163,283)
Net increase in shares outstanding	5,518,654	$73,661,432
Year ended December 31, 1992:		
Shares sold.	11,944,562	$145,512,175
Shares issued in reinvestment of dividends and distributions	721,030	8,603,423
Shares reacquired.	(8,604,764)	(105,650,276)
Net increase in shares outstanding	4,060,828	$48,465,322

</TABLE>

<TABLE>
<CAPTION>

Class B	SHARES	AMOUNT
<S>	<C>	<C>
Year ended December 31, 1993:		
Shares sold.	84,220,134	$1,103,687,189
Shares issued in reinvestment of dividends and distributions	7,009,195	93,352,623
Shares reacquired.	(60,836,074)	(798,251,422)
Net increase in shares outstanding	30,393,255	$398,788,390

</TABLE>

<TABLE>
<CAPTION>

Class B	SHARES	AMOUNT
<S>	<C>	<C>
Year ended December 31, 1992:		
Shares sold.	59,164,132	$693,061,889

Shares issued in reinvestment of dividends and distributions	5,566,480	64,747,158
Shares reacquired.	(44,433,983)	(519,916,869)
Net increase in shares outstanding	20,296,629	$237,892,178

</TABLE>

PRUDENTIAL EQUITY FUND, INC.
FINANCIAL HIGHLIGHTS

<TABLE>
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	Class A				Class B				
	Year Ended December 31,			January 22, 1990+ through December 31,	Year Ended December 31,				
PER SHARE OPERATING PEFORMANCE:	1993	1992	1991	1990	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$ 12.07	$ 11.39	$ 9.84	$ 11.46	$ 12.08	$ 11.40	$ 9.85	$ 11.83	$ 9.18
INCOME FROM INVESTMENT OPERATIONS									
Net investment income.	.23	.24	.27	.31	.12	.14	.18	.26	.19
Net realized and unrealized gain (loss) on investment transactions.	2.42	1.30	2.09	(.36)	2.42	1.30	2.09	(.76)	2.75
Total from investment operations	2.65	1.54	2.36	(.05)	2.54	1.44	2.27	(.50)	2.94
LESS DISTRIBUTIONS									
Dividends from net investment income	(.22)	(.23)	(.24)	(.35)	(.12)	(.13)	(.15)	(.26)	(.20)
Distributions from net realized capital gains	(.70)	(.63)	(.57)	(1.22)	(.70)	(.63)	(.57)	(1.22)	(.09)
Total distributions.	(.92)	(.86)	(.81)	(1.57)	(.82)	(.76)	(.72)	(1.48)	(.29)
Net asset value, end of period	$ 13.80	$ 12.07	$ 11.39	$ 9.84	$ 13.80	$ 12.08	$ 11.40	$ 9.85	$ 11.83
TOTAL RETURN#:	22.14%	13.65%	24.55%	(0.47)%	21.13%	12.72%	23.55%	(4.28)%	32.04%
RATIOS/SUPPLEMENTAL DATA:									
Net assets, end of period (000)	$232,535	$136,834	$82,845	$30,264	$1,794,634	$1,203,740	$904,382	$578,213	$629,230
Average net assets (000)	$190,778	$111,489	$57,845	$27,371	$1,522,992	$1,042,028	$757,485	$583,016	$567,575
Ratios to average net assets:									
Expenses, including distribution fees . . .	91%	.94%	.97%	1.01%*	1.71%	1.74%	1.77%	1.89%	1.62%
Expenses, excluding distribution fees. . .	.71%	.74%	.77%	.84%*	.71%	.74%	.77%	.89%	.82%
Net investment income.	1.71%	1.91%	2.36%	2.86%*	.91%	1.11%	1.56%	2.27%	1.66%
Portfolio turnover	21%	22%	19%	76%	21%	22%	19%	76%	57%

<FN>

* 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 in 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>

- --
REPORT OF INDEPENDENT ACCOUNTANTS
- --

To the Shareholders and Board of Directors of
Prudential Equity Fund, Inc.

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 the financial highlights present fairly, in all material respects, the financial position of Prudential Equity Fund, Inc. (the "Fund") at December 31, 1993, and 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, and the application of alternative auditing procedures where confirmations from brokers were not received, provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE

1177 Avenue of the Americas
New York, New York
February 9, 1994

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TAX INFORMATION
- --

We are required by the Internal Revenue Code to advise you within 60 days of the Fund's fiscal year end (December 31, 1993) as to the federal tax status of dividends paid by the Fund during such fiscal year. Accordingly, we are advising you that in 1993 the Fund paid distributions for Class A shares totalling $.92 per share, comprised of $.325 net investment income and short-term capital gains which are taxable as ordinary income and $.595 long-term capital gains. The Fund paid distributions for Class B shares totalling $.815 per share, comprised of $.22 net investment income and short-term capital gains which are taxable as ordinary income and $.595 long-term capital gains. Further, we wish to advise you that 84.1% of the ordinary income dividends paid in 1993 qualified for the corporate dividends received deduction available to corporate taxpayers.

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, 1993 and December 31, 1992.

Notes to Financial Statements.

Financial Highlights.

Report of Independent Accountants.

(B) EXHIBITS:

1. (a) Articles of Incorporation, as amended, incorporated by reference to Exhibit 1 to Post-Effective Amendment No. 2 to the Registration Statement on Form N-1A (File No. 2-75128).

(b) Amendment to Articles of Incorporation, incorporated by reference to Exhibit 1 to Post-Effective Amendment No. 8 to the Registration Statement on Form N-1A (File No. 2-75128).

(c) Amended to Articles of Incorporation, incorporated by reference to Exhibit 1 to Post-Effective Amendment No. 9 to the Registration Statement on Form N-1A (File No. 2-75128).

(d) Amendment to Articles of Incorporation, incorporated by reference to Exhibit 1 to Post-Effective Amendment No. 12 to the Registration Statement on Form N-1A (File No. 2-75128).

(e) Amendment to Articles of Incorporation.*

2. (a) By-Laws of the Registrant, as amended, incorporated by reference to Exhibit 2 to Post-Effective Amendment No. 8 to the Registration Statement on Form N-1A (File No. 2-75128).

