

SECURITIES AND EXCHANGE COMMISSION

FORM PRES14A

Preliminary proxy statements, special meeting

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FILER

PRUDENTIAL UTILITY FUND

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PRELIMINARY COPY
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

Preliminary proxy statement

Definitive proxy statement

Definitive additional materials

Soliciting material pursuant to Rule 14a-11(c) or Rule 14a-12

PRUDENTIAL-BACHE UTILITY FUND, INC.

(Name of Registrant as Specified in Its Charter)

PRUDENTIAL-BACHE UTILITY FUND, INC.

(Name of Person(s) Filing Proxy Statement)

Payment of filing fee (Check the appropriate box):

\$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1) or 14a-6(j)(2).

\$500 per each party to the controversy pursuant to Exchange Act Rule

[] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

PRELIMINARY COPY

PRUDENTIAL UTILITY FUND
ONE SEAPORT PLAZA
NEW YORK, N.Y. 10292

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To our Shareholders:

Notice is hereby given that a Special Meeting of Shareholders of Prudential-Bache Utility Fund, Inc., doing business as Prudential Utility Fund (the Fund), will be held at 3:00 P.M. on [,] 1994, at 199 Water Street, New York, N.Y. 10292, for the following purposes:

1. To elect Directors.
2. To approve an amendment of the Fund's Articles of Incorporation to permit a conversion feature for Class B Shares.
3. To approve an amended and restated Class A Distribution and Service Plan.
4. To approve an amended and restated Class B Distribution and Service Plan.
5. To modify the Fund's investment objective to expand the equity and debt securities in which the Fund may invest.
6. To approve the elimination of the Fund's fundamental investment restrictions regarding restricted and illiquid securities.
7. To approve an amendment of the Fund's investment policies and restrictions to permit certain hedging and income enhancement strategies using over-the-counter options on securities of utility and non-utility companies and stock index options on securities of non-utility companies.

8. To approve an amendment of the Fund's investment policies and restrictions to permit certain hedging and income enhancement strategies using futures contracts and options thereon and futures contracts on foreign currencies and options thereon.

9. To approve an amendment of the Fund's investment restrictions to permit investments in forward foreign currency exchange contracts and options on foreign currencies.

10. To approve an amendment of the Fund's investment restriction limiting the Fund's ability to invest in a security if the Fund would hold more than 10% of any class of securities of an issuer.

11. To approve the elimination of the Fund's investment restriction limiting the Fund's ability to invest in the securities of any issuer in which officers and directors of the Fund or officers and directors of the Fund's adviser own more than a specified interest.

12. To approve an amendment to the Management Agreement between the Fund and Prudential Mutual Fund Management, Inc. to reduce management fees.

13. To approve an amendment to the Articles of Incorporation to change the name of the Fund to "Prudential Utility Fund, Inc."

14. To ratify the selection by the Board of Directors of Price Waterhouse as independent accountants for the year ending December 31, 1994.

15. To transact such other business as may properly come before the Meeting or any adjournment thereof.

Only shares of Common Stock of the Fund of record at the close of business on [,] 1994 are entitled to notice of and to vote at this Meeting or any adjournment thereof.

S. Jane Rose
Secretary

Dated: March , 1994

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE SIGN AND PROMPTLY RETURN THE ENCLOSED PROXY IN THE ENCLOSED SELF-ADDRESSED ENVELOPE. IN ORDER TO AVOID THE ADDITIONAL EXPENSE TO THE FUND OF FURTHER SOLICITATION, WE ASK YOUR COOPERATION IN MAILING IN YOUR PROXY PROMPTLY.

PRUDENTIAL UTILITY FUND
ONE SEAPORT PLAZA
NEW YORK, N.Y. 10292

PROXY STATEMENT

This statement is furnished by the Board of Directors of Prudential-Bache Utility Fund, Inc., doing business as Prudential Utility Fund (the Fund), in connection with its solicitation of proxies for use at a Special Meeting of Shareholders to be held at 3:00 P.M. on [,] 1994 at 199 Water Street, New York, New York 10292, the Fund's principal executive office. The purpose of the Meeting and the matters to be acted upon are set forth in the accompanying Notice of Special Meeting.

If the accompanying form of Proxy is executed properly and returned, shares represented by it will be voted at the Meeting in accordance with the instructions on the Proxy. However, if no instructions are specified, shares will be voted for the election of Directors and for each of the other proposals. A Proxy may be revoked at any time prior to the time it is voted by written notice to the Secretary of the Fund or by attendance at the Meeting. If sufficient votes to approve one or more of the proposed items are not received, the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitation of proxies. Any such adjournment will require the affirmative vote of a majority of those shares present at the Meeting or represented by proxy. When voting on a proposed adjournment, the persons named as proxies will vote for the proposed adjournment all shares that they are entitled to vote with respect to each item, unless directed to disapprove the item, in which case such shares will be voted against the proposed adjournment.

If a Proxy that is properly executed and returned accompanied by instructions to withhold authority to vote represents a broker "non-vote" (that is, a Proxy from a broker or nominee indicating that such person has not received instructions from the beneficial owner or other person entitled to vote shares on a particular matter with respect to which the broker or nominee does not have discretionary power), the shares represented thereby will be considered not to be present at the Meeting for purposes of determining the existence of a quorum for the transaction of business and be deemed not cast with respect to such proposal. If no instructions are received by the broker or nominee from the shareholder

with reference to routine matters, the shares represented thereby may be considered for purposes of determining the existence of a quorum for the transaction of business and will be deemed cast with respect to such proposal. Also, a properly executed and returned Proxy marked with an abstention will be considered present at the Meeting for the purposes of determining the existence of a quorum for the transaction of business. However, abstentions and broker "non-votes" do not constitute a vote "for" or "against" the matter, but have the effect of a negative vote on matters which require approval by a requisite percentage of the outstanding shares.

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The close of business on [,] 1994 has been fixed as the record date for the determination of shareholders entitled to notice of, and to vote at, the Meeting. On that date, the Fund had [] shares of Common Stock outstanding and entitled to vote, consisting of [] Class A shares and [] Class B shares. Each share will be entitled to one vote at the Meeting. It is expected that the Notice of Special Meeting, Proxy Statement and form of Proxy will first be mailed to shareholders on or about March , 1994.

Management does not know of any person or group who owned beneficially 5% or more of the outstanding shares of either class of Common Stock of the Fund as of [,] 1994.

The expense of solicitation will be borne by the Fund and will include reimbursement of brokerage firms and others for expenses in forwarding proxy solicitation material to beneficial owners. The solicitation of proxies will be largely by mail. The Board of Directors of the Fund has authorized management to retain Shareholder Communications Corporation, a proxy solicitation firm, to assist in the solicitation of proxies for this Meeting. This cost, including specified expenses, is not expected to exceed \$250,000 and will be borne by the Fund. In addition, such solicitations may include, without cost to the Fund, telephone, telegraphic or oral communication by regular employees of Prudential Securities Incorporated (Prudential Securities) and its affiliates.

ELECTION OF DIRECTORS
(Proposal No. 1)

At the Meeting, eight Directors will be elected to hold office for a term of unlimited duration until their successors are elected and qualify. It is the intention of the persons named in the accompanying form of Proxy to vote for the election of Robert R. Fortune, Delayne D. Gold, Harry A. Jacobs, Jr., Lawrence C. McQuade, Thomas A. Owens, Jr., Richard A. Redeker,

Robert J. Schultz and Merle T. Welshans, all of whom are currently members of the Board of Directors. Each of the nominees has consented to be named in this Proxy Statement and to serve as a Director if elected. All of the current members of the Board of Directors, with the exception of Mr. Redeker, have previously been elected by the shareholders. All of the Directors except for Messrs. Jacobs, McQuade and Redeker have served as Directors since 1981. Mr. Jacobs has served as a Director since 1982, Mr. McQuade has served as a Director since February 1988 and Mr. Redeker has served as a Director since December 1993.

The Board of Directors has no reason to believe that any of the nominees named above will become unavailable for election as a Director, but if that should occur before the Meeting, proxies will be voted for such persons as the Board of Directors may recommend.

The Fund's By-laws provide that the Fund will not be required to hold annual meetings of shareholders if the election of Directors is not required under the Investment Company Act of 1940, as amended (the Investment Company Act). It is the present intention of the Board of Directors of the Fund not to hold annual meetings of shareholders unless such shareholder action is required.

INFORMATION REGARDING DIRECTORS

Name, age, business experience during the past five years and directorships	Position with Fund	Shares of Common Stock owned at ,] 1994
Robert R. Fortune (77), Financial Consultant; previously Chairman, President and Chief Executive Officer of Associated Electric & Gas Insurance Services Limited and Aegis Insurance Services, Inc.; Director of Independence Square Income Securities, Inc., Temporary Investment Fund, Inc., Portfolios for Diversified Investment, Inc., Prudential IncomeVertible(R) Fund, Inc., Prudential Structured Maturity Fund and Prudential Utility Fund; Trustee of Trust for Short-Term Federal Securities, Municipal Fund for Temporary Investment and The PNC Fund; Managing General Partner of Chestnut Street Exchange Fund.	Director	[5,482,268]

Delayne D. Gold (55), Marketing and Management Consultant; Director of Prudential Adjustable Rate Securities Fund, Inc., Prudential Equity Fund, Inc., Prudential Global Fund, Inc., Prudential GNMA Fund, Prudential Government Plus Fund, Prudential Growth Opportunity Fund, Prudential High Yield Fund, Prudential IncomeVertible(R) Fund, Inc., Prudential MoneyMart Assets, Prudential National Municipals Fund, Prudential Pacific Growth Fund, Inc., Prudential Short-Term Global Income Fund, Inc., Prudential Special Money Market Fund, Prudential Structured Maturity Fund, Prudential Tax-Free Money Fund and Prudential Utility Fund; Trustee of The BlackRock Government Income Trust, Command Government Fund, Command Money Fund, Command Tax-Free Fund, Prudential California Municipal Fund, Prudential Government Securities Trust, Prudential Municipal Series Fund and Prudential U.S. Government Fund. Director -0-

*Harry A. Jacobs, Jr. (72), 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 Director -0-

Name, age, business experience during the past five years and directorships -----	Position with Fund [Shares of Common Stock owned at ,] 1994 -----
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Group Inc. (1977-1982); Director of the Center for National Policy, Prudential Adjustable Rate Securities Fund, Inc., Prudential Equity Fund, Inc., Prudential Global Fund, Inc., Prudential GNMA Fund, Prudential Government Plus Fund, Prudential Growth Opportunity Fund, Prudential

High Yield Fund, Prudential IncomeVertible(R) Fund, Inc., Prudential MoneyMart Assets, Prudential National Municipals Fund, Prudential Pacific Growth Fund, Inc., Prudential Short-Term Global Income Fund, Inc., Prudential Special Money Market Fund, Prudential Structured Maturity Fund, Prudential Tax-Free Money Fund, Prudential Utility Fund, 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, The BlackRock Government Income Trust, Command Money Fund, Command Government Fund, Command Tax-Free Fund, Prudential California Municipal Fund, Prudential Municipal Series Fund and Prudential U.S. Government Fund.

<p>*Lawrence C. McQuade (66), Vice Chairman of PMF (since 1988); Managing Director, Investment Banking, Prudential Securities (1988-1991); Director of Quixote Corporation (since February 1992) and BUNZL, PLC (since June 1991); formerly Director of Crazy Eddie Inc. (1987-1990) and Kaiser Tech, Ltd. and Kaiser Aluminum and Chemical Corp. (March 1987- November 1988); formerly Executive Vice President and Director of WR Grace & Company; President and Director of Prudential Adjustable Rate Securities Fund, Inc., Prudential Equity Fund, Inc., Prudential Global Fund, Inc., Prudential Global Genesis Fund, Prudential Global Natural Resources Fund, Prudential GNMA Fund, Prudential Government Plus Fund, Prudential Growth Fund, Inc., Prudential Growth Opportunity Fund, Prudential High Yield Fund, Prudential IncomeVertible(R) Fund, Inc., Prudential Institutional Liquidity Portfolio, Inc., Prudential</p>	<p>President and Director</p>	<p>[3,631.782]</p>
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<p>Name, age, business experience during the past five years and directorships</p>	<p>Position with Fund [</p>	<p>Shares of Common Stock owned at ,] 1994</p>
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Intermediate Global Income Fund, Inc., Prudential MoneyMart Assets, Prudential Multi-Sector Fund, Inc., Prudential National Municipals Fund, Prudential Pacific Growth Fund, Inc., Prudential Short-Term Global Income Fund, Inc., Prudential Special Money Market Fund, Prudential Structured Maturity Fund, Prudential Tax-Free Money Fund, Prudential Utility Fund, The Global Government Plus Fund, Inc., The Global Yield Fund, Inc. and The High Yield Income Fund, Inc.; President and Trustee of The BlackRock Government Income Trust, Command Government Fund, Command Money Fund, Command Tax-Free Fund, Prudential California Municipal Fund, Prudential Equity Income Fund, Prudential FlexiFund, Prudential Government Securities Trust, Prudential Municipal Bond Fund, Prudential Municipal Series Fund, Prudential U.S. Government Fund and The Target Portfolio Trust.

Thomas A. Owens, Jr. (71), Consultant; Director of Director -0-
EMCORE Corporation (manufacturer of electronic materials), Prudential Adjustable Rate Securities Fund, Inc., Prudential Global Fund, Inc., Prudential Government Plus Fund, Prudential Growth Fund, Inc., Prudential IncomeVertible(R) Fund, Inc., Prudential Intermediate Global Income Fund, Inc., Prudential MoneyMart Assets, Prudential Pacific Growth Fund, Inc., Prudential Short-Term Global Income Fund, Inc., Prudential Structured Maturity Fund and Prudential Utility Fund; Trustee of Prudential U.S. Government Fund.

*Richard A. Redeker (50), President, Chief Executive Officer and Director (since October 1993), Director -0-
PMF; Executive Vice President, Director and Member of the Operating Committee (since October 1993), Prudential Securities Incorporated; 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

Name, age, business experience during the past five years and directorships -----	Position with Fund [Shares of Common Stock owned at ,] 1994 -----
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Global Utility Fund, Inc., Prudential Adjustable Rate Securities Fund, Inc., Prudential Equity Fund, Inc., Prudential Global Fund, Inc., Prudential Global Genesis Fund, Prudential Global Natural Resources Fund, Prudential GNMA Fund, Prudential Government Plus Fund, Prudential Growth Fund, Inc., Prudential IncomeVertible(R) Fund, Inc., Prudential Institutional Liquidity Portfolio, Inc., Prudential Intermediate Global Income Fund, Inc., Prudential MoneyMart Assets, Prudential Multi-Sector Fund, Inc., Prudential Pacific Growth Fund, Inc., Prudential Short-Term Global Income Fund, Inc., Prudential Special Money Market Fund, Prudential Structured Maturity Fund, Prudential Utility Fund, The Global Yield Fund, Inc., The Global Government Plus Fund, Inc., and The High Yield Income Fund, Inc.; Trustee of The BlackRock Government Income Trust, Command Government Fund, Command Money Fund, Command Tax-Free Fund, Prudential California Municipal Fund, Prudential Equity Income Fund, Prudential FlexiFund, Prudential Municipal Bond Fund, Prudential Municipal Series Fund, Prudential U.S. Government Fund and The Target Portfolio Trust.