(b) Amendment to By-Laws, incorporated by reference to Exhibit 2 to Post-Effective Amendment No. 11 to the Registration Statement on Form N-1A (File No. 2-75128).

4. (a) Specimen stock certificate for Class B shares issued by the Registrant, incorporated by reference to Exhibit 4 to Post-Effective Amendment No. 8 to the Registration Statement on Form N-1A (File No. 2-75128).

(b) Specimen stock certificate for Class A shares issued by the Registrant, incorporated by reference to Exhibit No. 4 to Post-Effective Amendment No. 12 to the Registration Statement on Form N-1A (File No. 2-75128).

(c) Instruments Defining Rights of Shareholders.*

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. 9 to the Registration Statement on Form N-1A (File No. 2-75128).

(b) 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. 9 to the Registration Statement on Form N-1A (File No. 2-75128).

6. (a) Distribution Agreement, as amended, incorporated by reference to Exhibit 6(a) to Post-Effective Amendment N. 5 to the Registration Statement on Form N-1A (File No. 2-75128).

(b) Distribution Agreement between the Registrant and Prudential Mutual Fund Distributors, Inc. for Class A Shares, incorporated by reference to Exhibit No. 6(b) to Post-Effective Amendment No. 12 to the Registration Statement on Form N-1A (File No. 2-75128).

(c) Amended and Restated Distribution Agreement between the Registrant and Prudential-Bache Securities Inc. for Class B Shares, incorporated by reference to Exhibit 6(c) to Post-Effective Amendment No. 12 to the Registration Statement on Form N-1A (File No. 2-75128).

(d) Selected Dealer Agreement, incorporated by reference to Exhibit 6(b) to Post-Effective Amendment No. 5 to the Registration Statement on Form

N-1A (File No. 2-75128).

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

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

8. Custodian Agreement between the Registrant and State Street Bank and Trust.

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. 8 to the Registration Statement on Form N-1A (File No. 2-75128).

10. Opinion of Sullivan & Cromwell, incorporated by reference to Exhibit 10 to Pre-Effective Amendment No. 2 to the Registration Statement on Form N-1A (File No. 2-75128).

11. Consent of Independent Accountants.*

13. Investment Representation Letter, incorporated by reference to Exhibit 13 to Pre-Effective Amendment No. 2 to the Registration Statement on Form N-1A (File No. 2-75128).

15. (a) Plan of Distribution, incorporated by reference to Exhibit 15 to Post-Effective Amendment No. 5 to the Registration Statement on Form N-1A (File No. 2-75128).

(b) Plan of Distribution for Class A Shares, incorporated by reference to Exhibit 15(b) to Post-Effective Amendment No. 12 to the Registration Statement on Form N-1A (File No. 2-75128).

(c) Amended and Restated Plan of Distribution for Class B Shares, incorporated by reference to Exhibit 15(c) to Post-Effective Amendment No. 12 to the Registration Statement on Form N-1A (File No. 2-75128).

(d) Distribution and Service Plan between the Registrant (Class A shares) and Prudential Mutual Fund Distributors, Inc.*

(e) Distribution and Service Plan between the Registrant (Class B shares) and Prudential Securities Incorporated.*

16. (a) Schedule of Computation of Performance Quotations for Class B Shares, incorporated by reference to Exhibit 16 to Post-Effective Amendment No. 9 to the Registration Statement on Form N-1A (File No. 2-75128).

(b) Schedule of Computation of Performance Quotations for Class A Shares, incorporated by reference to Exhibit 16(b) to Post-Effective Amendment No. 13 to the Registration Statement on Form N-1A (File No. 2-75128).

(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. 15 to the Registration Statement on Form N-1A (File No. 2-75128).

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*Filed herewith.

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

No person is controlled by or under common control with the Registrant.

ITEM 26. NUMBER OF HOLDERS OF SECURITIES.

As of December 31, 1993, Registrant had 30,986 and 204,424 record holders of Class A and Class B shares of common stock, $.01 par value per share, issued by the Registrant, respectively.

ITEM 27. INDEMNIFICATION.

As permitted by Section 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 the Distribution Agreement (Exhibit 6 to the Registration Statement), the 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 has purchased 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 Section 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" 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 on 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, Chairman, Chief Operating Officer and Director, PMF; Chief Executive 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, Treasurer and Director	Executive Vice President, Chief Administrative Officer, Chief Financial Officer, Treasurer and Director, PMF; Senior Vice President, Prudential Securities
Eugene B. Heimberg 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 213 Washington Street Newark, NJ 07102	Director	Senior Vice President, Prudential; Director, PSG

</TABLE>

(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 Additonal Information consisting of 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.

<TABLE>
<CAPTION>

NAME AND ADDRESS	POSITION WITH PIC	PRINCIPAL OCCUPATIONS
<S>	<C>	<C>
Martin A. Berkowitz	Senior Vice President, Chief Financial Officer and Chief Compliance Officer	Senior Vice President, Chief Financial Officer and Chief 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
Robert E. Riley 800 Boylston Avenue Boston, MA 02199	Executive Vice President	Executive Vice President, Prudential; Director, PSG
James W. Stevens Four Gateway Center	Executive Vice President	Executive Vice President, Prudential; Director, PSG

Newark, NJ 07102		
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

</TABLE>

ITEM 29. PRINCIPAL UNDERWRITERS.

(a)(i) Prudential Securities Incorporated.

Prudential Securities is distributor for Prudential Government Securities Trust (Intermediate Term Series) and for Class B shares of Prudential Adjustable Rate Securities, Inc., Prudential California Municipal Fund (California Series and California Income 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, 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 (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-Bache Structured Maturity Fund (d/b/a Prudential Structured Maturity Fund), Prudential U.S. Government Fund and Prudential-Bache Utility Fund, Inc. (d/b/a Prudential Utility Fund), The BlackRock Government Income Trust, Global Utility Fund, Inc., 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, Inc. is distributor for Command Government Fund, Command Money Fund, Command Tax-Free Fund, Prudential California Municipal Fund (California Money Market Series, California Income Series and Class A shares of the California Series and California Income Series), Prudential Institutional Liquidity Portfolio, Inc., Prudential-Bache Special Money Market Fund, Inc. (d/b/a Prudential Special Money Market Fund), Prudential-Bache Tax-Free Money Fund, Inc. (d/b/a Prudential Tax-Free Money Fund), The Blackstone Government Income Trust, and for Class A shares of Prudential Adjustable Rate Securities, Inc., 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 Government Securities Trust (Money Market Series and U.S. Treasury Money Market Series), Prudential Growth Fund, 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-Bache MoneyMart Assets Inc. (d/b/a Prudential MoneyMart Assets), Prudential Multi-Sector Fund, Inc., Prudential Municipal Bond Fund, Prudential Municipal Series Fund (Connecticut Money Market Series, Massachusetts Money Market Series, New York Money Market Series, New Jersey Money Market Series and Class A shares of all other 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-Bache Structured Maturity Fund (d/b/a Prudential Structured Maturity Fund), Prudential U.S. Government Fund, Prudential-Bache Utility Fund, Inc. (d/b/a Prudential Utility Fund), Global Utility Fund, Inc., Nicholas-Applegate Fund, Inc. (Nicholas-Applegate Growth Equity Fund) and The BlackRock Government Income Trust.

(b)(i) Prudential Securities Incorporated.

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

NAME(1)	POSITIONS AND OFFICES WITH UNDERWRITER	POSITIONS AND OFFICES WITH REGISTRANT
Leland B. Paton	Executive Vice President and Director	None
Richard A. Redeker	Director	None
Hardwick Simmons	Chief Executive Officer, President and Director	None
Lee Spencer	Interim General Counsel	None
(ii) Prudential Mutual Fund Distributors, Inc.		
Fred A. Fiandaca Raritan Plaza One Edison, NJ 08847	President, Chief Executive Officer and Director	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
Dennis Annarumma	Vice President, Assistant Treasurer and Assistant Comptroller	None
Phyllis J. Berman	Vice President	None
Stephen P. Fisher	Vice President	None
Joanne Accurso-Soto	Vice President	None
Andrew J. Varley	Vice President	None
Anita Whelan	Vice President and Assistant Secretary	None

(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, 1776 Heritage Drive, North Quincy, Massachusetts, The Prudential Investment Corporation, Prudential Plaza, 751 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 751 Broad Street, 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 Registrants' latest annual report to shareholders upon request and without charge.

EXHIBIT INDEX

1. (a) Articles of Incorporation, as amended, incorporated by reference to Exhibit 1 to Post-Effective Amendment No. 2 to the Registration Statement on Form N-1A (File No. 2-75128).

   (b) Amendment to Articles of Incorporation, incorporated by reference to Exhibit 1 to Post-Effective Amendment No. 8 to the Registration Statement on Form N-1A (File No. 2-75128).

   (c) Amended to Articles of Incorporation, incorporated by reference to Exhibit 1 to Post-Effective Amendment No. 9 to the Registration Statement on Form N-1A (File No. 2-75128).

   (d) Amendment to Articles of Incorporation, incorporated by reference to Exhibit 1 to Post-Effective Amendment No. 12 to the Registration Statement on Form N-1A (File No. 2-75128).

   (e) Amendment to Articles of Incorporation.*

2. (a) By-Laws of the Registrant, as amended, incorporated by reference to Exhibit 2 to Post-Effective Amendment No. 8 to the Registration Statement on Form N-1A (File No. 2-75128).

   (b) Amendment to By-Laws, incorporated by reference to Exhibit 2 to Post-Effective Amendment No. 11 to the Registration Statement on Form N-1A (File No. 2-75128).

4. (a) Specimen stock certificate for Class B shares issued by the Registrant, incorporated by reference to Exhibit 4 to Post-Effective Amendment No. 8 to the Registration Statement on Form N-1A (File No. 2-75128).

   (b) Specimen stock certificate for Class A shares issued by the Registrant, incorporated by reference to Exhibit No. 4 to Post-Effective Amendment No. 12 to the Registration Statement on Form N-1A (File No. 2-75128).

   (c) Instruments Defining Rights of Shareholders.*

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. 9 to the Registration Statement on Form N-1A (File No. 2-75128).

   (b) 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. 9 to the Registration Statement on Form N-1A (File No. 2-75128).

6. (a) Distribution Agreement, as amended, incorporated by reference to Exhibit 6(a) to Post-Effective Amendment N. 5 to the Registration Statement on Form N-1A (File No. 2-75128).

   (b) Distribution Agreement between the Registrant and Prudential Mutual Fund Distributors, Inc. for Class A Shares, incorporated by reference to Exhibit No. 6(b) to Post-Effective Amendment No. 12 to the Registration Statement on Form N-1A (File No. 2-75128).

   (c) Amended and Restated Distribution Agreement between the Registrant and Prudential-Bache Securities Inc. for Class B Shares, incorporated by reference to Exhibit 6(c) to Post-Effective Amendment No. 12 to the Registration Statement on Form N-1A (File No. 2-75128).

   (d) Selected Dealer Agreement, incorporated by reference to Exhibit 6(b) to Post-Effective Amendment No. 5 to the Registration Statement on Form N-1A (File No. 2-75128).

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

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

8. Custodian Agreement between the Registrant and State Street Bank and Trust.

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. 8 to the Registration Statement on Form N-1A (File No. 2-75128).

10. Opinion of Sullivan & Cromwell, incorporated by reference to Exhibit 10 to Pre-Effective Amendment No. 2 to the Registration Statement on Form N-1A (File No. 2-75128).

11. Consent of Independent Accountants.*

13. Investment Representation Letter, incorporated by reference to Exhibit 13 to Pre-Effective Amendment No. 2 to the Registration Statement on Form N-1A (File No. 2-75128).

15. (a) Plan of Distribution, incorporated by reference to Exhibit 15 to Post-Effective Amendment No. 5 to the Registration Statement on Form N-1A (File No. 2-75128).