Robert J. Schultz (69), Retired (since January 1987); formerly Financial Vice President of Commonwealth Edison Company (electric power company); Director of Prudential Growth Fund, Inc., Prudential IncomeVertible(R) Fund, Inc., Prudential Intermediate Global Income Fund, Inc., Prudential MoneyMart Assets, Prudential Structured Maturity Fund and Prudential Utility Fund.	Director	-0-
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Merle T. Welshans (75), Adjunct Professor of Finance, Washington University (since July 1983); prior thereto, Vice President-Finance of	Director	[2,719.2940]
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Union Electric Company; Director of Prudential IncomeVertible(R) Fund, Inc., Prudential Structured Maturity Fund and Prudential Utility Fund; Trustee of the Olympic Trust Funds of Los Angeles.

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

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The Directors and officers of the Fund as a group owned beneficially [15,992.259] shares of the Fund as of [,] 1994 representing less than 1% of the outstanding shares of the Fund.

The Fund pays annual compensation of \$9,000, plus travel and incidental expenses, to each of the five Directors not affiliated with PMF or Prudential Securities. The Directors have the option to receive the 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 which accrues 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 exemptive order of the Securities and Exchange Commission (SEC), at the rate of return of the Fund. Payment of the interest so accrued is also deferred and accruals become payable at the option of the Director. The Fund's obligation to make payments of deferred Directors' fees, together with interest thereon, is a general obligation of the Fund. During the fiscal year ended December 31, 1993, the Fund paid Directors' fees of approximately \$54,000 and travel and incidental expenses of approximately \$3,400.

There were four regular meetings and two special meetings of the Fund's Board of Directors held during the fiscal year ended December 31, 1993. The Board of Directors presently has an Audit Committee, the members of which are Ms. Gold and Messrs. Fortune, Owens, Schultz and Welshans, the Fund's non-interested Directors. The Audit Committee met twice during the fiscal year ended December 31, 1993. The Audit Committee makes recommendations to the full Board with respect to the engagement of independent accountants and reviews with the independent accountants the plan and results of the audit engagement and matters having a material effect upon the Fund's financial operations. The Board also has a Nominating Committee, comprised of the Fund's non-interested Directors, which selects and proposes candidates for election to the Board of Directors. The Nominating Committee met twice during the fiscal year ended December 31, 1993. The Nominating Committee does not consider nominees recommended by shareholders to fill vacancies on the Board.

During the fiscal year ended December 31, 1993, Harry A. Jacobs, Jr. attended fewer than 75% of the aggregate of the total number of meetings of the Board of Directors and any committees thereof of which he was a member.

The executive officers of the Fund, other than as shown above, are: S. Jane Rose, Secretary, having held office since July 31, 1985, Robert F. Gunia, Vice President, and Susan C. Cote, Treasurer and Principal Financial and Accounting Officer, both having held office since May 7, 1987, and Marguerite E. H. Morrison, Assistant Secretary, having held office since June 5, 1991. Mr. Gunia is 47 years old and is currently Chief Administrative Officer (since July 1990), Director (since January 1989), Executive Vice President, Treasurer and Chief Financial Officer (since January 1987) of PMF and Senior Vice President of Prudential Securities. He is also Vice President and Director (since May 1989) of The Asia Pacific Fund, Inc. Ms. Cote is 39 years old and is Senior Vice President (since January 1989) of PMF and a Senior Vice President of Prudential Securities (since January 1992). Prior thereto, she was Vice President (January 1986-December 1991) of Prudential Securities. Ms. Rose is 48 years old and is Senior Vice President (since January 1991) and Senior Counsel of PMF and a Senior Vice President and Senior Counsel of

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Prudential Securities (since July 1992). Prior thereto, she was First Vice President (June 1987-December 1990) of PMF and Vice President and Associate General Counsel of Prudential Securities. Ms. Morrison is 37 years old and is a Vice President and Associate General Counsel (since June 1991) of PMF and Vice President and Associate General Counsel (since September 1987) of Prudential Securities. The executive officers of the Fund are elected annually by the Board of Directors.

Required Vote

Directors must be elected by a vote of a plurality of the shares present at the meeting in person or by proxy and entitled to vote thereupon, provided that a quorum is present.

MANAGEMENT OF THE FUND

The Manager

Prudential Mutual Fund Management, Inc. (PMF or the Manager), One Seaport Plaza, New York, New York 10292, serves as the Fund's Manager under a management agreement dated as of May 2, 1988, as amended on January 22, 1990 (the Management Agreement).

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 such contract or interested persons of such parties (as defined in the Investment Company Act), on June 9, 1993 and was approved by shareholders on January 11, 1990.

Terms of the Management Agreement

Pursuant to 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, is responsible for managing or providing for the management of the investment of the Fund's assets. In this regard, PMF provides supervision of the Fund's investments, furnishes a continuous investment program for the Fund's portfolio and places purchase and sale orders for portfolio securities of the Fund and other investments. The Prudential Investment Company (PIC), a wholly-owned subsidiary of The Prudential Insurance Company of America (Prudential), provides such services pursuant to a subadvisory agreement (the Subadvisory Agreement) with PMF. PMF also administers the Fund's corporate affairs, subject to the supervision of the Fund's Board of Directors, and, in connection therewith, furnishes the Fund with office facilities, together with those ordinary clerical and bookkeeping services which are not being furnished by the Fund's Transfer and Dividend Disbursing Agent and Custodian.

PMF has authorized any of its directors, officers and employees who have been elected as Directors or officers of the Fund to serve in the capacities in which they have been elected. All services furnished by PMF under the Management Agreement may be furnished by any such directors, officers or employees of PMF. In connection with its administration of the corporate affairs of the Fund, PMF bears the following expenses:

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(a) the salaries and expenses of all personnel of the Fund and PMF, except the fees and expenses of Directors not affiliated with PMF or the Fund's investment adviser;

(b) all expenses incurred by PMF or by the Fund in connection with administering 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 PIC pursuant to the Subadvisory Agreement.

The Fund pays PMF for the services performed and the facilities

furnished by it a fee at an annual rate of .60 of 1% of the first \$250 million of the Fund's average daily net assets, .50 of 1% of the next \$500 million of the Fund's average daily net assets, .45 of 1% of the next \$750 million of the Fund's average daily net assets, .40 of 1% of the next \$500 million and .35 of 1% of the excess over \$2 billion of the Fund's average daily net assets. This fee is computed daily and paid monthly. This fee is proposed to be reduced as set forth in Proposal No. 12, below. PMF agreed to voluntarily reduce its fee to that set forth in Proposal No. 12 effective October 1, 1993. For the fiscal year ended December 31, 1993, PMF received a management fee of \$18,383,363.

The Management Agreement provides that, if 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 shares of the Fund are then qualified for offer and sale, the compensation due PMF will be reduced by the amount of such excess, or, if such reduction exceeds the compensation payable to PMF, PMF will pay the Fund the amount of such reduction which exceeds the amount of such compensation. Any such reductions or payments are subject to readjustment during the year. No such reductions or payments were required during the fiscal year ended December 31, 1993. The Fund believes the most restrictive of such annual limitations 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.

Except as indicated above, the Fund is responsible under the Management Agreement for the payment of its expenses, including (a) the fees payable to PMF, (b) the fees and expenses of Directors who are not affiliated with PMF or the investment adviser, (c) the fees and certain expenses of the Fund's Custodian and Transfer and Dividend Disbursing Agent, including the cost of providing records of the Fund and of pricing Fund shares, (d) the charges and expenses of the Fund's legal counsel and independent accountants, (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 association of which the Fund may be a member, (h) the cost of any share 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 SEC and 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 Board of Directors' meetings and of preparing, printing and mailing prospectuses and reports to 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 to the Fund for any error of judgment by PMF or for any loss suffered by the Fund in connection with the matters to which the Management Agreement relates except a loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services or willful misfeasance, bad faith, gross negligence or reckless disregard of duty. The Management Agreement also provides that it will terminate automatically if assigned and that it may be terminated without penalty by the Board of Directors of the Fund, by vote of a majority of the Fund's outstanding voting securities (as defined in the Investment Company Act) or by the Manager, upon not more than 60 days' nor less than 30 days' written notice.

Information about PMF

PMF, an affiliate of Prudential Securities and an indirect, wholly-owned subsidiary of Prudential, was organized in May 1987 under the laws of the State of Delaware. Prudential's address is Prudential Plaza, Newark, New Jersey 07102. PMF is the manager for the registered investment companies set forth below, except as otherwise noted.

Open-End Management Investment Companies	Approximate Net Assets as of December 31, 1993	Management Fees (annual rate)
-----	-----	-----
	(000)	
Command Government Fund .	\$ 360,617	.40 of 1% up to \$1 billion .375 of 1% in excess of \$1 billion
Command Money Fund	2,396,738	.50 of 1% up to \$500 million .425 of 1% of the next \$500 million .375 of 1% in excess of \$1 billion .35 of 1% in excess of \$1.5 billion
Command Tax-Free Fund ...	760,122	.50 of 1% up to \$500 millio .425 of 1% of the next \$500 million .375 of 1% in excess of \$1 billion
Global Utility Fund, Inc.	415,872	.70 of 1% up to \$250 million .55 of 1% of the next \$250 million

		.50 of 1% of the next \$500 million
		.45 of 1% in excess of \$1 billion
Nicholas-Applegate Fund, Inc.	350,304	.95 of 1%

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Open-End Management Investment Companies	Approximate Net Assets as of December 31, 1993	Management Fees (annual rate)
-----	-----	-----
	(000)	
Prudential California Municipal Fund (three series)	764,145	.50 of 1%
Prudential Equity Fund ..	2,027,978	.50 of 1% up to \$500 million .475 of 1% of the next \$500 million .450 of 1% in excess of \$1 billion
Prudential Equity Income Fund	746,732	.60 of 1% up to \$500 million .50 of 1% in excess of \$500 million
Prudential FlexiFund (two series)	812,379	.65 of 1%
Prudential Global Fund, Inc.	360,297	.75 of 1%
Prudential Global Genesis Fund	143,691	1%
Prudential Global Natural Resources Fund	51,329	.75 of 1%
Prudential GNMA Fund	330,227	.50 of 1%
Prudential Government Plus Fund	2,378,453	.50 of 1% up to \$3 billion .35 of 1% in excess of \$3 billion
Prudential Government Securities Trust Intermediate Term Series	345,781	.40 of 1%

U.S. Treasury Money		
Market Series	625,195	.40% of 1%
Money Market Series ..	829,851	.40% of 1% up to \$1 billion
		.375 of 1% of the next \$500 million
		.35 of 1% in excess of \$1.5 billion
Prudential Growth Fund, Inc.	212,413	.625 of 1% up to \$500 million
		.550 of 1% of the next \$500 million
		.500 of 1% in excess of \$1 billion
Prudential Growth		
Opportunity Fund	502,470	.70 of 1%

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Open-End Management Investment Companies	Approximate Net Assets as of December 31, 1993	Management Fees (annual rate)
-----	-----	-----
	(000)	
Prudential High Yield Fund	3,914,753	.50 of 1% up to \$250 million
		.475 of 1% of the next \$500 million
		.45 of 1% of the next \$750 million
		.425 of 1% of the next \$500 million
		.40 of 1% of the next \$500 million
		.375 of 1% of the next \$500 million
		.350 of 1% in excess of \$3 billion
Prudential IncomeVertible(R) Fund, Inc.	325,437	.75 of 1% up to \$500 million
		.70 of 1% of the next \$250 million
		.65 of 1% of the next \$250 million
		.60 of 1% in excess of \$1 billion
Prudential Institutional Liquidity Portfolio, Inc.	421,381	.20 of 1%
Prudential MoneyMart Assets	7,347,874	.50 of 1% up to \$50 million
		.30 of 1% in excess of \$50 million
Prudential Multi-Sector Fund, Inc.	166,893	.65 of 1%
Prudential Municipal Bond Fund (three series) ...	2,174,229	.50 of 1%

Prudential Municipal Series Fund (sixteen series) .	1,739,122	.50 of 1%
Prudential National Municipals Fund	863,129	.50 of 1% up to \$250 million .475 of 1% of the next \$250 million .45 of 1% of the next \$500 million .425 of 1% of the next \$250 million .40 of 1% of the next \$250 million .375 of 1% in excess of \$1.5 billion
Prudential Pacific Growth Fund, Inc.	430,274	.75 of 1%
Prudential Short-Term Global Income Fund Inc. (two series)	490,926	.55 of 1%
Prudential Special Money Market Fund	194,290	.50 of 1%

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Open-End Management Investment Companies	Approximate Net Assets as of December 31, 1993	Management Fees (annual rate)
-----	-----	-----
	(000)	
Prudential Structured Maturity Fund	242,462	.70 of 1%
Prudential Tax-Free Money Fund	609,666	.50 of 1% up to \$750 million .475 of 1% of next \$750 million .375 of 1% in excess of \$1.5 billion
Prudential U.S. Government Fund	167,233	.50 of 1%
Prudential Utility Fund .	5,093,475	.60 of 1% up to \$250 million .50 of 1% of the next \$500 million .45 of 1% of the next \$750 million .40 of 1% of the next \$500 million .35 of 1% in excess of \$2 billion
The Target Portfolio Trust		

Large Capitalization Growth Portfolio	97,846	.60 of 1%
Large Capitalization Value Portfolio	95,779	.60 of 1%
Small Capitalization Growth Portfolio	63,104	.60 of 1%
Small Capitalization Value Portfolio	64,280	.60 of 1%
International Equity Portfolio	126,612	.70 of 1%
Total Return Bond Portfolio	25,989	.45 of 1%
Intermediate Term Bond Portfolio	60,599	.45 of 1%
Mortgage Backed Securities Portfolio ..	54,865	.45 of 1%
U.S. Government Money Market Portfolio	2,980	.25 of 1%

Closed-End Management Investment Companies	Approximate Net Assets as of December 31, 1993	Management Fees (annual rate)
-----	-----	-----
	(000)	
The Global Government Plus Fund, Inc.	357,876	.75% of 1% up to \$1 billion .70 of 1% in excess of \$1 billion

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Closed-End Management Investment Companies	Approximate Net Assets as of December 31, 1993	Management Fees (annual rate)
-----	-----	-----
	(000)	
The Global Yield Fund, Inc.	580,083	.75 of 1% up to \$500 million .70 of 1% of the next \$500 million

.65 of 1% in excess of \$1 billion

The High Yield Income
Fund, Inc. 85,697 .70 of 1%

The consolidated statement of financial condition of PMF and subsidiaries as of December 31, 1993 is set forth as Exhibit A to this Proxy Statement.

Certain information regarding the directors and principal executive officers of PMF is set forth below. Except as otherwise indicated, the address of each person is One Seaport Plaza, New York, New York 10292.