(b) Plan of Distribution for Class A Shares, incorporated by reference to Exhibit 15(b) to Post-Effective Amendment No. 12 to the Registration Statement on Form N-1A (File No. 2-75128).

(c) Amended and Restated Plan of Distribution for Class B Shares, incorporated by reference to Exhibit 15(c) to Post-Effective Amendment No. 12 to the Registration Statement on Form N-1A (File No. 2-75128).

(d) Distribution and Service Plan between the Registrant (Class A shares) and Prudential Mutual Fund Distributors, Inc.*

(e) Distribution and Service Plan between the Registrant (Class B shares) and Prudential Securities Incorporated.*

16. (a) Schedule of Computation of Performance Quotations for Class B Shares, incorporated by reference to Exhibit 16 to Post-Effective Amendment No. 9 to the Registration Statement on Form N-1A (File No. 2-75128).

(b) Schedule of Computation of Performance Quotations for Class A Shares, incorporated by reference to Exhibit 16(b) to Post-Effective Amendment No. 13 to the Registration Statement on Form N-1A (File No. 2-75128).

(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. 15 to the Registration Statement on Form N-1A (File No. 2-75128).

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*Filed herewith.

EXHIBIT 1(e)

PRUDENTIAL EQUITY FUND, INC.

ARTICLES OF AMENDMENT AND RESTATEMENT

THE PRUDENTIAL EQUITY FUND, INC., a Maryland corporation, having its principal office in the city of Baltimore (hereinafter called the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland, that:

FIRST: The charter of the Corporation is amended by deleting existing Articles I through IX each in their entirety and substituting new Articles I through IX and, as so amended, is restated as follows:

ARTICLE I

The name of the corporation (hereinafter called the "Corporation") is Prudential Equity Fund, Inc.

ARTICLE II

PURPOSES

The purpose for which the Corporation is formed is to act as an open-end investment company of the management type registered as such with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 and to exercise and generally to enjoy all of the powers, rights and privileges granted to, or conferred upon, corporations by the General Laws of the State of Maryland now or hereafter in force.

ARTICLE III

ADDRESS IN MARYLAND

The post office address of the place at which the principal office of the Corporation in the State of Maryland is located is c/o The Corporation Trust Incorporated, 32 South Street, Baltimore, Maryland 21202-3242

The name of the Corporation's resident agent is The Corporation Trust Incorporated, and its post office address is 32 South Street, Baltimore, Maryland 21202-3242. Said resident agent is a corporation of the State of Maryland.

ARTICLE IV

COMMON STOCK

Section 1. The total number of shares of capital stock which the Corporation shall have authority to issue is 500,000,000 shares of the par value of $.01 per share and of the aggregate par value of $5,000,000 to be divided initially into two classes, consisting of 250,000,000 shares of Class A Common Stock and 250,000,000 shares of Class B Common Stock. All of the Common Stock outstanding shall be designated as Class B Common Stock.

Section 2. The Class A Common Stock of the Corporation shall represent the same interest in the Corporation and have identical voting, dividend, liquidation and other rights as the Class B Common Stock, except that (i) expenses related to the distribution of each class of shares shall be borne solely by such class; (ii) the bearing of such expenses solely by shares of each class shall be appropriately reflected (in the manner determined by the Board of Directors) in the net asset value, dividends, distribution and liquidation rights of the shares of such class; (iii) the Class A Common Stock shall be subject to a front-end sales load and a Rule 12b-1 distribution fee as determined by the Board of Directors from time to time prior to issuance of such stock; and (iv) the Class B Common Stock shall be subject to a contingent deferred sales charge and a Rule 12b-1 distribution fee as determined by the Board of Directors from time to time prior to

the issuance of such stock. The Board of Directors may, in its discretion, classify and reclassify any unissued shares of the capital stock of the Corporation into one or more additional or other classes or series by setting or changing in any one or more respects the designations, conversion or other rights, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption of such shares and pursuant to such classification or reclassification to increase or decrease the number of authorized shares of any existing class or series. If designated by the Board of Directors, particular classes or series of capital stock may relate to separate portfolios of investments.

Section 3. Unless otherwise expressly provided in the charter of the Corporation, including any Articles Supplementary creating any class or series of capital stock, the holders of each class and series of capital stock of the Corporation shall be entitled to dividends and distributions in such amounts and at such times as may be determined by the Board of Directors, and the dividends and distributions paid with respect to the various classes or series of capital stock may vary among such classes or series. Expenses related to the distribution of, and other identified expenses that should properly be allocated to, the shares of a particular class or series of capital stock may be charged to and borne solely by such class or series and the bearing of expenses solely by a class or series may be appropriately reflected (in a manner determined by the Board of Directors) and cause differences in the net asset value attributable to, and the dividend, redemption and liquidation rights of, the shares of each such class or series of capital stock.

Section 4. Unless otherwise expressly provided in the charter of the Corporation, including any Articles Supplementary creating any class or series of capital stock, on each matter submitted to a vote of stockholders, each holder of a share of capital stock of the Corporation shall be entitled to one vote for each share standing in such holder's name on the books of the Corporation, irrespective of the class or series thereof, and all shares of all classes and series shall vote together as a single class; provided, however, that (a) as to any matter with respect to which a separate vote of any class or series is required by the Investment Company Act of 1940, as amended, and in effect from time to time, or any rules, regulations or orders issued thereunder, or by the Maryland General Corporation Law, such requirement as to a separate vote by that class or series shall apply in lieu of a general vote of all classes and series as described above; (b) in the event that the separate vote requirements referred to in (a) above apply with respect to one or more classes or series, then subject to paragraph (c) below, the shares of all other classes and series not entitled to a separate vote shall vote together as a single class; and (c) as to any matter which in the judgment of the Board of Directors (which shall be conclusive) does not affect the interest of a particular class or series, such class or series shall not be entitled to any vote and only the holders of shares of the one or more affected classes and series shall be entitled to vote.