Name and Address -----	Position with PMF -----	Principal Occupations -----
Maureen Behning-Doyle ...	Executive Vice President	Executive Vice President, PMF; Senior Vice President, Prudential Securities
John D. Brookmeyer, Jr. . Two Gateway Center Newark, NJ 07102	Director	Senior Vice President, (Prudential)
Susan C. Cote	Senior Vice President	Senior Vice President, PMF; Senior Vice President, Prudential Securities
Fred A. Fiandaca	Executive Vice President, Chief Operating Officer and Director	Executive Vice President, Chief Operating Officer and Director, PMF; Chairman, Chief Oper- ating Officer and Director, Prudential Mutual Fund Services, Inc.
Stephen P. Fisher	Senior Vice President	Senior Vice President, PMF; Senior Vice Presi- dent, Prudential Securities

Name and Address	Position with PMF	Principal Occupations
-----	-----	-----
Frank W. Giordano	Executive Vice President, General Counsel and Secretary	Executive Vice President, General Counsel and Secretary, PMF; Senior Vice President, Pruden- tial Securities
Robert F. Gunia	Executive Vice President, Chief Financial and Administrative Officer, Treasurer and Director	Executive Vice President, Chief Financial and Administrative Officer, Treasurer and Director, PMF; Senior Vice Presi- dent, Prudential Securities
Eugene B. Heimberg	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, PSG
Richard A. Redeker	President, Chief Executive Officer and Director	President, Chief Executive Officer and Director, PMF; Executive Vice President, Director and Member of the 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 Director
213 Washington Street
Newark, NJ 07102

Senior Vice President,
Prudential; Director,
PSG

The Subadviser

Investment advisory services are provided to the Fund by PMF through its affiliate, The Prudential Investment Corporation (PIC or the Subadviser), Prudential Plaza, Newark, New Jersey 07102, under a Subadvisory Agreement. The Subadvisory Agree-

ment was approved by shareholders on April 29, 1988 and was last approved by the Board of Directors of the Fund, including a majority of the Directors who are not parties to such contract or interested persons of such parties (as defined in the Investment Company Act), on June 9, 1993.

Terms of the Subadvisory Agreement

Pursuant to the Subadvisory Agreement, PIC, subject to the supervision of PMF and the Board of Directors and in conformity with the stated policies of the Fund, manages the investment operations of the Fund and the composition of the Fund's portfolio, including the purchase, retention and disposition of securities and other investments. PIC is reimbursed by PMF for reasonable costs and expenses incurred by it in furnishing such services. The fees paid by the Fund to PMF under the Management Agreement with PMF are not affected by this arrangement. PIC keeps certain books and records required to be maintained pursuant to the Investment Company Act. The investment advisory services of PIC to the Fund are not exclusive under the terms of the Subadvisory Agreement and PIC is free to, and does, render investment advisory services to others.

PIC has authorized any of its directors, officers and employees who may be elected as Directors or officers of the Fund to serve in the capacities in which they have been elected. Services furnished by PIC under the Subadvisory Agreement may be furnished by any such directors, officers or employees of PIC. The Subadvisory Agreement provides that PIC shall not be liable for any error of judgment or for any loss suffered by the Fund or PMF in connection with the matters to which the Subadvisory Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on PIC's part in the performance of its duties or from its reckless disregard of duty. The Subadvisory Agreement provides that it shall terminate automatically if assigned or upon termination of the Management Agreement and that it may be terminated without penalty by either party upon not more than 60 days' nor less than 30 days' written

notice.

Information about PIC

PIC was organized in June 1984 under the laws of the State of New Jersey. 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, New Jersey 07102.

Name and Address -----	Position with PIC -----	Principal Occupations -----
Martin A. Berkowitz	Senior Vice President, Chief Financial and Compliance Officer	Senior Vice President, Chief Financial and Compliance Officer, PIC; Vice President, Prudential
William M. Bethke	Senior Vice President	Senior Vice President, Prudential

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Name and Address -----	Position with PIC -----	Principal Occupations -----
John D. Brookmeyer, Jr. .	Senior Vice President	Senior Vice President, Prudential; Senior Vice President, PIC
Eugene B. Heimberg	President and Director	Senior Vice President, Prudential
Garnett L. Keith, Jr. ...	Director	Vice Chairman and Director, Prudential
William P. Link	Executive Vice President	Executive Vice President, Prudential
Robert E. Riley	Executive Vice President	Executive Vice President, Prudential; Director, PSG
James W. Stevens	Executive Vice President	Executive Vice President, Prudential; Director,

Robert C. Winters	Director	Chairman of the Board and Chief Executive Officer, Prudential; Chairman of the Board, PSG
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Claude J. Zinngrabe, Jr.	Executive Vice President	Vice President, Prudential
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The Distributors

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.

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.

The Plans were last approved by 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), on June 9, 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 (the Class B shareholders) on January 11, 1990.

The Plans are proposed to be amended as set forth in Proposals No. 3 and 4 below.

Class A Plan. 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 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. PMFD has advised the Fund that distribution-related expenses of the Fund 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 received payments of \$537,660 under the Class A Plan representing .20 of 1% of the average daily net assets of the Class A shares as reimbursement of expenses related to the distribution of Class A shares. This amount was primarily expended on account servicing fees to Prudential Securities and Pruco Securities Corporation, an affiliated broker-dealer (Prusec), for payment to financial advisers and other salespersons who sell Class A shares. For the fiscal year ended December 31, 1993, PMFD also received \$5,755,000 in initial sales charges.

Class B Plan. Under the Class B Plan, the Fund reimburses Prudential Securities for its distribution-related expenses with respect to Class B shares at an annual rate of up to .75 of 1% of the average daily net assets of the Class B shares. 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 Class B shares. The aggregate distribution fee for Class B shares (asset-based sales charge plus service fee) will not exceed 1% of average daily net assets of the Class B shares.

For the fiscal year ended December 31, 1993, Prudential Securities received \$43,080,963 from the Fund under the Class B Plan and spent approximately \$60,566,900 in distributing the Fund's Class B shares. It is estimated that of the latter amount approximately .4% (\$250,700) was spent on printing and mailing of prospectuses to other than current shareholders; 34.1% (\$20,622,100) on compensation to Prusec for commissions to its financial advisers and other expenses, including an allocation of overhead and other branch office distribution-related expenses, incurred by it for distribution of Fund shares; 2.2% (\$1,330,500) in interest and/or carrying charges and 63.3% (\$38,363,600) on the aggregate of (i) payments of commissions to financial advisers of 32.4% (\$19,652,700) and (ii) an allocation of overhead and other branch office distribution-related expenses of 30.9% (\$18,710,900). The term "overhead and other branch office distribution-related expenses" represents (a) the expenses of operating Prudential Securities branch offices in connection with the sale of Fund shares, including lease costs, the salaries and employee benefits of operations and sales support personnel, utility costs, communications costs and the costs of stationery and supplies, (b) the costs of client sales seminars, (c) travel expenses of mutual fund sales coordinators to promote the sale of Fund shares and (d) other incidental expenses relating to branch promotion of Fund sales.

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. Under the current Class B Plan, the amount of distribution

of the Fund is reduced by the amount of such contingent deferred sales charges. For the fiscal year ended December 31, 1993, Prudential Securities received approximately \$4,330,000 in contingent deferred sales charges. As of December 31, 1993, the aggregate amount of unreimbursed distribution expenses for the Fund's Class B shares was approximately \$43,948,600.

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 Rule 12b-1 Directors 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 Plan or the Class B Plan if it is terminated or not continued. In the event of termination or noncontinuance 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.

Pursuant to each Plan, the Board of Directors reviews 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 Rule 12b-1 Directors shall be committed to the Rule 12b-1 Directors.

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. Each Distribution Agreement was last approved by the Board of Directors, including a majority of the Rule 12b-1 Directors, on June 9, 1993.

Pending Legal Proceedings

On October 12, 1993, a lawsuit was instituted against the Fund, PMF,

The Prudential Investment Corporation, Prudential Securities, and certain current and former directors of the Fund. The suit was brought by plaintiffs both derivatively on behalf of the Fund and purportedly on behalf of the class of shareholders who purchased their shares prior to 1985. The plaintiffs seek damages on behalf of the Fund in an unspecified amount for alleged excessive management and distribution fees. The complaint also challenges the Alternative Purchase Plan that was implemented in January 1990 pursuant to a shareholder vote and that provided for the creation of two classes of shares. The plaintiffs, on behalf of the purported class, seek damages and equitable relief against the Fund and the named directors to change the classification of the shares of the class and to compel a further vote on such plan. The defendants believe they have meritorious defenses to the

claims asserted in the complaint and intend to defend this action vigorously. Management does not believe that the outcome of this action is likely to have a material adverse effect on the Fund.

Portfolio Transactions

The Manager is responsible for decisions to buy and sell securities for the Fund, the selection of brokers and dealers 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 on a national securities exchange are effected through brokers who charge a commission for their services. Orders may be directed to any broker including, to the extent and in the manner permitted by applicable law, Prudential Securities.

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 (or any affiliate) in any transaction in which Prudential Securities acts as principal. Thus, it will not deal in over-the-counter securities with Prudential Securities (or any affiliate) 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 provides the most favorable total cost or proceeds reasonably attainable in the circumstances. While the Manager generally seeks reasonably competitive spreads or commissions, the Fund will not necessarily be paying the lowest spread or commission available. Within the framework of the policy of obtaining most favorable price and efficient execution, the Manager will consider research and investment services provided by brokers or dealers who effect or are parties to portfolio transactions of the Fund, the Manager or the Manager's other clients. Such research and investment services are those which brokerage houses customarily provide to institutional investors and include statistical and economic data and research reports on particular companies and industries. Such services are used by the Manager in connection with all of its investment activities, and some of such services obtained in connection with the execution of transactions for the Fund may be used in managing other investment accounts. Conversely, brokers furnishing such services may be selected for the execution of transactions of such other accounts, whose aggregate assets are 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

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generally prevailing rates. The Manager's policy is to pay higher commissions to brokers, other than Prudential Securities, for particular transactions than might be charged if a different broker had been selected, on occasions when, in the Manager's opinion, this policy furthers the objective of obtaining best price and execution. The Manager is authorized to pay higher commissions on brokerage transactions for the Fund to brokers or dealers other than Prudential Securities in order to secure research and investment services as 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.

Portfolio securities may not be purchased from any underwriting or

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

Subject to the above considerations, the Manager may use Prudential Securities or any affiliate as a broker for the Fund. In order for Prudential Securities or any affiliate to effect any portfolio transactions for the Fund, the commissions, fees or other remuneration received by Prudential Securities or any affiliate must be reasonable and fair compared to the commissions, fees or other remuneration paid to other brokers in connection with comparable transactions involving similar securities being purchased or sold on a securities exchange during a comparable period of time. This standard would allow Prudential Securities or any affiliate to receive no more than the remuneration which would be expected to be received by an unaffiliated broker in a commensurate arm's-length transaction. Furthermore, the Board of Directors of the Fund, including a majority of the Rule 12b-1 Directors, has adopted procedures which are reasonably designed to provide that any commissions, fees or other remuneration paid to Prudential Securities or any affiliate are consistent with the foregoing standard. In accordance with Section 11(a) of 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. 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 or any affiliate are also subject to such fiduciary standards as may be imposed upon Prudential Securities or such affiliate by applicable law.

Transactions in options by the Fund will be subject to limitations established by each of the exchanges governing the maximum number of options which may be written or held by a single investor or group of investors acting in concert, regardless of whether the options are written or held on the same or different exchanges or are written or held in one or more accounts or through one or more brokers. Thus, the number of options which the Fund may write or hold may be affected by options written or held by Prudential and other

investment advisory clients of Prudential. An exchange may order the liquidation of positions found to be in excess of these limits, and it may impose certain other sanctions. As of the date of this Proxy Statement, these limits (which are subject to change) are 8,000 options on the most actively traded stocks (i.e., (i) stocks that had trading volume of at least 40 million shares in the prior six-month period or (ii) stocks that have at least 120 million shares outstanding and also had trading volume of at least 30 million shares in the prior six-month period) and 5,500 options on stocks that had a trading volume of at least 20 million shares in the prior six-month period or stocks that have at least 40 million shares outstanding and a trading volume of at least 15 million shares in the prior six-month period. All other stock options will have a 3,000-contract limit. Option contracts on an industry index are limited to between 15,000 and 25,000 contracts.

The table below sets forth information concerning the payments of commissions by the Fund to Prudential Securities, including the commissions during the fiscal year ended December 31, 1993.

	Year ended December 31, 1993
Total brokerage commissions paid by the Fund	\$4,408,907
Total brokerage commissions paid to Prudential Securities or any affiliate	\$ 366,575
Percentage of total brokerage commissions paid to Prudential Securities or any affiliate	8.3%

The Fund effected approximately 8.5% of the total dollar amount of its transactions involving the payment of commissions through Prudential Securities or its affiliates during the fiscal year ended December 31, 1993. Of the total brokerage commissions paid during the fiscal year ended December 31, 1993, \$2,497,051 (or 75.33%) were paid to firms which provided research, statistical or other services to PMF. PMF has not separately identified the portion of such brokerage commissions which relates to the provision of such research, statistical or other services.

APPROVAL OF A PROPOSAL TO AMEND
THE FUND'S ARTICLES OF INCORPORATION
TO PERMIT THE IMPLEMENTATION OF A CONVERSION FEATURE
(For consideration of Class A and Class B shareholders voting jointly)
(Proposal No. 2)

The Board of Directors is recommending that shareholders approve an amendment to the Fund's Articles of Incorporation to permit the implementation of a conversion feature for Class B shares. The conversion feature is authorized pursuant to an exemptive order of the Securities and Exchange Commission (the SEC Order) and would provide for the automatic conversion of Class B shares to Class A shares at relative net asset value approximately seven years after purchase. Class A shares are subject to a lower annual distribution and service fee than Class B shares and conversions would occur without the imposition of any additional sales charge. A description of the conversion feature is set

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forth in greater detail below. Amendment of the Articles of Incorporation requires approval by a majority of the Fund's outstanding shares.

The Classes of Shares

The Fund currently offers two classes of shares, designated as Class A and Class B shares pursuant to the Alternative Purchase Plan, in reliance upon the SEC Order. Class A shares are currently offered with an initial sales charge of up to 5.25% of the offering price and are subject to an annual distribution and service fee of up to .30 of 1% of the average daily net assets of the Class A shares pursuant to a Rule 12b-1 plan. This fee is currently charged at a rate of .25 of 1% of the average daily net assets of the Class A shares and PMFD has agreed to so limit its fee under the Class A Plan for the fiscal year ended December 31, 1994. Class B shares are currently offered without an initial sales charge but are subject to a contingent deferred sales charge or CDSC (declining from 5% to zero of the lesser of the amount invested or the redemption proceeds) on certain redemptions generally made within six years of purchase and to an annual distribution and service fee pursuant to a Rule 12b-1 plan of up to 1% of the average daily net assets of the Class B shares.

In accordance with the SEC Order, the Board of Directors may, among other things, authorize the creation of additional classes of shares from time to time. The Board of Directors has approved the offering of a new class of shares, to be designated Class C shares, which will be offered simultaneously with the offering of Class B shares with the proposed conversion feature. Class C shares will be offered without either an initial or deferred sales charge but will be subject to an annual distribution and service fee not to exceed 1% of the average daily net assets of the Class C shares. If the proposed conversion feature for Class B shares is not approved, Class C shares will not be offered.

The Proposed Conversion Feature

On March 17, 1993, the Fund's Board of Directors, including a majority of the Directors who are not "interested persons" of the Fund (as defined in the Investment Company Act), approved an amendment to the Fund's Articles of Incorporation to permit the implementation of a conversion feature for the Fund's Class B shares. A copy of the proposed amendment to the Fund's Articles of Incorporation is attached hereto as Exhibit B.

If this proposal is approved, it is currently contemplated that conversions of Class B shares to Class A shares will occur on a quarterly basis approximately seven years from the purchase of Class B shares. The first conversion is currently anticipated to occur in or about January 1995. Conversions will be effected automatically at relative net asset value without the imposition of any additional sales charge. Class B shareholders will benefit from the conversion feature because they will thereafter be subject to the lower annual distribution and service fee applicable to Class A shares.

Since the Fund tracks amounts paid rather than the number of shares bought on each purchase of Class B shares, it is currently anticipated that the number of Class B shares eligible to convert to Class A shares (excluding shares acquired through the automatic reinvestment of dividends and other distributions) (the Eligible Shares) will be deter-

mined on each conversion date in accordance with the following formula: (i) the ratio of (a) the amounts paid for Class B shares purchased at least seven years prior to the conversion date to (b) the total amount paid for all Class B shares purchased and then held in such a shareholder's account (ii) multiplied by the total number of Class B shares then held in such shareholder's account. Each time any Eligible Shares in a shareholder's account convert to Class A shares, all shares or amounts representing Class B shares then in such account that were acquired through the automatic reinvestment of dividends and other distributions will convert to Class A shares.

For purposes of determining the number of Eligible Shares, if the Class B shares in a shareholder's account on any conversion date are the result of multiple purchases at different net asset values per share, the number of Eligible Shares calculated as described above will generally be either more or less than the number of shares actually purchased approximately seven years before such conversion date. For example, if 100

shares were initially purchased at \$10 per share (for a total of \$1,000) and a second purchase of 100 shares was subsequently made at \$11 per share (for a total of \$1,100), 95.24 shares would convert approximately seven years from the initial purchase (i.e., \$1,000 divided by \$2,100 or 47.62% multiplied by 200 shares or 95.24 shares). The Manager reserves the right to modify the formula for determining the number of Eligible Shares in the future as it deems appropriate on notice to shareholders.

If the net asset value per share of Class A is higher than that of Class B at the time of conversion (which may be the case because of the higher distribution and service fee applicable to Class B shares), shareholders will receive fewer Class A shares than Class B shares converted although the aggregate dollar value will be the same.

For purposes of calculating the applicable holding period for conversions, all payments for purchases of Class B shares during a month will be deemed to have been made on the last day of the month, or for Class B shares acquired through exchange, or a series of exchanges, on the last day of the month in which the original payment for purchases of such Class B shares was made. For Class B shares previously exchanged for shares of a money market fund, the time period during which such shares were held in the money market fund will be excluded. For example, Class B shares held in a money market fund for a period of one year will not convert to Class A until approximately eight years from purchase. For purposes of measuring the time period during which shares are held in a money market fund, exchanges will be deemed to have been made on the last day of the month. Class B shares acquired through exchange will convert to Class A shares after expiration of the conversion period applicable to the original purchase of such shares. As of the date of the first conversion (which, as noted above, is currently anticipated to occur in or about January 1995) all amounts representing Class B shares then outstanding beyond the expiration of the applicable conversion period will automatically convert to Class A shares, together with all shares or amounts representing Class B shares acquired through the automatic reinvestment of dividends and distributions then held in the shareholder's account.

Under current law, no gain or loss will be recognized by a shareholder for U.S. income tax purposes as a result of a conversion of Class B shares into Class A shares.

If approved by shareholders, the conversion feature will be subject to the continuing availability of opinions of counsel (i) that the dividends and other distributions paid on Class A and Class B shares will not constitute "preferential dividends" under the Internal Revenue Code of 1986, as amended, and (ii) that the conversion of shares does not constitute a taxable event.

Required Vote

The proposed amendment to the Fund's Articles of Incorporation to implement the conversion feature requires the affirmative vote of a majority of the Fund's outstanding shares. In the event shareholders of the Fund do not approve the proposed amendment, the conversion feature will not be implemented for the Fund and Class B shares of the Fund will continue to be subject, possibly indefinitely, to their higher annual distribution and service fee.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THIS PROPOSAL NO. 2.

APPROVAL OF AMENDED AND RESTATED CLASS A DISTRIBUTION AND SERVICE PLAN

(For consideration by Class A and Class B shareholders voting separately)
(Proposal No. 3)

On June 9, 1993, the Fund's Board of Directors approved an amended and restated Class A Distribution and Service Plan pursuant to Rule 12b-1 under the Investment Company Act and an amended and restated Distribution Agreement with PMFD for Class A shares of the Fund (the Proposed Class A Plan and the Proposed Class A Distribution Agreement, respectively) and recommends submission of the Proposed Class A Plan to the Fund's Class A shareholders for approval or disapproval at this Special Meeting of Shareholders. As contemplated by the SEC Order (previously defined under Proposal No. 2), the Proposed Class A Plan is also being submitted for approval by Class B shareholders because, subject to approval of Proposal No. 2, Class B shares will automatically convert to Class A shares approximately seven years after purchase. The Proposed Class A Distribution Agreement does not require and is not being submitted for shareholder approval.

The purpose of the Proposed Class A Plan is to compensate PMFD, the distributor of the Fund's Class A shares, for providing distribution assistance to broker/dealers, including Prudential Securities and Prusec, affiliated broker/dealers, and other qualified broker/dealers, if any, whose customers invest in Class A shares of the Fund and to defray the costs and expenses, including the payment of account servicing fees, of the services provided and activities undertaken to distribute Class A shares (Distribution Activities).

The Board of Directors previously adopted a plan of distribution for the Fund's Class A shares pursuant to Rule 12b-1 under the Investment Company Act which was approved by shareholders on December 19, 1990 and last approved by the Board of Directors on June 9, 1993 (the Existing Class A Plan). Shareholders of the Fund's Class A and Class B

shares are being asked to approve amendments to the Existing Class A Plan that change it from a reimbursement type plan to a compensation type plan. The amendments do not change the maximum annual fee that may be paid to PMFD under the Existing Class A Plan, although the possibility exists that expenses incurred by PMFD and for which it is entitled to be reimbursed under the Existing Class A Plan may be less than the fee PMFD will receive under the Proposed Class A Plan. The amendments are being proposed to facilitate administration and accounting. The Board of Directors believes that the proposed Class A Plan is in the best interest of the Fund and is reasonably likely to benefit the Fund's Class A shareholders. A copy of the Proposed Class A Plan is attached hereto as Exhibit C.

The Existing Class A Plan

Under the Existing Class A Plan, the Fund reimburses PMFD for expenses incurred for Distribution Activities at an annual rate of up to .30 of 1% of the average daily net assets of the Class A shares (up to .25 of 1% of which may constitute a service fee for the servicing and maintenance of shareholder accounts). Article III, Section 26 of the NASD Rules of Fair Practice (the NASD Rules) places an annual limit of .25 of 1% on fees that may be imposed for the provision of personal service and/or the maintenance of shareholder accounts (service fees) and an annual limit of .75 of 1% on asset-based sales charges (as defined in the NASD Rules). Subject to these limits, the Fund may impose any combination of service fees and asset-based sales charges under both the Existing Class A Plan and the Proposed Class A Plan; provided that the total fees do not exceed .30 of 1% per annum of the average daily net assets of the Class A shares.

The Existing Class A Plan may not be amended to increase materially the amount to be spent for the services described therein without approval by a majority of the holders of the Class A shares of the Fund. In addition, all material amendments thereof must be approved by vote of a majority of the Directors, including a majority of the Rule 12b-1 Directors, cast in person at a meeting called for the purpose of voting on the Plan. So long as the Existing Class A Plan is in effect, the selection and nomination of Directors who are not interested persons of the Fund will be committed to the discretion of the Rule 12b-1 Directors.

The Existing Class A Plan may be terminated at any time without payment of any penalty by the vote of a majority of the Rule 12b-1 Directors or by the vote of a majority of the outstanding Class A shares of the Fund (as defined in the Investment Company Act) on written notice to any other party

to such plan and will automatically terminate in the event of its assignment (as defined in the Investment Company Act). For a more detailed description of the Existing Class A Plan, see "Management of the Fund-The Distributors-Class A Plan."

The Proposed Class A Plan

The Proposed Class A Plan amends the Existing Class A Plan in one material respect. Under the Existing Class A Plan, the Fund reimburses PMFD for expenses actually incurred for Distribution Activities up to a maximum of .30 of 1% per annum of the

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average daily net assets of the Class A shares. The Proposed Class A Plan authorizes the Fund to pay PMFD the same maximum annual fee as compensation for its Distribution Activities regardless of the expenses incurred by PMFD for Distribution Activities. The Distributor may, however, as it currently does, agree to limit its fee to an amount less than the maximum annual fee. In contrast to the Existing Class A Plan, the amounts payable by the Fund under the Proposed Class A Plan would not be directly related to the expenses actually incurred by PMFD for its Distribution Activities. Consequently, if PMFD's expenses for Distribution Activities are less than the distribution and service fees it receives under the Proposed Class A Plan, it will retain its full fees and realize a profit.

Since inception of the Existing Class A Plan, the reimbursable expenses incurred thereunder by PMFD have generally equalled or exceeded the amount reimbursed by the Fund. For each of the fiscal years ended December 31, 1991, 1992 and 1993, PMFD received payments of \$170,635, \$298,849, and \$573,660, respectively under the Existing Class A Plan, representing .20 of 1% of the average daily net assets of the Class A shares, as reimbursement of expenses incurred for Distribution Activities. Although PMFD agreed to limit its fees under the Existing Class A Plan to .25 of 1% for the fiscal years ended, December 31, 1991, 1992 and 1993, it in fact further limited its fee to .20 of 1% even though its direct and indirect reimbursable distribution expenses exceeded such amount. PMFD believes that it would have similarly limited its fee had the proposed Class A Plan been in effect during the past three fiscal years, although it could have assessed the maximum annual fee of .30 of 1%. Regardless of which plan will be in effect, the Distributor has voluntarily agreed to limit its fees for Distribution Activities to no more than .25 of 1% of the average daily net assets of the Class A shares for the fiscal year ending December 31, 1994. Other expenses incurred by PMFD for Distribution Activities have been, and will continue to be, paid from the proceeds of initial sales charges.

Among the major perceived benefits of a compensation type plan, such as the Proposed Class A Plan, over a reimbursement type plan, such as the Existing Class A Plan, is the facilitation of administration and accounting. Under reimbursement plans, all expenses must be specifically accounted for by the Distributor and attributed to the specific class of shares of a fund in order to qualify for reimbursement. Although the Proposed Class A Plan will continue to require quarterly reporting to the Board of Directors of the amounts accrued and paid under the Plan and of the expenses actually borne by the Distributor, there will be no need to match specific expenses to reimbursements as under the Existing Class A Plan. Thus, the accounting for the Proposed Class A Plan would be simplified and the timing of when expenditures are to be made by the Distributor would not be an issue. These considerations, combined with the reasonable likelihood, although there is no assurance, that the per annum payment rate under the Proposed Class A Plan will not exceed the expenses incurred by PMFD for Distribution Activities, suggest that the costs and efforts associated with a reimbursement plan are unwarranted.

In considering whether to approve the Proposed Class A Plan, the Directors reviewed, among other things, the nature and scope of the services to be provided by PMFD, the purchase options available to investors under the Alternative Purchase Plan, the amount of expenditures under the Existing Class A Plan, the relationship of such

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expenditures to the overall cost structure of the Fund and comparative data with respect to distribution arrangements adopted by other investment companies. Based upon such review, the Directors, including a majority of the Rule 12b-1 Directors, determined that there is a reasonable likelihood that the Proposed Class A Plan will benefit the Fund and its Class A shareholders.

If approved by shareholders, the Proposed Class A Plan will continue in effect from year to year, provided such continuance is approved at least annually by vote of a majority of the Board of Directors, including a majority of the Rule 12b-1 Directors.

Required Vote

If Proposal No. 2 is approved by shareholders, the Proposed Class A Plan will require the approval of a majority of the Fund's outstanding Class A shares and Class B shares (as defined in the Investment Company Act) voting separately. If Proposal No. 2 is not approved by shareholders, the Proposed Class A Plan will only require the approval of a majority of

the Fund's outstanding Class A shares. Under the Investment Company Act, a majority of a class' outstanding voting shares is defined as the lesser of (i) 67% of a class' outstanding shares represented at a meeting at which more than 50% of the outstanding shares of the class are present in person or represented by proxy, or (ii) more than 50% of a class' outstanding shares. If the Proposed Class A Plan is not approved as described above, the Existing Class A Plan will continue in its present form.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THIS PROPOSAL NO. 3.

APPROVAL OF AMENDED AND RESTATED CLASS B
DISTRIBUTION AND SERVICE PLAN
(For consideration by Class B shareholders only)
(Proposal No. 4)

On June 9, 1993, the Fund's Board of Directors approved an amended and restated Class B Distribution and Service Plan pursuant to Rule 12b-1 under the Investment Company Act and an amended and restated Class B Distribution Agreement with Prudential Securities for Class B shares of the Fund (the Proposed Class B Plan and the Proposed Class B Distribution Agreement, respectively) and recommends submission of the Proposed Class B Plan to the Fund's Class B shareholders for approval or disapproval at this Special Meeting of Shareholders. The Proposed Class B Distribution Agreement does not require and is not being submitted for shareholder approval.

The purpose of the Proposed Class B Plan is to compensate Prudential Securities, the distributor of the Fund's Class B shares, for providing distribution assistance to broker/dealers, including Prusec, an affiliated broker/dealer, and other qualified broker/dealers, if any, whose customers invest in Class B shares of the Fund and to defray the costs and expenses, including the payment of account servicing fees, of the services provided and activities undertaken to distribute Class B shares (Distribution Activities).

The Board of Directors previously adopted a plan of distribution for the Fund's Class B shares pursuant to Rule 12b-1 under the Investment Company Act which was approved

by shareholders on January 11, 1990 and last approved by the Board of Directors on June 9, 1993 (the Existing Class B Plan). Shareholders of the Fund's Class B shares are being asked to approve amendments to the Existing

Class B Plan that change it from a reimbursement type plan to a compensation type plan. The amendments do not change the maximum annual fee that may be paid to Prudential Securities under the Existing Class B Plan, although the possibility exists that expenses incurred by Prudential Securities and for which it is entitled to be reimbursed under the Existing Class B Plan may be less than the fee Prudential Securities will receive under the Proposed Class B Plan. The amendments are being proposed to facilitate administration and accounting. The Board of Directors believes that the Proposed Class B Plan is in the best interest of the Fund and is reasonably likely to benefit the Fund's Class B shareholders. A copy of the Proposed Class B Plan is attached hereto as Exhibit D.

The Existing Class B Plan

Under the Existing Class B Plan, the Fund reimburses Prudential Securities for expenses incurred for Distribution Activities at an annual rate of up to 1% of the average daily net assets of the Class B shares (up to .25 of 1% of which may constitute a service fee for the servicing and maintenance of shareholder accounts). Amounts reimbursable under the plan that are not paid because they exceed the maximum fee payable thereunder are carried forward and may be recovered in future years by Prudential Securities from asset-based sales charges imposed on Class B shares, to the extent such charges do not exceed .75 of 1% per annum of the average daily net assets of the Class B shares, and from contingent deferred sales charges received from certain redeeming shareholders, subject to the limitations of Article III, Section 26 of the NASD Rules. The NASD Rules place an annual limit of .25 of 1% on fees that may be imposed for the provision of personal service and/or the maintenance of shareholder accounts (service fees) and an annual limit of .75 of 1% on asset-based sales charges (as defined in the NASD Rules). Pursuant to the NASD Rules, the aggregate deferred sales charges and asset-based sales charges on Class B shares of the Fund may not, subject to certain exclusions, exceed 6.25% of total gross sales of Class B shares.

The Existing Class B Plan may not be amended to increase materially the amount to be spent for the services described therein without approval by a majority of the holders of the Class B shares of the Fund. In addition, all material amendments thereof must be approved by vote of a majority of the Directors, including a majority of the Rule 12b-1 Directors, cast in person at a meeting called for the purpose of voting on the plan. So long as the Existing Class B Plan is in effect, the selection and nomination of Rule 12b-1 Directors will be committed to the discretion of the Rule 12b-1 Directors.