Section 5. Unless otherwise expressly provided in the charter of the Corporation, including any Articles Supplementary creating any class or series of capital stock, in the event of any

liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, holders of shares of capital stock of the Corporation shall be entitled, after payment or provision for payment of the debts and other liabilities of the Corporation (as such liabilities may affect one or more of the classes of shares of capital stock of the Corporation), to share ratably in the remaining net assets of the Corporation; provided, however, that in the event the capital stock of the Corporation shall be classified or reclassified into series, holders of any shares of capital stock within such series shall be entitled to share ratably out of assets belonging to such series pursuant to the provisions of Section 7(c) of this Article IV.

Section 6. Each share of any class of the capital stock of the Corporation, and in the event the capital stock of the Corporation shall be classified or reclassified into series, each share of any class of Capital Stock of the Corporation within such series shall be subject to the following provisions:

(a) The net asset value of each outstanding share of capital stock of the Corporation (or of a class or series, in the event the capital stock of the Corporation shall be so classified or reclassified, subject to subsection (b) of this Section 6, shall be the quotient obtained by dividing the value of the net assets of the Corporation (or the net assets of the Corporation attributable or belonging to that class or series as designated by the Board of Directors pursuant to Articles Supplementary) by the total number of outstanding shares of capital stock of the Corporation (or of such class or

series, in the event the capital stock of the Corporation shall be classified or reclassified into series). Subject to subsection (b) of this Section 6, the value of the net assets of the Corporation (or of such class or series, in the event the capital stock of the Corporation shall be classified or reclassified into series) shall be determined pursuant to the procedures or methods (which procedures or methods, in the event the capital stock of the Corporation shall be classified or reclassified into series, differ from class to class or from series to series) prescribed or approved by the Board of Directors in its discretion, and shall be determined at the time or times (which time or times may, in the event the capital stock of the Corporation shall be classified into classes or series, may differ from series to series) prescribed or approved by the Board of Directors in its discretion. In addition, subject to subsection (b) of this Section 6, the Board of Directors, in its discretion, may suspend the daily determination of net asset value of any share of any series or class of capital stock of the Corporation.

(b) The net asset value of each share of the capital stock of the Corporation or any class or series thereof shall be determined in accordance with any applicable provision of the Investment Company Act of 1940, as amended (the "Investment Company Act"), any applicable rule, regulation or order of the Securities and Exchange Commission thereunder, and any applicable rule or regulation made or adopted by any securities association registered under the Securities Exchange Act of 1934.

(c) All shares now or hereafter authorized shall be subject to redemption and redeemable at the option of the stockholder pursuant to the applicable provisions of the Investment Company Act and laws of the State of Maryland, including any applicable rules and regulations thereunder. Each holder of a share of any class or series, upon request to the Corporation (if such holder's shares are certificated, such request being accompanied by surrender of the appropriate stock certificate or certificates in proper form for transfer), shall be entitled to require the Corporation to redeem all or any part of such shares outstanding in the name of such holder on the books of the Corporation (or as represented by share certificates surrendered to the Corporation by such redeeming holder) at a redemption price per share determined in accordance with subsection (a) of this Section 6.

(d) Notwithstanding subsection (c) of this Section 6, the Board of Directors of the Corporation may suspend the right of the holders of shares of any or all classes or series of capital stock to require the Corporation to redeem such shares or may suspend any purchase of such shares:

(i) for any period (A) during which the New York Stock Exchange is closed, other than customary weekend and holiday closings, or (B) during which trading on the New York Stock Exchange is restricted;

(ii) for any period during which an emergency, as defined by the rules of the Securities and Exchange Commission or any successor thereto, exists as a result of which (A) disposal by the Corporation of securities owned by it and belonging to the affected series of capital stock (or the Corporation, if the shares of capital stock of the Corporation have not been classified or reclassified into series) is not reasonably practicable, or (B) it is not reasonably practicable for the Corporation fairly to determine the value of the net assets of the affected series of capital stock; or

(iii) for such other periods as the Securities and Exchange Commission or any successor thereto may by order permit for the protection of the holders of shares of capital stock of the Corporation.

(e) All shares of the capital stock of the Corporation now or hereafter authorized shall be subject to redemption and redeemable at the option of the Corporation. The Board of Directors may by resolution

from time to time authorize the Corporation to require the redemption of all or any part of the outstanding shares of any class or series upon the sending of written notice thereof to each holder whose shares are to be redeemed and upon such terms and conditions as the Board of Directors, in its discretion, shall deem advisable, out of funds legally available therefor, at the net asset value per share of that class or series determined in accordance with subsections (a) and (b) of this Section 6 and take all other steps deemed necessary or advisable in connection therewith.

(f) The Board of Directors may by resolution from time to time authorize the purchase by the Corporation, either directly or through an agent, of shares of any class or series of the capital stock of the Corporation upon such terms and conditions and for such consideration as the Board of Directors, in its discretion, shall deem advisable out of funds legally available therefor at prices per share not in excess of the net asset value per share of that class or series determined in accordance with subsections (a) and (b) of this Section 6 and to take all other steps deemed necessary or advisable in connection therewith.

(g) Except as otherwise permitted by the Investment Company Act of 1940, payment of the redemption price of shares of any class or series of the capital stock of the Corporation surrendered to the Corporation for redemption pursuant to the provisions of subsection (c) of this

Section 6 or for purchase by the Corporation pursuant to the provisions of subsection (e) or (f) of this Section 6 shall be made by the Corporation within seven days after surrender of such shares to the Corporation for such purpose. Any such payment may be made in whole or in part in portfolio securities or in cash, as the Board of Directors, in its discretion, shall deem advisable, and no stockholder shall have the right, other than as determined by the Board of Directors, to have his or her shares redeemed in portfolio securities.

(h) In the absence of any specification as to the purposes for which shares are redeemed or repurchased by the Corporation, all shares so redeemed or repurchased shall be deemed to be acquired for retirement in the sense contemplated by the laws of the State of Maryland. Shares of any class or series retired by repurchase or redemption shall thereafter have the status of authorized but unissued shares of such class or series.