The Existing Class B Plan may be terminated at any time without payment of any penalty by the vote of a majority of the Rule 12b-1 Directors or by the vote of a majority of the outstanding Class B shares of the Fund (as defined in the Investment Company Act) on written notice to any other party to such plan and will automatically terminate in the event of its assignment (as defined in the

Investment Company Act). For a more detailed description of the Existing Class B Plan, see "Management of the Fund-The Distributors-Class B Plan."

The Proposed Class B Plan

The Proposed Class B Plan amends the Existing Class B Plan in one material respect. Under the Existing Class B Plan, the Fund reimburses Prudential Securities for expenses actually incurred for Distribution Activities up to a maximum of 1% per annum of the average daily net assets of the Class B shares. The Proposed Class B Plan authorizes the Fund to pay Prudential Securities the same maximum annual fee as compensation for its Distribution Activities regardless of the expenses incurred by Prudential Securities for Distribution Activities. In contrast to the Existing Class B Plan, the amounts payable by the Fund under the Proposed Class B Plan would not be directly related to the expenses actually incurred by Prudential Securities for its Distribution Activities. Consequently, if Prudential Securities' expenses are less than its distribution and service fees, it will retain its full fees and realize a profit. However, if Prudential Securities' expenses exceed the distribution and service fees received under the Proposed Class B Plan, it will no longer carry forward such amounts for reimbursement in future years.

Since inception of the Existing Class B Plan, the cumulative reimbursable expenses incurred thereunder by Prudential Securities have exceeded the amounts reimbursed by the Fund.

As of December 31, 1993, the aggregate amount of distribution expenses incurred and not yet reimbursed by the Fund or recovered through contingent deferred sales charges was approximately \$43,949,000.

For the fiscal years ended December 31, 1991, 1992 and 1993, Prudential Securities received \$25,285,227, \$30,274,092 and \$43,080,963, respectively, from the Fund under the Existing Class B Plan, representing 1% of the average daily net assets of the Class B shares, and spent approximately \$16,760,300, \$31,572,000 and \$60,566,900, respectively, for Distribution Activities. Since the maximum annual fee under the Existing Class B Plan is the same as under the Proposed Class B Plan, Prudential Securities would have received the same annual fee under the Proposed Class B Plan as it did under the Existing Class B Plan for the fiscal years ended December 31, 1991, 1992 and 1993.

Among the major perceived benefits of a compensation type plan, such as the Proposed Class B Plan, over a reimbursement type plan, such as the

Existing Class B Plan, is the facilitation of administration and accounting. Under reimbursement plans, all expenses must be specifically accounted for by the Distributor and attributed to the specific class of shares of a fund in order to qualify for reimbursement. Although the Proposed Class B Plan will continue to require quarterly reporting to the Board of Directors of the amounts accrued and paid under the Plan and of the expenses actually borne by the Distributor, there will be no need to match specific expenses to reimbursements and no carrying forward of such amounts, as under the Existing Class B Plan. Thus, the accounting for the Proposed Class B Plan would be simplified and the timing of when expenditures are to be made by the Distributor ordinarily would not be an issue. Currently, because the Existing Class B Plan is a reimbursement plan, the Distributor retains an expert to perform a study of its methodology for determining and substantiating which of its expenses should properly be allocated to the Fund's Class B shares for reimbursement,

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the cost of which is borne by the Fund and other funds for which Prudential Securities serves as Distributor. These considerations combined with the fact that the cumulative expenses incurred by Prudential Securities for Distribution Activities have exceeded the amounts reimbursed by the Fund under the Existing Class B Plan suggest that the costs and efforts associated with a reimbursement plan are unwarranted.

In considering whether to approve the Proposed Class B Plan, the Directors reviewed, among other things, the nature and scope of the services to be provided by Prudential Securities, the purchase options available to investors under the Alternative Purchase Plan, the amount of expenditures under the Class B Plan, the relationship of such expenditures to the overall cost structure of the Fund and comparative data with respect to distribution arrangements adopted by other investment companies. Based upon such review, the Directors, including a majority of the Rule 12b-1 Directors, determined that there is a reasonable likelihood that the Proposed Class B Plan will benefit the Fund and its Class B shareholders.

If approved by Class B shareholders, the Proposed Class B Plan will continue in effect from year to year, provided such continuance is approved at least annually by vote of a majority of the Board of Directors, including a majority of the Rule 12b-1 Directors.

Required Vote

The Proposed Class B Plan requires the approval of a majority of the Fund's outstanding Class B shares as defined in the Investment Company Act

and described under Proposal No. 3 above. If the Proposed Class B Plan is not approved, the Existing Class B Plan will continue in its present form.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THIS PROPOSAL NO. 4.

APPROVAL OF MODIFICATION OF THE FUND'S
INVESTMENT OBJECTIVE
(Proposal No. 5)

On March 17, 1993, at the request of the Fund's Subadviser, the Board of Directors of the Fund considered and recommends for shareholder approval a modification of the Fund's investment objective. The Fund's current investment objective is to seek "high current income and moderate capital appreciation through investment in equity and debt securities of utility companies, principally electric, gas and telephone companies." The Subadviser would like to expand the types of utility companies in which the Fund may invest. Accordingly, it is proposed that the Fund's investment objective be restated as follows:

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The Fund's investment objective is to seek high current income and moderate capital appreciation through investment in equity and debt securities of utility companies. [principally electric, gas and telephone companies.]*

The Prospectus would continue as follows:

"Utility companies" include electric, gas, gas pipeline, telephone, telecommunications, water and cable companies. In normal circumstances, the Fund intends to invest at least 80% of its assets in such securities. There can be no assurance that such objective will be achieved. It is anticipated that the Fund will invest primarily in [utility] common stocks of utility companies that the Subadviser believes have the potential for high expected return; however, the Fund may invest primarily in [utility] preferred stocks and debt securities of utility companies when it appears that the Fund will be better able to achieve its investment objective through investments in such securities, or when the Fund is temporarily in a defensive position. Moreover, should extraordinary conditions affecting [the utility] such

sectors or securities markets as a whole warrant, the Fund may temporarily be primarily invested in money market instruments.*

*[Deletions are in brackets.] Additions are underlined.

Thus, the reference to "principally electric, gas and telephone companies" would be deleted and "utility companies" would be defined to include gas pipeline, telecommunications, water and cable companies in addition to electric, gas and telephone companies. The Board of Directors believes that this modification is in the best interests of the Fund and its shareholders. Adoption of Proposal No. 5 would enable the Board of Directors to expand the universe of securities of utility companies in which the Fund may invest.

The Board of Directors' ability to define "utility company" gives the Fund greater flexibility to respond appropriately to business, technological and legal and regulatory developments affecting utility companies and to new industries whose nature or growth has many characteristics of more traditional utility companies. When the Board of Directors deems such changes to be material, existing shareholders will ordinarily be notified of the changes by means of a supplement to the Prospectus.

Required Vote

This modification to the investment objective of the Fund must be approved by a majority of the outstanding voting securities of the Fund. Under the Investment Company Act, a majority of the Fund's outstanding voting securities is defined as the lesser of (i) 67% of the Fund's outstanding shares represented at a meeting at which more than 50% of the Fund's outstanding shares are present in person or represented by proxy, or (ii) more than 50% of the Fund's outstanding shares. If the proposed modification to the Fund's investment objective is not approved, the current investment objective would remain unchanged.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THIS PROPOSAL NO. 5.

APPROVAL OF ELIMINATION OF THE FUND'S FUNDAMENTAL
INVESTMENT RESTRICTIONS REGARDING RESTRICTED
AND ILLIQUID SECURITIES

On March 17, 1993, at the request of the Fund's Manager and Subadviser, the Board of Directors considered and recommends for shareholder approval revision of the Fund's fundamental investment restrictions regarding illiquid and restricted securities. The current restriction is overly confining in light of the development of an active market in those securities that, although subject to restrictions on resale, are transferable under SEC Rule 144A. The Board of Directors recommends elimination of the Fund's Investment Restriction No. 11, which limits the purchase of any security that is restricted as to disposition under federal securities laws. Further, the Board recommends modification of Investment Restrictions Nos. 6 and 14 to eliminate restrictions on investments in equity securities for which market quotations are not readily available and repurchase agreements with maturities of longer than 7 days and other illiquid assets. The text of Restrictions Nos. 6, 11 and 14 and the proposed amendments are set forth in Exhibit E.

The Board recommends replacement of such fundamental investment restrictions with a non-fundamental investment policy that could be modified by the vote of the Board of Directors in response to regulatory or market developments without further approval by shareholders. The change would expand the Fund's ability to invest in securities which have restrictions on resale but have a readily available institutional market, such as securities eligible for resale pursuant to Rule 144A under the Securities Act of 1933 (the Securities Act). The proposed non-fundamental policy would provide as follows:

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.

An open-end investment company may not hold a significant amount of restricted securities or illiquid securities because such securities may present problems of accurate valuation and because it is possible that the investment company would have difficulty satisfying redemptions within seven days. The proposed investment policy is not expected by the investment adviser or the Board of Directors to affect the Fund's liquidity because it

excludes from illiquid securities only those Rule 144A securities for which there is a readily available market.

Historically, illiquid securities have been defined to include securities subject to contractual or legal restrictions on resale, securities for which there is no readily available market and repurchase agreements having a maturity of longer than seven days. In recent years, however, the securities markets have evolved significantly, with the result that new types of instruments have developed which make the Fund's present restriction on illiquid investments overly broad and unnecessarily restrictive in the view of the Fund's Manager. In particular, the SEC adopted Rule 144A in April 1990, which allows for a broader institutional trading market for securities otherwise subject to restrictions on resale to the general public. SEC interpretations give directors of registered investment companies the discretion to designate restricted securities as liquid if the presence of a readily available market can be demonstrated and if a current market value can be ascertained. In adopting Rule 144A, the SEC recognized the increased size and liquidity of the institutional markets for unregistered securities and the importance of institutional investors in the capital formation process. In 1992, the SEC staff issued amended guidelines to the effect that up to 15% (as opposed to 10%) of an open-end fund's net assets may be invested in illiquid securities, including repurchase agreements with a maturity of longer than seven days. The guidelines were amended in connection with the SEC's efforts to remove unnecessary barriers to capital formation and to facilitate access to the capital markets by small businesses.

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 over-the-counter 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."

The proposed change would expand the Fund's ability to invest in the securities of foreign previously-government-owned utility companies eligible for resale pursuant to Rule 144A, among others, which generally have a readily available institutional market, and would permit the Fund to invest up to 10% of its net assets in illiquid assets. The markets for certain equity securities, corporate bonds and notes are almost exclusively institutional. These institutional investors depend on an efficient institutional market in which the unregistered security can be readily resold. In the opinion of the Fund's Manager, the fact that there are restrictions on resale to the general public is therefore not necessarily indicative of the liquidity of such investments. If designated as liquid

(under the supervision of the Board of Directors), these Rule 144A securities would be exempt from the 10% limitation.

In order to take advantage of the market for Rule 144A securities and the increasingly liquid institutional trading markets, the Manager recommends that the Fund eliminate its fundamental policies regarding illiquid and restricted securities so that Rule 144A securities that are nonetheless liquid may be purchased without regard to the current

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limitations. By making the Fund's policy on illiquid securities non-fundamental, the Fund will be able to respond more quickly to regulatory and market developments because a shareholder vote will not be required to define what types of securities should be deemed illiquid or to change the applicable permissible percentage limitation. If this proposal is approved by shareholders, the Manager and the Subadviser, under the supervision of the Board of Directors, will monitor the liquidity of specific types of securities and, based on their recommendations, the Board of Directors will from time to time determine whether such securities should be deemed to be liquid with reference to legal, regulatory and market developments.

In reaching liquidity decisions, the Manager and the Subadviser 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).

The Board of Directors believes that adoption of Proposal No. 6 is in the best interests of the Fund and its shareholders.

Required Vote

Adoption of Proposal No. 6 requires the affirmative vote of the holders

of a majority of the outstanding voting securities of the Fund as defined in the Investment Company Act and described under Proposal No. 5 above. If the proposed change in investment policy is not approved, the current limitations would remain a fundamental policy which could not be changed without the approval of a majority of the outstanding voting securities of the Fund.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THIS PROPOSAL NO. 6.

APPROVAL OF AN AMENDMENT OF THE FUND'S INVESTMENT POLICIES AND RESTRICTIONS TO PERMIT CERTAIN HEDGING AND INCOME ENHANCEMENT STRATEGIES USING OVER-THE-COUNTER OPTIONS, STOCK INDEX OPTIONS AND FINANCIAL AND FOREIGN CURRENCY FUTURES CONTRACTS AND OPTIONS THEREON
(Proposals No. 7 and 8)

At a meeting held on March 17, 1993, the Board of Directors of the Fund approved amendments to Investment Restrictions No. 2, 4 and 8 which, if approved by shareholders, would expand the Fund's hedging and income enhancement strategies to allow the Fund to

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buy and sell over-the-counter options, financial and foreign currency futures contracts and options thereon. The Fund would also be permitted to purchase stock index options on securities of non-utility companies in addition to its existing ability to invest in stock index options of securities of utility companies. Currently, the Fund is permitted to purchase and write (i.e., sell) put and call options on listed utility and non-utility stocks and on listed stock indices relating to the utility industry or segments thereof. The proposed amendment will permit the Fund to buy and sell put and call options on equity and debt securities and on financial indices in the over-the-counter market, to purchase and sell financial futures contracts and options thereon and to purchase options on non-utility stock indices.

The Fund's transactions in options and futures as discussed below would be for hedging and income enhancement purposes only. The Board of Directors believes that the ability to enter into these transactions will benefit the Fund and recommends that shareholders of the Fund approve the amendments. It is not currently expected that the Fund will significantly restructure its portfolio if the proposal is adopted. A copy of the Fund's Investment Restrictions, marked to show proposed changes, is attached as Exhibit E.

Set forth below is a discussion of (1) the current options and futures strategies used by the Fund and (2) the proposed use of over-the-counter options, stock index options on non-utility stocks and financial and foreign currency futures contracts and options thereon.

Current Options Strategies

Options on Stocks. The Fund already has the ability to purchase and write (i.e., sell) put and call options on stocks and stock indices on a national securities exchange (exchange-traded). A call option is a short-term contract 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. The writer of the call option, who receives the premium, has the obligation, upon exercise of the option, to deliver the underlying security against payment of the exercise price. A put option is a similar contract which gives the purchaser, in return for a premium paid, the right to sell the underlying security at a specified price during the term of the option.

A call option written by the Fund is "covered" if the Fund owns the security underlying the option 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 held in its portfolio. A call option is also covered if the Fund holds on a share-for-share basis a call on the same security 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 liquid, high grade debt obligations in a segregated account with its Custodian. In accordance with its existing practices, the Fund will write covered call options to enhance income.

To secure the obligation to deliver the underlying security in the case of an exchange-traded call option, the writer of the exchange-traded option is generally required to pledge for the benefit of the broker the underlying security or other assets in accordance with the rules of the relevant exchange or clearinghouse, such as The Options Clearing Corporation (OCC), an institution created to interpose itself between buyers and sellers of exchange-traded options in the United States. Technically, the clearinghouse assumes the other side of every purchase and sale transaction on an exchange and, by doing so, guarantees the transaction.

If the writer of an exchange-traded option wishes to terminate the

obligation to purchase or deliver a security, as the case may be, he or she may effect a "closing purchase transaction." This is accomplished by buying an exchange-traded option of the same series as the option previously written. The effect of the purchase is that the writer's position will be canceled 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 exchange-traded option. Similarly, an investor who is the holder of an exchange-traded option may liquidate his or her position by effecting a "closing sale transaction." This is accomplished by writing (selling) an exchange-traded 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.

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 exchange-traded option in the case of a closing purchase transaction or is more than the premium paid to purchase the exchange-traded option in the case of a closing sale transaction. 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 exchange-traded option in the case of a closing purchase transaction or is less than the premium paid to purchase the exchange-traded option in the case of a closing sale transaction. 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 the appreciation of the underlying security if such security is owned by the Fund.

Options on Stock Indices. In addition to options on stocks, the Fund may also purchase and write options on stock indices relating to the utility industry and segments thereof. A stock index, such as the S&P 500, is a measure of the value of a group of stocks at a given point in time. Options on stock indices are similar to options on stocks except 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 the 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. As with an exchange

traded equity option, a clearing corporation assumes the other side of every purchase or sale transaction of an exchange-traded index option.

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 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.

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 is 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. Certain additional risks are described below under "Risks of Options on Indices."

Risks of Hedging and Income Enhancement Strategies

If the investment adviser's predictions of movements in the direction of the securities 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 these strategies include (1) dependence on the investment adviser's ability to predict correctly movements in the direction of interest rates, securities prices and markets; (2) imperfect correlation between the price of options and futures contracts and options thereon and movements in the prices of the securities 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 maintain "cover" or to segregate securities in connection with hedging transactions.

Risks of Transactions in Exchange-Traded Options

An exchange-traded 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 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 exchange-traded 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 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 exchange-traded 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.

Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options or underlying securities; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or 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 purchases and sells only those exchange-traded options which are cleared by clearing corporations whose facilities are considered to be adequate to handle the volume of options transactions.

Proposed Over-the-Counter (OTC) Options

Adoption of Proposals No. 7 and 8 will permit the Fund to purchase and sell put and call options on equity and debt securities and on financial indices in the over-the-counter market. Unlike exchange-traded options, OTC options are issued in privately negotiated transactions exempt from registration under the Securities Act. The exercise of an option occurs directly by notice from the holder in the case of an OTC option as opposed to assignment of an exercise notice by the broker-dealer through whom the option was purchased or sold in the case of an exchange-traded option. Effecting closing purchase transactions in OTC options is subject to negotiation between the Fund and the holder of the option.

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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 such 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 to in effect 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 may also purchase a "protective put," i.e., a put option acquired over-the-counter 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, PIC 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 over-the-counter 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."

Proposed Non-Utility Stock Index Options.

Adoption of Proposals No. 7 and 8 will permit the Fund to purchase stock index options on securities of non-utility companies in addition to its existing ability to invest in stock index options of securities of utility companies. The proposal would increase the Fund's ability to invest in a broader range of options.

Proposed Listed Stock and Bond Index Futures and Options Thereon.

Adoption of Proposals No. 7 and 8 also will permit the Fund to purchase and sell listed stock and bond index futures contracts and options thereon, which would allow the Fund to attempt to reduce the risk of investment in equity and debt securities by hedging a portion of its portfolio or securities that it intends to purchase through the use of listed stock and bond index futures and options on stock and bond index futures. A stock or bond index futures contract is an agreement in which one party agrees to deliver to the other an amount of cash equal to a specific dollar amount times the difference between the value of a specific stock or bond 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 or bonds in the index is made. When the futures contract is entered into, each party deposits with a futures commission merchant or in a segregated custodial account approximately 5% of the contract amount, called "initial margin." Subsequent payments to the futures commission merchant, called "maintenance" or "variation margin," may have to be made as the price of the underlying stock or bond index fluctuates, making the long and short positions in the futures contract more or less valuable. The value of the futures contracts and the amount of the variation margin which must be paid is calculated on a daily basis in a process known as "marking to market."

Pursuant to the requirements of the Commodity Exchange Act, as amended (the Commodity Exchange Act), all futures contracts and options thereon must be traded on an exchange. Therefore, as with exchange-traded options, a clearing corporation is technically the counterparty on every futures contract and option thereon.

In the case of options on stock or bond 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 or bond 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 or bond 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 or bond 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.

Under 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 a requirement that the Fund's futures or options transactions constitute bona fide hedging transactions within the meaning of the regulations of the Commodity Futures Trading Commission (CFTC). The Fund may also enter into futures contracts or options thereon for risk management and income enhancement purposes if the aggregate initial margin for such contracts and premiums paid for such options does not exceed 5% of the liquidation value of the Fund's total assets. The Fund will use futures and options on futures in a manner consistent with these requirements.

Risks of Options on Indices

The distinctive characteristics of options on indices create certain risks that are not present with stock options. Index prices may be distorted if trading of certain stocks or bonds included in the relevant index is interrupted. Trading in the index options and futures also may be interrupted in certain circumstances, such as if trading were halted in a substantial number of stocks or bonds included in the relevant 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 or bonds sufficient to minimize the likelihood of a trading halt in the index.

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.

Futures Contracts on Foreign Currencies and Options On Futures Contracts on Foreign Currencies

The Fund would be permitted to buy and sell futures contracts on foreign currencies and groups of foreign currencies (futures contracts) such as the European Currency Unit, and options thereon solely for hedging 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 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 "marking to market."

The Fund intends to engage in futures contracts on foreign currencies and options on these 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, in accordance with the rules and regulations of the CFTC. 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. Such transactions will be entered into under the same types of circumstances, and for the same purposes, as

transactions in forward foreign currency exchange contracts and options on foreign currencies discussed below.

Risks of Transactions in Financial and Foreign Currency Futures Contracts and Options Thereon

The risks noted above under "Risks of Transactions in Exchange-Traded Options" also apply to transactions in stock or bond index futures contracts and financial and foreign currency futures contracts and options thereon. In addition, the use of stock or bond index futures contracts and financial and foreign currency futures contracts and options thereon as hedging devices presents other potential risks. The correlation between the price of the futures contract and the movements in the index or currency may not be perfect. Therefore, a correct forecast of currency rates, market trends or international political trends by the investment adviser may still not result in a successful hedging transaction.

Futures prices often are extremely volatile, so successful use of financial futures contracts and options thereon 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, exchange rates, international political and economic policies, and other factors affecting the stock and bond markets 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 financial futures contracts and options thereon 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.

Futures contracts and options on futures on foreign currencies will be

used to hedge against the risks of adverse movements in currency exchange rates associated with investments in foreign securities, in the same manner as the Fund's proposed use of forward foreign currency exchange contracts and options on foreign currencies, discussed below. Such transactions will not protect the Fund against adverse fluctuations in the value of foreign securities in the currencies in which such securities are denominated. In addition, if the investment adviser's predictions of movements in the relevant currency markets are incorrect, the Fund could sustain losses on such hedging transactions.

Futures contracts and options thereon are highly leveraged and the specific market movements of the underlying instrument or contract cannot be predicted. Futures and options on futures must be bought and sold on exchanges. Although the exchanges

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provide a means of closing out a position previously established, there can be no assurance that a liquid market will exist for a particular contract at a particular time. In the case of options on futures, 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.

Limitations on Purchase and Sale of OTC Options and Financial and Foreign Currency Futures Contracts and Options Thereon

The following sets forth the limitations that the Fund believes are currently imposed by law or regulation upon its purchase or sale of OTC options and stock and bond index futures contracts and options thereon. Such limitations would not be fundamental policies of the Fund and the Fund's obligation to comply with them could be changed without approval of the Fund's shareholders in the event of modification or elimination of such laws or regulations in the future. The Fund would write put options on stock indices in the over-the-counter market and on stock or bond index futures contracts only if they could be 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. In general, certain state securities commissions may require that, so long as shares of the Fund are registered in those states, the Fund would not (a) write puts having aggregate exercise prices greater than 25% of total net assets; or (b) purchase (i) put options on stocks not held in the Fund's portfolio, (ii) put options on stock indices, or (iii) call options on stocks, stock indices or stock

index futures and options thereon if, after any such purchase, the aggregate premiums paid for such options and futures would exceed 10% of the Fund's total assets; provided, however, that the Fund could purchase put options on stocks held by the Fund if after such purchase the aggregate premiums paid for such options do not exceed 20% of the Fund's total assets.

Except as described below, the Fund would 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 would write a call option on a broadly-based stock market index, the Fund would segregate or put into escrow with its Custodian, or pledge to a broker as collateral for the option, cash, U. S. Government securities, liquid, high grade debt securities or at least one "qualified security" 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 were to have written an option on an industry or market segment index, it would segregate or put into escrow with its Custodian, or pledge to a broker as collateral for the option, at least ten "qualified securities," all of which would be 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. Such stocks would include stocks which substantially replicate the weighing of the industry or market segment index and would represent at least 50% of the Fund's holdings in that industry or market segment. No individual security would represent more

than 15% of the amount so segregated, pledged or escrowed in the case of broadly-based stock market index options or 25% of such amount in the case of industry or market segment index options. If at the close of business on any day the market value of such qualified securities so segregated, escrowed or pledged were to fall below 100% of the current index value times the multiplier times the number of contracts, the Fund would so segregate, escrow or pledge an amount in cash, Treasury bills or other liquid high grade short-term debt obligations equal in value to the difference. In addition, when the Fund would write a call on an index which is in-the-money at the time the call is written, the Fund would segregate with its Custodian or pledge to the broker as collateral cash, U.S. Government securities or other liquid high grade, short-term debt obligations equal in value to the amount by which the call would be in-the-money times the multiplier times the number of contracts. Any amount segregated pursuant to the foregoing sentence could be applied to the Fund's obligation to segregate additional amounts in the event that the market value of the qualified securities were to fall below 100% of the

current index value times the multiplier times the number of contracts. A "qualified security" would be an equity security against which the Fund had not written a call option and which had not been hedged by the Fund by the sale of stock index futures. However, if the Fund were to hold a call on the same index as the call written where the exercise price of the call held would be 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 was maintained by the Fund in cash, Treasury bills or other high grade short-term obligations in a segregated account with its Custodian, it would not be subject to the requirements described in this paragraph.

Position and Daily Limits. Transactions by the Fund in listed or OTC options, futures contracts and options thereon 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, futures contracts or options thereon 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 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.

The Subadviser has informed the Board of Directors of the Fund that it believes that in many cases the utilization of the above-described hedging strategies would allow the Fund to hedge more efficiently and inexpensively against changes in the value of the Fund's portfolio securities, in accordance with the rules and regulations of the CFTC. The Fund also intends to engage in such transactions when they will increase return or are economically appropriate for the reduction of risks inherent in the ongoing management of the Fund.

The Board of Directors believes that adoption of Proposals No. 7 and 8 is in the best interests of the Fund and its shareholders because they would provide additional flexibility in the management of the Fund's portfolio.

Adoption of Proposals No. 7 and 8 requires the approval of a majority of the outstanding voting securities of the Fund, as defined in the Investment Company Act and described under Proposal No. 5 above. If the proposed change in Investment Restrictions No. 2, 4 and 8 and related investment policies are not approved, the Fund would not be able to purchase and sell OTC options, stock index options on securities of non-utility companies, stock and bond index futures contracts and options thereon and futures contracts on foreign currencies and options thereon.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE
"FOR" THESE PROPOSALS NO. 7 AND 8.

APPROVAL OF AN AMENDMENT OF THE FUND'S INVESTMENT
POLICIES AND RESTRICTIONS TO PERMIT THE FUND TO ENGAGE IN
FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS AND
OPTIONS ON FOREIGN CURRENCIES
(Proposal No. 9)

At a meeting held on March 17, 1993, the Board of Directors of the Fund approved amendments to Investment Restrictions No. 4 and 8 which, if approved by shareholders, would permit the Fund to hedge the foreign portion of its portfolio by entering into forward foreign currency exchange contracts and options on foreign currencies. The proposed amendments would complement the Fund's existing ability to invest up to 30% of its total assets in foreign securities. A copy of the Fund's Investment Restrictions, marked to show proposed changes, is attached as Exhibit E.

Set forth below is a discussion of the proposed use of forward foreign currency exchange contracts and options on foreign currencies.

Forward Foreign Currency Exchange Contracts

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.

When the Fund invests in foreign securities, the Fund may enter into forward contracts in several circumstances to protect the value of its portfolio. The Fund may not use forward contracts to generate income, although the use of such contracts may incidentally generate income. There is no limitation 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 securities 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 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 the date 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.

Options on Foreign Currencies

The Fund would be able 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. See "Risks of Investing in Forward Foreign Currency Exchange Contracts and Options on Foreign Currencies below. 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 currency declines, the option would not be exercised

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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 adviser 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.

Risks of Investing in Forward Foreign Currency Exchange Contracts and Options on Foreign Currencies

The Fund's successful use of forward foreign currency exchange contracts and options on foreign currencies depends upon the investment adviser's ability to predict the direction of the market and political conditions which requires different skills and techniques than predicting changes in the securities markets generally. There is no assurance it will be able to do so. For instance, if the value of the securities being hedged moves in a favorable direction, the advantage to the Fund would be wholly or partially offset by a loss in the forward contracts or futures contracts. Further, if the value of the securities being hedged does not change, the Fund's net income would be less than if the Fund had not hedged since there are transaction costs associated with the use of these investment practices.

These practices are subject to various additional risks. The

correlation between movements in the price of options and the price of the currencies being hedged is imperfect. The use of these instruments will hedge only the currency risks associated with investments in foreign securities, not market risks. In addition, if the Fund purchases these instruments to hedge against currency advances before it invests in securities denominated in such currency and the currency market declines, the Fund might incur a loss on the option.

Forward foreign currency exchange contracts and certain options on foreign currencies (collectively, OTC transactions) are not traded on exchanges regulated by the CFTC or the SEC. As a result, and, as is also the case with forward contracts and OTC options on securities, many of the protections afforded to exchange participants will not be available. In addition, OTC transactions can only be entered into with a financial institution willing to take the opposite side, as principal, of the Fund's position unless the institution acts as broker and is able to find another counterparty willing to enter into the transactions with the Fund. Where no such counterparty is available, it will not be possible to enter into a desired transaction. There also may be no liquid secondary market in the trading of forward foreign currency exchange contracts or OTC options on foreign currencies and the Fund may be required to retain positions entered into, until exercise, expiration, or maturity. This in turn could limit the Fund's ability to profit from open positions or to reduce losses experienced, and could result in greater losses. Further, OTC transactions are not subject to the performance guarantee of an exchange clearing house,

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and the Fund will therefore be subject to the risk of default by, or the bankruptcy of, the financial institution serving as counterparty.

The Board of Directors believes that adoption of Proposal No. 9 is in the best interests of the Fund and its shareholders since the ability to hedge the Fund's foreign portfolio would be important during periods of volatility in the foreign currency markets.

Required Vote

Adoption of Proposal No. 9 requires the approval of a majority of the outstanding voting securities of the Fund, as defined in the Investment Company Act and described under Proposal No. 5 above. If the proposed change in Investment Restrictions No. 4 and 8 and related investment policies are not approved, the Fund would not be able to engage in forward foreign currency exchange contracts and options on foreign currencies.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE
"FOR" THIS PROPOSAL NO. 9.

APPROVAL OF A MODIFICATION OF THE FUND'S INVESTMENT
RESTRICTION LIMITING THE FUND'S ABILITY TO INVEST IN A
SECURITY IF THE FUND WOULD HOLD MORE THAN TEN PERCENT
OF ANY CLASS OF SECURITIES OF AN ISSUER
(Proposal No. 10)

On March 17, 1993, at the request of the Fund's Manager and Subadviser, the Board of Directors considered and recommends for shareholder approval modification of Investment Restriction No. 5 to delete the restriction that prohibits the Fund from the purchase of a security if the Fund would hold more than ten percent of any class of securities of an issuer.