Section 7. In the event the Board of Directors shall authorize the classification or reclassification of shares into classes or series, the Board of Directors may (but shall not be obligated to) provide that each class or series shall have the following powers, preferences and voting or other special rights, and the qualifications, restrictions and limitations thereof shall be as follows:

(a) All consideration received by the Corporation for the issue or sale of shares of capital stock of each series, together with all income, earnings, profits, and

proceeds received thereon, including any proceeds derived from the sale, exchange or liquidation thereof, and any funds or payments derived from any reinvestment of such proceeds in whatever form the same may be, shall irrevocably belong to the series with respect to which such assets, payments or funds were received by the Corporation for all purposes, subject only to the rights of creditors, and shall be so handled upon the books of account of the Corporation. Such assets, payments and funds, including any proceeds derived from the sale, exchange or liquidation thereof, and any assets derived from any reinvestment of such proceeds in whatever form the same may be, are herein referred to as "assets belonging to" such series.

(b) The Board of Directors may from time to time declare and pay dividends or distributions, in additional shares of capital stock of such series or in cash, on any or all series of capital stock, the amount of such dividends and the means of payment being wholly in the discretion of the Board of Directors.

(i) Dividends or distributions on shares of any series shall be paid only out of earned surplus or other lawfully available assets belonging to such series.

(ii) Inasmuch as one goal of the Corporation is to qualify as a "regulated investment company" under the Internal Revenue Code of 1986, as amended, or any successor or comparable statute thereto, and Regulations promulgated thereunder, and inasmuch as the computation of net income and gains for federal income tax purposes may vary from the computation thereof on the books of the Corporation, the Board of Directors shall have the power, in its discretion, to distribute in any fiscal year as dividends, including dividends designated in whole or in part as capital gains distributions, amounts sufficient, in the opinion of the Board of Directors, to enable the Corporation to qualify as a regulated investment company and to avoid liability for the Corporation for federal income tax in respect of that year. In furtherance, and not in limitation of the foregoing, in the event that a series has a net capital loss for a fiscal year, and to the extent that the net capital loss offsets net capital gains from such series, the amount to be deemed available for distribution to that series with the net capital gain may be reduced by the amount offset.

(c) In the event of the liquidation or dissolution of the Corporation, holders of shares of capital stock of each series shall be entitled to receive, as a series, out of the assets of the Corporation available for distribution to such holders, but other than general

assets not belonging to any particular series, the assets belonging to such series; and the assets so distributable to the holders of shares of capital stock of any series shall be distributed, subject to the provisions of subsection (d) of this Section 7, among such stockholders in proportion to the number of shares of such series held by them and recorded on the books of the Corporation. In the event that there are any general assets not belonging to any particular series and available for distribution, such distribution shall be made to the holders of all series in proportion to the net asset value of the respective series determined in accordance with the charter of the Corporation.

(d) The assets belonging to any series shall be charged with the liabilities in respect to such series, and shall also be charged with its share of the general liabilities of the Corporation, in proportion to the asset value of the respective series determined in accordance with the Charter of the Corporation. The determination of the Board of Directors shall be conclusive as to the amount of liabilities, including accrued expenses and reserves, as to the allocation of the same as to a given series, and as to whether the same or general assets of the Corporation are allocable to one or more classes.

Section 8. Any fractional shares shall carry proportionately all the rights of a whole share, excepting any right to receive a certificate evidencing such fractional share,

but including, without limitation, the right to vote and the right to receive dividends.

Section 9. No holder of shares of Common Stock of the Corporation shall, as such holder, have any pre-emptive right to purchase or subscribe for any shares of the Common Stock of the Corporation of any class or series which it may issue or sell (whether out of the number of shares authorized by the Articles of Incorporation, or out of any shares of the Common Stock of the Corporation acquired by it after the issue thereof, or otherwise).

Section 10. All persons who shall acquire any shares of capital stock of the Corporation shall acquire the same subject to the provisions of the charter and By-Laws of the Corporation. All shares of Common Stock of the Corporation issued on or before the date of the filing of this amendment to the Articles of Incorporation shall without further act of the Board of Directors or the holders of such shares be deemed to be shares of Class B Common Stock.

Section 11. Notwithstanding any provision of law requiring action to be taken or authorized by the affirmative vote of the holders of a designated proportion greater than a majority of the shares of common stock, such action shall be valid and effective if taken or authorized by the affirmative vote of the holders of a majority of the total number of shares of common stock outstanding and entitled to vote thereupon pursuant to the provisions of these Articles of Incorporation.

ARTICLE V

DIRECTORS

The number of directors of the Corporation shall be not less than three, and the names of those who shall act as such until the next meeting of stockholders and until their successors are duly elected and qualify are as follows:

Edward D. Beach
Eugene C. Dorsey
Delayne D. Gold
Harry A. Jacobs, Jr.
Lawrence C. McQuade
Thomas T. Mooney
Thomas H. O'Brien
Richard A. Redeker
Nancy Hays Teeters

However, the By-Laws of the Corporation may fix the number of directors at a number of other than three and may authorize the Board of Directors, by the vote of a majority of the entire Board of Directors, to increase or decrease the number of directors within a limit specified in the By-Laws, provided that in no case shall the number of directors by less than three, and to fill the vacancies created by any such increase in the number of directors. Unless otherwise provided by the By-Laws of the Corporation, the directors of the Corporation need not be stockholders.

The By-Laws of the Corporation may divide the Directors of the Corporation into classes and prescribe the tenure of office of the several classes; but no class shall be elected for a period shorter than that from the time of the election of such class until the next annual meeting and thereafter for a period shorter than the interval between annual meetings or for a longer period than five years, and the term of office of at least one class shall expire each year.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS AND OFFICERS

A director or officer of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for

breach of fiduciary duty as a director or officer, except to the extent such exemption from liability or limitation thereof is not permitted by law (including the Investment Company Act of 1940) as currently in effect or as the same may hereafter be amended.

No amendment, modification or repeal of this Article VI shall adversely affect any right or protection of a director or officer that exists at the time of such amendment, modification or repeal.