The Fund currently may not purchase a security if the Fund would then hold more than 10% of any class of securities of an issuer. Under this restriction, all common stock issues of an issuer, all preferred stock issues, and all debt issues are each taken as a separate single class. The Fund's Subadviser believes the restriction is confining and has requested its deletion. This restriction, in its current form, is not required under federal securities laws. If the proposal is approved, and a state securities commission requires inclusion of this limitation, the Fund would continue to comply with the restriction as a non-fundamental operating policy so long as the Fund sells its shares in that state.

Investment Restriction No. 5 provides that the Fund may not:

Purchase any security if as a result the Fund would then hold more than 10% of any class of securities of an issuer (taking all common stock issues of an issuer as a single class, all preferred stock issues as a single class and all debt issues as a single class) or more than 10% of the outstanding voting securities of an issuer.

The Board of Directors is proposing that Investment Restriction No. 5 be modified to read as follows:

The Fund may not:

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

Currently, the Fund may not hold more than 10% of the outstanding

voting securities of an issuer pursuant to Section 5(b)(1) of the Investment Company Act and state securities laws. This restriction would remain in effect.

The Board of Directors believes that adoption of Proposal No. 10 is in the best interests of the Fund and its shareholders.

Required Vote

Adoption of Proposal No. 10 requires the approval of a majority of the outstanding voting securities of the Fund, as defined by the Investment Company Act and described under Proposal No. 5 above. If the proposed change in investment policy is not approved, the current limitations would remain a fundamental policy which could not be changed without the approval of a majority of the outstanding voting securities of the Fund.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THIS PROPOSAL NO. 10.

APPROVAL OF ELIMINATION OF THE FUND'S INVESTMENT
RESTRICTION LIMITING INVESTMENT IN THE SECURITIES OF ANY
ISSUER IN WHICH THE OFFICERS AND DIRECTORS OF THE FUND OR
ITS INVESTMENT ADVISER OWN AN INTEREST
(Proposal No. 11)

On March 17, 1993, at the request of the Fund's Manager, the Board of Directors considered and recommends for shareholder approval elimination of the Fund's Investment Restriction No. 7, which provides that the Fund may not:

Invest in securities of any issuer if, to the knowledge of the Fund, any officer or Director of the Fund or of the Manager owns more than 1/2 of 1% of the outstanding securities of such issuer, and such officers and directors who own more than 1/2 of 1% own in the aggregate more than 5% of the outstanding securities of such issuer.

The Manager has advised the Board of Directors that the restriction upon the Fund's investing in companies in which officers and directors of the Fund or the Manager own more than 1/2 of 1% of the outstanding securities of such company was initially adopted to comply with a restriction imposed in connection with the sale of the Fund's shares in Ohio. If the proposal is approved, the Fund would continue to comply with the restriction as a non-fundamental operating policy so long as the Fund sells its shares in Ohio. However, if Ohio were to eliminate the requirement or the Fund stopped offering its shares for sale in Ohio, the Board of Directors could eliminate the operating policy without the necessity of shareholder approval. The Fund does not currently intend to stop offering its shares in Ohio, nor are the Fund or the Fund's Manager

aware of any proposal to change the Ohio law.

The Board of Directors believes that adoption of Proposal No. 11 is in the best interests of the Fund and its shareholders.

Required Vote

Amendment of the Fund's investment restrictions to delete Investment Restriction No. 7 requires the approval of a majority of the Fund's outstanding voting securities, as

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defined in the Investment Company Act and described under Proposal No. 5 above. If the proposed change in investment policy is not approved, the current limitations would remain a fundamental policy which could not be changed without the approval of a majority of the outstanding voting securities of the Fund.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE
"FOR" THIS PROPOSAL NO. 11.

AMENDMENT TO THE MANAGEMENT AGREEMENT BETWEEN THE
FUND AND PRUDENTIAL MUTUAL FUND MAGEMENT, INC.
(Proposal No. 12)

At a meeting held on September 9, 1993, the Board of Directors of the Fund, including a majority of the Directors who are not parties to the Management Agreement or interested persons of such parties (as defined in the Investment Company Act), approved an amendment to the Fund's Management Agreement to reduce the fees paid to PMF for assets in excess of \$2 billion. Information about PMF and the terms of the Management Agreement, including the present fee structure, is discussed under "Management of the Fund-Terms of the Management Agreement." As approved by the Board of Directors, Section 8 of the Management Agreement would be amended to read as follows:

For the services provided and the expenses assumed pursuant to this Agreement, the Fund will pay to the Manager as full compensation therefor a fee at an annual rate of .60 of 1% of the Fund's average daily net assets up to and including \$250 million, .50 of 1% of the next \$500 million, .45 of 1% of the next \$750 million, .40 of 1% of the next \$500 million, [and] .35 of 1% of [the excess over] the next \$2 billion, .325 of 1% of the next \$2 billion and .30 of 1% of the excess over \$6 billion of the Fund's

average daily net assets. This fee will be computed daily and will be paid to the Manager monthly. Any reduction in the fee payable by the Manager to the Fund pursuant to paragraph 7 shall be made monthly. Any such reductions or payments are subject to readjustment during the year.*

*[Deletions are in brackets.] Additions are underlined.

Effective October 1, 1993, PMF voluntarily agreed to waive its fee to conform with the proposed amendment. As of December 31, 1993, the aggregate net asset value of the Fund was \$5,092,240,300.

The Board of Directors believes that this amendment is in the best interests of the shareholders of the Fund.

Required Vote

Adoption of Proposal No. 12 requires the approval of a majority of the outstanding voting securities of the Fund, as defined in the Investment Company Act and described under Proposal No. 5 above. In the event shareholders do not approve the proposed amendment of the Fund's Management Agreement, the Fund's Management Agreement will continue in its present form.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THIS PROPOSAL NO. 12.

APPROVAL OF AN AMENDMENT OF ARTICLES OF INCORPORATION
TO CHANGE THE NAME OF THE FUND
(Proposal No. 13)

The Board of Directors proposes that the Fund's name be changed from Prudential-Bache Utility Fund, Inc. to Prudential Utility Fund, Inc. and that the Articles of Incorporation of the Fund be amended to effect the name change. The Fund is currently doing business under the name Prudential Utility Fund.

The Board of Directors considered the proposed name change from "Prudential-Bache" to "Prudential" in connection with the change in the name of Prudential-Bache Securities Inc. to Prudential Securities

Incorporated (Prudential Securities), Distributor of the Fund's Class B shares. Management of the Fund expressed its opinion that the proposed name, "Prudential Utility Fund, Inc." more accurately reflects the Fund's affiliation with PMF, Prudential Securities and The Prudential Insurance Company of America, their parent company.

The Board of Directors believes that adoption of Proposal No. 13 is in the best interest of the Fund and its shareholders.

Required Vote

The name change must be approved by the holders of a majority of the Fund's shares of common stock in accordance with the Fund's Articles of Incorporation. The name change will be effected as soon as is practicable after shareholder approval. If this proposal is not approved, the Board of Directors will consider whether it is appropriate for the Fund to continue to do business under the name Prudential Utility Fund.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE
"FOR" THIS PROPOSAL NO. 13.

RATIFICATION OF INDEPENDENT ACCOUNTANTS (Proposal No. 14)

The Board of Directors of the Fund, including Directors who are not interested persons of the Fund, has selected Price Waterhouse as independent accountants for the Fund for the fiscal year ending December 31, 1994. The ratification of the selection of independent accountants is to be voted upon at the Meeting and it is intended that the persons named in the accompanying Proxy will vote for Price Waterhouse. No representative of Price Waterhouse is expected to be present at the Meeting of Shareholders.

The policy of the Board of Directors regarding engaging independent accountants' services is that management may engage the Fund's principal independent accountants to perform any service(s) normally provided by independent accounting firms, provided that such service(s) meet(s) any and all of the independence requirements of the American Institute of Certified Public Accountants and the SEC. In accordance with this policy, the

Audit Committee reviews and approves all services provided by the independent accountants prior to their being rendered. The Board of Directors of the Fund receives a report from its Audit Committee relating to all services after they have been performed by

the Fund's independent accountants.

Required Vote

The affirmative vote of a majority of the shares present, in person or by proxy, at the meeting is required for ratification.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE
"FOR" THIS PROPOSAL NO. 14.

OTHER MATTERS

No business other than as set forth herein is expected to come before the Meeting, but should any other matter requiring a vote of shareholders arise, including any question as to an adjournment of the Meeting, the persons named in the enclosed proxy will vote thereon according to their best judgment in the interests of the Fund.

SHAREHOLDER PROPOSALS

The Fund is not required to hold annual meetings of shareholders and the Board of Directors currently does not intend to hold such meetings unless shareholder action is required in accordance with the Investment Company Act or the Fund's By-laws. A shareholder proposal intended to be presented at any meeting of shareholders of the Fund hereinafter called must be received by the Fund a reasonable time before the Board of Directors' solicitation relating thereto is made in order to be included in the Fund's proxy statement and form of proxy relating to that meeting. The mere submission of a proposal by a shareholder does not guarantee that such proposal will be included in the proxy statement because certain rules under the Federal securities laws must be complied with before inclusion of the proposal is required.

S. Jane Rose
Secretary

Dated: March , 1994

Shareholders who do not expect to be present at the Meeting and who wish to have their shares voted are requested to date and sign the enclosed proxy and return it in the enclosed envelope. No postage is required if mailed in the United States.

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 1993

ASSETS

Cash and short-term investments	\$ 42,667,507
Loan to affiliate	85,000,000
Management, administration and other fees receivable	17,897,292
Transfer agency and fiduciary fees receivable	3,744,874
Furniture, equipment and leasehold improvements, net	10,495,702
Other assets	4,676,430

	\$164,481,805
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

Due to affiliates	\$48,794,366
Accounts payable and accrued expenses	11,208,209
Income taxes payable to affiliate - net	2,937,828

	62,940,403

COMMITMENTS (Note 6)

STOCKHOLDERS' EQUITY:

Class A common stock, \$1 par value (1,000 shares authorized, 850 shares outstanding)	850
Class B common stock, \$1 par value (1,000 shares authorized, 150 shares outstanding)	150
Additional paid-in capital	24,999,000
Retained earnings	76,541,402

	101,541,402

	\$164,481,805
	=====

See notes to consolidated statement of financial condition.

PRUDENTIAL MUTUAL FUND MANAGEMENT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

December 31, 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Prudential Mutual Fund Management, Inc. ("PMF") and subsidiaries (the "Company"), an indirect wholly-owned subsidiary of The Prudential Insurance Company of America (the "Prudential"), were created to operate as the manager, distributor and/or transfer agent for investment companies.

Principles of Consolidation

The consolidated financial statement includes the accounts of PMF and its wholly-owned subsidiaries, Prudential Mutual Fund Services, Inc. ("PMFS") and Prudential Mutual Fund Distributors, Inc. ("PMFD"). All intercompany profits, transactions and balances have been eliminated.

3. Income Taxes

The Company is a member of a group of affiliated companies which join in filing a consolidated Federal income tax return. Pursuant to a tax allocation agreement, tax expense is determined for individual profitable companies on a separate return basis. Profit members pay this amount to an affiliated company which in turn apportions the payment among the loss members in proportion to their losses. In January 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). The adoption of SFAS 109 did not have a material effect on the Company's financial position.

2. SHORT-TERM INVESTMENTS

At December 31, 1993, the Company had invested \$35,411,571 in several money market funds which PMF manages.

3. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture, equipment and leasehold improvements consist of the following:

Furniture	\$6,481,799
Equipment	9,181,984
Leasehold improvements	3,407,213

	19,070,996
Less accumulated depreciation and amortization	8,575,294

	\$10,495,702
	=====

4. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company participates in a variety of financial and administrative transactions with affiliates.

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The loan to affiliate bears interest at 3.45 percent at December 31, 1993 and is due on demand.

The caption "Due to affiliates" includes \$18,241,795 at December 31, 1993 for reimbursement of employee compensation and benefits, and other administrative and operating expenses. This amount is noninterest-bearing and payable on demand.

The Company has entered into subadvisory agreements with The Prudential Investment Corporation ("PIC"), a wholly-owned subsidiary of Prudential. Under these agreements, PIC furnishes investment advisory services to substantially all the funds for which the Company acts as Manager. At December 31, 1993 there were unpaid fees due to PIC of \$23,926,277, included in the caption "Due to affiliates."

Distribution expenses include commissions and account servicing fees paid to, or on account of, financial advisors of Prudential Securities Incorporated ("Prudential Securities") and Pruco Securities Corporation ("PruSec"), affiliated broker-dealers and indirect wholly-owned subsidiaries of Prudential, advertising expenses, the cost of printing and mailing prospectuses to potential investors, and indirect and overhead costs of Prudential Securities and PruSec, including lease, utility, communications and sales promotion expenses. At December 31, 1993 there were unpaid distribution expenses of approximately \$6,626,000, included in the caption "Due to affiliates."

5. CAPITAL

PMFD is subject to the SEC Uniform Net Capital Rule (Rule 15c3- 1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 1993, PMFD had net capital of \$2,308,981, which was \$1,859,405 in excess of its required net capital of \$449,576. PMFD had a ratio of aggregate indebtedness to net capital of 2.9 to 1.

6. COMMITMENTS

The Company leases office space under operating leases expiring in 2003. The leases are subject to escalation based upon certain costs incurred by the lessor. Future minimum rentals, as of December 31, 1993, under the leases, are as follows:

Year	Minimum Rental
1994	\$2,738,000
1995	2,865,000
1996	3,375,000
1997	3,385,000
1998	3,230,000
Thereafter	13,800,000

	\$29,393,000
	=====

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7. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company has two defined benefit pension plans (the "Plans") sponsored by the Prudential and Prudential Securities. The Plans cover substantially all of the Company's employees. The funding policy is to contribute annually the amount necessary to satisfy the Internal Revenue Service funding standards. In addition, the Company has two defined benefit plans for key executives, the Supplemental Retirement Plan (SRP) for which estimated pension costs are currently accrued but not funded.

The Company provides certain health care and life insurance benefits for eligible retired employees. Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106"). SFAS 106 changed the practice of accounting for postretirement benefits on a cash basis to an accrual basis, whereby employers record the projected future cost of providing such postretirement benefits as employees render services instead of when benefits are paid. This new accounting method has no effect on the Company's cash outlays for these retirement benefits. The adoption of SFAS 106 did not materially impact the Company's financial position.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 112, "Employers' Accounting for

Postemployment Benefits," ("SFAS 112") which is effective for fiscal years beginning after December 15, 1993. Although several benefits are fully insured which result in no SFAS 112 obligation, the Company currently has an obligation and resulting expense under SFAS 112 for medical benefits provided under long-term disability. The Company will adopt SFAS 112 on January 1, 1994. Management believes that implementation will have no material effect on the Company's financial position.

8. CONTINGENCY

On October 12, 1993, a purported class action lawsuit was instituted against PMF, et al and certain current and former directors of a fund managed by PMF. The plaintiffs seek damages in an unspecified amount for excessive management and distribution fees they allege were incurred by them. Although the outcome of this litigation cannot be predicted at this time, the defendants believe they have meritorious defenses to the claims asserted in the complaint and intend to defend this action vigorously. In any case, management does not believe that the outcome of this action is likely to have a material adverse effect on the Company's financial position.

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INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of
Prudential Mutual Fund Management, Inc.:

We have audited the accompanying consolidated statement of financial condition of Prudential Mutual Fund Management, Inc. and subsidiaries as of December 31, 1993. This consolidated financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated statement of financial condition presents fairly, in all material respects, the financial position of Prudential Mutual Fund Management, Inc. and subsidiaries at December 31, 1993 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE
New York, New York
January 26, 1994

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Exhibit B

AMENDMENT TO ARTICLES OF INCORPORATION

Article V, Section 1 of the Fund's Articles of Incorporation are proposed to be amended and restated as follows:

Article V COMMON STOCK

Section 1. The total number of shares of capital stock which the Corporation shall have authority to issue is 2,000,000,000 shares of the par value of \$.01 per share and of the aggregate par value of \$20,000,000 to be divided initially into three classes, consisting of 566,666,666 shares of Class A Common Stock, 866,666,667 shares of Class B Common Stock and 566,666,667 shares of Class C Common Stock.

(a) Each share of Class A, Class B and Class C Common Stock of the Corporation shall represent the same interest in the Corporation and have identical voting, dividend, liquidation and other rights 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; (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; and (v) The Class C Common Stock shall not be subject to either an initial or a contingent deferred sales charge but shall be subject to a Rule 12b-1 distribution fee as determined by the Board of Directors from time to time. All shares of each particular class shall represent an equal proportionate interest in that class, and each share of any particular class shall be equal to each other share of that class.

(b) Each share of the Class B Common Stock of the Corporation shall be converted automatically, and without any action or choice on the part of the holder thereof, into shares (including fractions thereof) of the Class A Common Stock of the Corporation (computed in the manner hereinafter described), at the applicable net asset value of each Class, at the time of the calculation of the net asset value of such Class B Common Stock at such times, which may vary between shares originally issued for cash and shares purchased through the automatic reinvestment of dividends and distributions with respect to Class B Common Stock (each "Conversion Date") determined by the Board of Directors in accordance with applicable laws, rules, regulations and interpretations of the Securities and Exchange Commission and the National Association of Securities Dealers, Inc. and pursuant to such procedures as may be established from time to time by the Board of Directors and disclosed in the Corporation's then current prospectus for such Class A and Class B Common Stock.

(c) The number of shares of the Class A Common Stock of the Corporation into which a share of the Class B Common Stock is converted pursuant to Paragraph

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(1) (b) hereof shall equal the number (including for this purpose fractions of a share) obtained by dividing the net asset value per share of the Class B Common Stock for purposes of sales and redemptions thereof at the time of the calculation of the net asset value on the Conversion Date by the net asset value per share of the Class A Common Stock for purposes of sales and redemptions thereof at the time of the calculation of the net asset value on the Conversion Date.

(d) On the Conversion Date, the shares of the Class B Common Stock of the Corporation converted into shares of the Class A Common Stock will cease to accrue dividends and will no longer be outstanding and

the rights of the holders thereof will cease (except the right to receive declared but unpaid dividends to the Conversion Date).

(e) The Board of Directors shall have full power and authority to adopt such other terms and conditions concerning the conversion of shares of the Class B Common Stock to shares of the Class A Common Stock as they deem appropriate; provided such terms and conditions are not inconsistent with the terms contained in this Section 1 and subject to any restrictions or requirements under the Investment Company Act of 1940 and the rules, regulations and interpretations thereof promulgated or issued by the Securities and Exchange Commission, any conditions or limitations contained in an order issued by the Securities and Exchange Commission applicable to the Corporation, or any restrictions or requirements under the Internal Revenue Code of 1986, as amended, and the rules, regulations and interpretations promulgated or issued thereunder.

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Exhibit C

PRUDENTIAL UTILITY 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 Utility 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 pay to the Distributor, as compensation for its services, a distribution and service fee with respect to Class A shares.

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, 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 Corpora-

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tion (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 pay to the Distributor as compensation for providing personal service and/or maintaining shareholder accounts a service fee of .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 payable 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.

3. Payment for Distribution Activities

The Fund shall pay to the Distributor as compensation for its services a distribution fee, together with the service fee (described in Section 2 hereof), of .30 of 1% per annum of the average daily net assets of the Class A shares of the Fund for the performance of Distribution Activities. The Fund shall calculate and accrue daily amounts payable 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 payable under the Plan shall be subject to the limitations of Article III, Section 26 of the NASD Rules of Fair Practice.

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 any other class of 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.

The Distributor shall spend such amounts as it deems appropriate on Distribution Activities which include, among others:

(a) amounts paid to Prudential Securities for 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 for 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

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(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 Class A 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 or Trustees shall from time to time reasonably request, including information about Distribution Activities undertaken or to be undertaken by the Distributor.

The Distributor will inform the Board of Directors 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 combined service and distribution expenses to be paid as provided for in Sections 2 and 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 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.

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8. Rule 12b-1 Directors

While the Plan is in effect, the selection and nomination of the Rule 12b-1 Directors shall be committed to the discretion of the 12b-1 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:

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Exhibit D

PRUDENTIAL UTILITY 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 Utility 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 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 pay to the Distributor, as compensation for its services, a distribution and service fee with respect to Class B shares.

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, 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, 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 pay to the Distributor as compensation for providing personal service and/or maintaining shareholder accounts a service fee of .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 payable 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.

3. Payment for Distribution Activities

The Fund shall pay to the Distributor as compensation for its services a distribution fee of .75 of 1% per annum of the average daily net assets of the Class B shares of the Fund for the performance of Distribution Activities. The Fund shall calculate and accrue daily amounts payable 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. Amounts payable under the Plan shall be subject to the limitations of Article III, Section 26 of the NASD Rules of Fair Practice.

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 any other class of 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.

The Distributor shall spend such amounts as it deems appropriate on Distribution Activities which 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 for 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; and

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- (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 Class B 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 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 combined service and distribution expenses to be paid as provided for in Sections 2 and 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 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.

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8. 12b-1 Directors

While the Plan is in effect, the selection and nomination of the 12b-1 Directors of the Fund shall be committed to the discretion of the 12b-1 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:

[Deletions are in brackets.] Additions are underlined.

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; the Fund will concentrate its investments in utility stocks as described under "Investment Objective and Policies."

2. Purchase securities on margin (but the Fund may obtain such short-term credits as may be necessary for the clearance of transactions); the deposit by the Fund of initial or variation margin in connection with futures contracts or options is not considered the purchase of a security on margin.

3. Make short sales of securities or maintain a short position, unless at all times when a short position is open it owns an equal amount of such securities or securities convertible into or exchangeable, without payment of any further consideration, for securities of the same issue as, and equal in amount to, the securities sold short, and unless not more than 25% of the Fund's net assets (taken at current value) is held as collateral for such sales at any one time.

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

5. Purchase any security if as a result the Fund would then hold [more than 10% of any class of securities of an issuer (taking all common stock issues of an issuer as a single class, all preferred stock issues as a single class, and all debt issues as a single class) or] more than 10% of the outstanding voting securities of an 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

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predecessors) less than three years old [or in equity securities for which market quotations are not readily available].

[7. Invest in securities of any issuer if, to the knowledge of the Fund, any officer or director of the Fund or of the Manager owns more than 1/2 of 1% of the outstanding securities of such issuer, and such officers and directors who own more than 1/2 of 1% own in the aggregate more than 5% of the outstanding securities of such issuer.]

7. [8.] Buy or sell commodities or commodity contracts, or real estate or interests in real estate, except that the Fund may purchase and sell futures contracts, forward foreign currency exchange contracts and [although it may purchase and sell] securities which are secured by real estate and securities of companies which invest or deal in real estate.

8. [9.] 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. [10.] Make investments for the purpose of exercising control or management.

[11. Purchase any security restricted as to disposition under federal securities laws.]

10. [12.] 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 5% 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. [13.] Invest in interests in oil, gas or other mineral exploration or development programs, although it may invest in the common stocks of companies which invest in or sponsor such programs.

12. [14.] Make loans, except through (i) the purchase of bonds, debentures, commercial paper, corporate notes and similar evidences of indebtedness of a type commonly sold privately to financial institutions [(subject to the limitation in paragraph 11 above)], (ii) the lending of its portfolio securities, as described under "Investment Objective and Policies-Lending of Securities" and (iii) repurchase agreements [(repurchase agreements with a maturity of longer than 7 days together with other illiquid assets being limited to 10% of the Fund's total assets)]. (The purchase of a portion of an issue of securities described under (i) above distributed publicly, whether or not the purchase is made on the original issuance, is not considered the making of a loan.)

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

YOUR PROXY WILL BE ELECTRONICALLY SCANNED.
CAREFULLY DETACH HERE AND RETURN BOTTOM PORTION ONLY

PROXY (Class A) This Proxy is solicited on behalf of the Board of Directors.

PRUDENTIAL UTILITY FUND
ONE SEAPORT PLAZA
NEW YORK, NEW YORK 10292

The undersigned hereby appoints Susan C. Cote, S. Jane Rose and Marguerite E.H. Morrison as Proxies, each with the power of substitution, and hereby authorizes each of them to represent and to vote, as designated below, all the shares of Class A common stock of

Prudential Utility Fund, held of record by the undersigned on [,] 1994 at the Special Meeting of Shareholders to be held on [,] 1994, or any adjournment thereof.

Your Account No.:

Your voting shares are:

This proxy when properly executed will be voted in the manner directed herein by the undersigned shareholder(s). If no direction is made, this proxy will be voted for all the proposals listed below.

1-Election of Directors

<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Approve All Nominees	Withhold All Nominees	Withhold Those Listed On Back

To withhold authority for any individual nominee, please write name on back of form.

Robert R. Fortune
 Delayne D. Gold
 Harry A. Jacobs, Jr.
 Lawrence C. McQuade
 Thomas A. Owens, Jr.
 Richard A. Redeker
 Robert J. Schultz
 Merle T. Welshans

	For	Against	Abstain
2. To approve an amendment of the Fund's Articles of Incorporation to permit a conversion feature for Class B Shares.	2 [X]	[X]	[X]
3. To approve an amended and restated Class A Distribution and Service Plan.	3 [X]	[X]	[X]
4. Not applicable to Class A shareholders.	4 [X]	[X]	[X]
5. To modify the Fund's investment objective to expand the equity and debt securities in which	5 [X]	[X]	[X]

the Fund may invest.

- | | | | | | |
|-----|--|----|-----|-----|-----|
| 6. | To approve the elimination of the Fund's fundamental investment restrictions regarding restricted and illiquid securities. | 6 | [X] | [X] | [X] |
| 7. | To approve an amendment of the Fund's investment policies and restrictions to permit certain hedging and income enhancement strategies using over-the-counter options on securities of utility and non-utility companies and stock index options on securities of non-utility companies. | 7 | [X] | [X] | [X] |
| 8. | To approve an amendment of the Fund's investment policies and restriction to permit certain hedging and income enhancement strategies using futures contracts and options thereon and future contracts on foreign currencies and options thereon. | 8 | [X] | [X] | [X] |
| 9. | To approve policies and an amendment of the Fund's investment restrictions to permit investments in forward foreign currency exchange contracts and options on foreign currencies. | 9 | [X] | [X] | [X] |
| 10. | To approve an amendment of the Fund's investment restriction limiting the Fund's ability to invest in a security if the Fund would hold more than 10% of any class of securities of an issuer. | 10 | [X] | [X] | [X] |
| 11. | To approve the elimination of the Fund's investment restriction limiting the Fund's ability to invest in the securities of any issuer in which officers and directors of the Fund or officers and directors of the Fund's adviser own more than a specified interest. | 11 | [X] | [X] | [X] |
| 12. | To approve an amendment of the Management Agreement between the Fund and Prudential Mutual Fund Management, Inc. to reduce management fees. | 12 | [X] | [X] | [X] |
| 13. | To approve an amendment to the Articles of Incorporation to change the name of the Fund | 13 | [X] | [X] | [X] |

to "Prudential Utility Fund, Inc."

- 14. To ratify the selection by the Board of Directors of Price Waterhouse as independent accountants for the year ending December 31, 1994. 14 [X] [X] [X]

Only shares of Common Stock of the Fund of record at the close of business of [,] 1994 are entitled to notice of and to vote at this Meeting or any adjournment thereof.

IN THEIR DISCRETION THE PROXIES ARE AUTHORIZED TO VOTE UPON OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING.

 Signature Date

 Signature (Joint Ownership)

Please sign exactly as name appears at left. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

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

YOUR PROXY WILL BE ELECTRONICALLY SCANNED.
CAREFULLY DETACH HERE AND RETURN BOTTOM PORTION ONLY

PROXY (Class B) This Proxy is solicited on behalf of the Board of Directors.

PRUDENTIAL UTILITY FUND
ONE SEAPORT PLAZA
NEW YORK, NEW YORK 10292

The undersigned hereby appoints Susan C.
Cote, S. Jane Rose and Marguerite E.H.

Morrison as Proxies, each with the power of substitution, and hereby authorizes each of them to represent and to vote, as designated below, all the shares of Class B common stock of Prudential Utility Fund, held of record by the undersigned on [], 1994 at the Special Meeting of Shareholders to be held on [], 1994, or any adjournment thereof.

Your Account No.:

Your voting shares are:

This proxy when properly executed will be voted in the manner directed herein by the undersigned shareholder(s). If no direction is made, this proxy will be voted for all the proposals listed below.

1-Election of Directors

<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Approve All Nominees	Withhold All Nominees	Withhold Those Listed On Back

To withhold authority for any individual nominee, please write name on back of form.

Robert R. Fortune
 Delayne D. Gold
 Harry A. Jacobs, Jr.
 Lawrence C. McQuade
 Thomas A. Owens, Jr.
 Richard A. Redeker
 Robert J. Schultz
 Merle T. Welshans

		For	Against	Abstain
2.	To approve an amendment of the Fund's Articles of Incorporation to permit a conversion feature for Class B Shares.	[X]	[X]	[X]
3.	To approve an amended and restated Class A Distribution and Service Plan.	[X]	[X]	[X]
4.	To approve an amended and restated Class B	[X]	[X]	[X]

Distribution and Service Plan.

- | | | | | | |
|-----|--|----|-----|-----|-----|
| 5. | To modify the Fund's investment objective to expand the equity and debt securities in which the Fund may invest. | 5 | [X] | [X] | [X] |
| 6. | To approve the elimination of the Fund's fundamental investment restrictions regarding restricted and illiquid securities. | 6 | [X] | [X] | [X] |
| 7. | To approve an amendment of the Fund's investment policies and restrictions to permit certain hedging and income enhancement strategies using over-the-counter options on securities of utility and non-utility companies and stock index options on securities of non-utility companies. | 7 | [X] | [X] | [X] |
| 8. | To approve an amendment of the Fund's investment policies and restrictions to permit certain hedging and income enhancement strategies using futures contracts and options thereon and future contracts on foreign currencies and options thereon. | 8 | [X] | [X] | [X] |
| 9. | To approve an amendment of the Fund's investment policies and restrictions to permit investments in forward foreign currency exchange contracts and options on foreign currencies. | 9 | [X] | [X] | [X] |
| 10. | To approve an amendment of the Fund's investment restriction limiting the Fund's ability to invest in a security if the Fund would hold more than 10% of any class of securities of an issuer. | 10 | [X] | [X] | [X] |
| 11. | To approve the elimination of the Fund's investment restriction limiting the Fund's ability to invest in the securities of any issuer in which officers and directors of the Fund or officers and directors of the Fund's adviser own more than a specified interest. | 11 | [X] | [X] | [X] |
| 12. | To approve an amendment of the Management Agreement between the Fund and Prudential Mutual Fund Management, Inc. to reduce | 12 | [X] | [X] | [X] |