ARTICLE VII

MISCELLANEOUS

The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and for creating, defining, limiting and regulating the powers of the Corporation, the directors and the stockholders.

Section 1. The Board of Directors shall have the management and control of the property, business and affairs of the Corporation and is hereby vested with all the powers possessed by the Corporation itself so far as is not inconsistent with law or these Articles of Incorporation. In furtherance and without limitation of the foregoing provisions, it is expressly declared that, subject to these Articles of Incorporation, the Board of Directors shall have power:

(a) To make, alter, amend or repeal from time to time the By-Laws of the Corporation except as such power may otherwise be limited in the By-Laws.

(b) To issue shares of any class or series of the capital stock of the Corporation.

(c) To authorize the purchase of shares of any class or series in the open market or otherwise, at

prices not in excess of their net asset value for shares of that class, series or class within such series determined in accordance with subsections (a) and (b) of Section 6 of Article V hereof, provided that the Corporation has assets legally available for such purpose, and to pay for such shares in cash, securities or other assets then held or owned by the Corporation.

(d) To declare and pay dividends and distributions from funds legally available therefor on shares of such class or series, in such amounts, if any, and in such manner (including declaration by means of a formula or other similar method of determination whether or not the amount of the dividend or distribution so declared can be calculated at the time of such declaration) and to the holders of record as of such date, as the Board of Directors may determine.

(e) To take any and all action necessary or appropriate to maintain a constant net asset value per share for shares of any class, series or class within such series.

Section 2. Any determination made in good faith and, so far as accounting matters are involved, in accordance with generally accepted accounting principles applied by or pursuant to the direction of the Board of Directors or as otherwise required or permitted by the Securities and Exchange Commission, shall be final and conclusive, and shall be binding upon the Corporation and all holders of shares, past, present and future, of each class or series, and shares are issued and sold on the condition and

undertaking, evidenced by acceptance of certificates for such shares by, or confirmation of such shares being held for the account of, any stockholder, that any and all such determinations shall be binding as aforesaid.

Nothing in this Section 2 shall be construed to protect any director or officer of the Corporation against liability to the Corporation or its stockholders to which such director or officer would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

Section 3. The Directors of the Corporation may receive compensation for their services, subject, however, to such limitations with respect thereto as may be determined from time to time by the holders of shares of capital stock of the Corporation.

Section 4. Except as required by law, the holders of shares of capital stock of the Corporation shall have only such right to inspect the records, documents, accounts and books of the Corporation as may be granted by the Board of Directors of the Corporation.

Section 5. Any vote of the holders of shares of capital stock of the Corporation authorizing liquidation of the Corporation or proceedings for its dissolution may authorize the Board of Directors to determine, as provided herein, or if provision is not made herein, in accordance with generally accepted accounting principles, which assets are the assets belonging to the Corporation or any series thereof available for distribution to the holders of the Corporation or any series thereof (pursuant to the provisions of Section 7 of Article VI hereof) and may divide, or

authorize the Board of Directors to divide, such assets among the stockholders of the shares of capital stock of the Corporation or any series thereof in such manner as to ensure that each such holder receives an amount from the proceeds of such liquidation or dissolution that such holder is entitled to, as determined pursuant to the provisions of Sections 3 and 7 of Article VI hereof.

ARTICLE VIII

DEFINITIONS

Section 1. As used in these Articles of Incorporation and in the By-Laws of the Corporation, the following terms shall have the meanings indicated:

"Gross Assets" shall mean the total value of the assets of the Corporation determined as provided in Section 3 below.

"Person" shall mean a natural person, corporation, joint stock company, firm association, partnership, trust, syndicate, combination, organization, government or agency or subdivision thereof.

"Securities" shall mean any stock, shares, bonds, debentures, notes, mortgages or other obligations, and any certificates, receipts, warrants or other instruments representing rights to receive, purchase or subscribe for the same, or evidencing or representing any other rights or interests therein, or in any property or assets created or issued by any Person.

Section 2. Net asset value shall be determined by dividing:

(a) The total value of the assets of the

Corporation determined as provided in Section 3 below less, to the extent determined by or pursuant to the direction of the Board of Directors in accordance with generally accepted accounting principles, all debts, obligations and liabilities of the Corporation (which debts, obligations and liabilities shall include, without limitation of the generality of the foregoing, any and all debts, obligations, liabilities or claims, of any and every kind and nature, fixed, accrued or unmatured, including the estimated accrued expense of investment advisory and administrative services, and any reserves or charges for any or all of the foregoing, whether for taxes, expenses, contingencies, or otherwise, and the price of common stock redeemed but not paid for) but excluding the Corporation's liability upon its shares and its surplus, by

(b) The total number of shares of the Corporation outstanding (shares sold by the Corporation whether or not paid for being treated as outstanding and shares purchased or redeemed by the Corporation whether or not paid for and treasury shares being treated as not outstanding).

Section 3. In determining for the purposes of these Articles of Incorporation the total value of the assets of the Corporation at any time, securities shall be taken at their market value or , in the absence of readily available market quotations, at fair value, both as determined pursuant to methods approved by the Board of Directors and in accordance with applicable statutes

and regulations, and all other assets at fair value determined in such manner as may be approved from time to time by or pursuant to the direction of the Board of Directors.

Section 4. Any determination made in good faith and, so far as accounting matters are involved, in accordance with generally accepted accounted principles by or pursuant to the direction of the Board of Directors, shall be final and conclusive, and shall be bonding upon the Corporation and all holders of its shares, past, present and future, and shares of the Corporation are issued and sold on the condition and undertaking, evidenced by acceptance of certificates for such shares by, or confirmation of such shares being held for the account of any stockholder, that any and all such determinations shall be binding as aforesaid.

Nothing in this Section 4 shall be construed to protect any director or officer of the Corporation against any liability to the Corporation or its stockholders to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

ARTICLE IX

AMENDMENTS

From time to time any of the provisions of these Articles of Incorporation may be amended, altered or repealed (including any amendment that changes the terms of any of the outstanding stock by classification, reclassification or otherwise), and other provisions that may, under the statutes of the State of Maryland at the time in force, be lawfully contained in articles of incorporation may be added or inserted, upon the vote of the holders of a majority of the shares of common stock of the Corporation at the time outstanding and entitled to vote, and all rights at any time conferred upon the stockholders of the Corporation by these Articles of Incorporation are subject to the provisions of this Article IX.

SECOND: The provisions set forth in these Articles of Amendment and Restatement are all provisions of the Charter currently in effect.

THIRD: The Corporation currently has Directors. The names of the Directors currently in office are set forth above.

FOURTH: (a) As of immediately before the Amendment, the total number of shares of stock of all classes which the Corporation had authority to issue was 500 million shares, all of which was Common Stock (par value $.01 per share).

(b) As amended, the total number of shares of stock of all classes which the Corporation has authority to issue is 500 million shares, divided into 250 million shares of Class A Common Stock (par value $.01 per share) and 250 million shares of Class B Common Stock (par value $.01 per share).

(c) The aggregate par value of all shares having a par value which the Corporation was authorized to issue is $5,000,000 before the Amendment and $5,000,000 as amended.

(d) A description, as amended, of the Class A Common Stock and Class B Common Stock is set forth above.

FIFTH: No change.

SIXTH: The foregoing amendments to the Articles of Incorporation have been advised by the Board of Directors and approved by the shareholders of the Corporation.

IN WITNESS WHEREOF, THE PRUDENTIAL EQUITY FUND, INC., has caused these presents to be signed in its name and on its behalf by its President and attested by its Assistant Secretary on , 199 .

THE PRUDENTIAL EQUITY FUND, INC.

By /s/ Lawrence C. McQuade

____
Lawrence C. McQuade
President

Attest /s/ Deborah A. Docs
____
Deborah A. Docs
Assistant Secretary

EXHIBIT 4(c)

INSTRUMENTS DEFINING RIGHTS OF SHAREHOLDERS

The following is a list of the provisions of the Articles of Incorporation, as amended, and By-Laws of Prudential Equity Fund, Inc. setting forth the rights of shareholders.

I. Relevant Provisions of Articles of Incorporation:

ARTICLE IV-Common Stock
ARTICLE VII-Miscellaneous
ARTICLE IX-Amendments

II. Relevant Provisions of By-Laws:

ARTICLE I-Stockholders
ARTICLE IV-Capital Stock
ARTICLE VII-Indemnifications
ARTICLE X-Amendment of By-Laws

EXHIBIT 6(e)

PRUDENTIAL EQUITY FUND

Distribution Agreement
(CLASS A SHARES)

Agreement, dated as of January 22, 1990 and amended and restated as of July 1, 1993, between Prudential Equity Fund, 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, 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 A shares of the Fund and the maintenance of Class A 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 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
____

Executive Vice President,
Treasurer, Comptroller
____
(Title)

Prudential Equity Fund

By: /s/ Lawrence C. McQuade
____
(Name)

President
____
(Title)

EXHIBIT 6(f)

PRUDENTIAL EQUITY FUND, INC.

Distribution Agreement
(CLASS B SHARES)

Agreement, dated January 22, 1990 and amended and restated as of July 1, 1993, between Prudential Equity 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 1% including an asset based sales charge of up to .75 of 1% and 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 .75 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 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

(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)

Executive Vice President,

Treasurer, Comptroller
____
(Title)

Prudential Equity Fund, Inc.

By: Lawrence C. McQuade
____
(Name)

President
____
(Title)

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. 16 to the registration statement on Form N-1A (the "Registration Statement") of our report dated February 9, 1994, relating to the financial statements and financial highlights of Prudential Equity Fund, Inc., 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, 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, NY 10036
February 24, 1994

EXHIBIT 15(d)

PRUDENTIAL EQUITY FUND

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 Equity Fund, (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 of the Fund, including a majority of those 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 this Plan or any agreements related to it (the Rule 12b-1 Directors), 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 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 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. The allocation of distribution expenses among Classes will be subject to the review of the Board of Directors. Payments hereunder will be applied to distribution expenses in the order in which they are incurred, unless otherwise determined by the Board of Directors.

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 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 of the Fund such additional information as the Board 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 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 of the Fund and a majority of the Rule 12b-1 Directors 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 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 of the Fund and a majority of the Rule 12b-1 Directors by votes cast in person at a meeting called for the purpose of voting on the Plan.

8. NON-INTERESTED DIRECTORS

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

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 as of January 22, 1990 and
amended and restated as of July 1, 1993.

PRUDENTIAL EQUITY FUND

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 Equity Fund, (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 of the Fund, including a majority of those 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 this Plan or any agreements related to it (the Rule 12b-1 Directors), 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 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 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. The allocation of distribution expenses among Classes will be subject to the review of the Board of Directors. Payments hereunder will be applied to distribution expenses in the order in which they are incurred, unless otherwise determined by the Board of Directors.

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 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 of the Fund such additional information as the Board 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 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 of the Fund and a majority of the Rule 12b-1 Directors 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 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 of the Fund and a majority of the Rule 12b-1 Directors by votes cast in person at a meeting called for the purpose of voting on the Plan.

8. NON-INTERESTED DIRECTORS

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

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 as of January 22, 1990 and
amended and restated as of July 1, 1993.

EXHIBIT 15(e)

PRUDENTIAL EQUITY FUND

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 Equity Fund, (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 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), 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 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, shall not exceed 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 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 .75 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 .75 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 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. The allocation of distribution expenses among Classes will be subject to the review of the Board of Directors. Payments hereunder will be applied to distribution expenses in the order in which they are incurred, unless otherwise determined by the Board of Directors.

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 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 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 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 of the Fund and a majority of the Rule 12b-1 Directors 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 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 of the Fund and a majority of the Rule 12b-1 Directors by votes cast in person at a meeting called for the purpose of voting on the Plan.

8. NON-INTERESTED DIRECTORS

While the Plan is in effect, the selection and nomination of the Directors who are not "interested persons" of the

Fund (non-interested Directors) shall be committed to the discretion of the non-interested Directors.

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 and
amended and restated as of July 1, 1993