

SECURITIES AND EXCHANGE COMMISSION

FORM PRES14A

Preliminary proxy statements, special meeting

Filing Date: **1994-03-17** | Period of Report: **1994-06-23**  
SEC Accession No. **0000950007-94-000007**

([HTML Version](#) on [secdatabase.com](http://secdatabase.com))

FILER

**GLOBAL UTILITY FUND INC**

CIK: **843091** | IRS No.: **133544287** | State of Incorporation: **MD** | Fiscal Year End: **0930**  
Type: **PRES14A** | Act: **34** | File No.: **811-05695** | Film No.: **94516490**

Mailing Address  
*ONE SEAPORT PLZ  
NEW YORK NY 10292*

Business Address  
*199 WATER ST  
NEW YORK NY 10292  
2122142189*

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

GLOBAL UTILITY FUND, INC.

-----  
(Name of Registrant as Specified in Its Charter)

GLOBAL 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 14a6(j)(2).

\$500 per each party to the controversy pursuant to Exchange Act Rule  
14a-6(i)(3).

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

Preliminary Copy

GLOBAL UTILITY FUND, INC.  
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 Global Utility Fund, Inc. (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 ratify the selection by the Board of Directors of Deloitte & Touche as independent accountants for the fiscal year ending September 30, 1994.
6. 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.  
-----

Preliminary Copy

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

-----  
PROXY STATEMENT  
-----

This statement is furnished by the Board of Directors of  
Global Utility Fund, Inc., 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 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.

1

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 \$31,000 and will be borne by the Fund. In addition, solicitation 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 Daniel S. Ahearn, Edward D. Beach, Thomas T. Mooney, John B. Neff, Richard A. Redeker, Sir Michael Sandberg, Robin B. Smith and Nancy H. Teeters, 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. Messrs. Beach, Mooney, Neff and Sandberg and Mmes. Smith and Teeters have served as Directors since November 16, 1989. Mr. Ahearn has served as a Director since February 20, 1991. Mr. Redeker has served as a Director since November 10, 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 -----
*Daniel S. Ahearn (68), Senior Vice President of Wellington Management Company; formerly Partner (1979-1990) of Wellington Management Company (Wellington Management); Director of U.S. Smaller Companies Investment Trust plc,	Director	[-0-]

First Financial Fund, Inc., Global Utility Fund, Inc. and The High Yield Plus Fund, Inc.; Trustee of Winchester Hospital; Member of Massachusetts Financial Advisory Board; Member of PSA Treasury Borrowing Advisory Committee; formerly Assistant to the Secretary of the Treasury for Debt Management.

<p>*Edward D. Beach (69), President and Director of BMC Fund, Inc., a closed-end investment company; prior thereto, Vice Chairman of Broyhill Furniture Industries, Inc.; Certified Public Accountant; Secretary and Treasurer of Broyhill Family Foundation Inc.; President, Treasurer and Director of First Financial Fund, Inc. and The High Yield Plus Fund, Inc.; President and Director of Global Utility Fund, Inc.; Director of The Global Government Plus Fund, Inc., The Global Yield Fund, Inc., Prudential Adjustable Rate Securities Fund, Inc., Prudential Equity Fund, Inc., Prudential Global Genesis Fund, Prudential Global Natural Resources Fund, Prudential GNMA Fund, Prudential Government Plus Fund, Prudential Multi-Sector Fund, Inc. and Prudential Special Money Market Fund; 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 and Prudential Municipal Series Fund.</p>	<p>President and Director</p>	<p>[-0-]</p>
---	-----------------------------------	--------------

<p>Thomas T. Mooney (52), President of the Greater Rochester Metro Chamber of Commerce; former Rochester City Manager; Trustee of Center for</p>	<p>Director</p>	<p>[-0-]</p>
--	-----------------	--------------

Name, age, business experience during the past five years and directorships -----	Position with Fund -----	Shares of Common Stock owned at , 1994 -----
--	--------------------------------	--

Governmental Research, Inc.; Director of Blue Cross of Rochester, Monroe County Water Authority, Rochester Jobs, Inc., Industrial Management Council, Inc., Executive Service Corps of Rochester, Monroe County Industrial Development Corporation, Global Utility Fund, Inc., Prudential Adjustable Rate Securities Fund, Inc., Prudential Equity Fund, Inc., Prudential Global Genesis Fund, Prudential Global Natural Resources Fund, Prudential GNMA Fund, Prudential Government Plus Fund, Prudential Multi-Sector Fund, Inc., First Financial Fund, Inc., The Global Government Plus Fund, Inc., The Global Yield Fund, Inc. and The High Yield Plus Fund, Inc.; Trustee of Prudential California Municipal Fund, Prudential Equity Income Fund, Prudential FlexiFund, Prudential Municipal Bond Fund and Prudential Municipal Series Fund.

\*John B. Neff (62), Chartered Financial Analyst, Director [10,000 (a)]  
Senior Vice President and Managing Partner of Wellington Management; Portfolio Manager of Winsor Fund, Gemini II and Vanguard High-Yield Stock Fund; Chairman of the Investment Board and Charter Trustee, University of Pennsylvania; Director of General Accident Insurance (subsidiary of General Accident Insurance); Director of Global Utility Fund, Inc.

\*Richard A. Redeker(50), President, Chief Executive Officer and Director(since October 1993), Director [-0-]  
Prudential Mutual Fund Management, Inc. (PMF); Executive Vice President, Director and Member of the Operating Committee (since October 1993), Prudential Securities; Director (since October 1993)of Prudential Securities Group, Inc (PSG); formerly Senior Executive Vice President and Director of Kemper Financial Services, Inc. (September 1978-September 1993); Director of Global Utility Fund, Inc., Prudential Adjustable Rate Securities Fund, Inc., Prudential Equity Fund, Inc., Prudential Global Fund, Inc., Prudential Global



Name, age, business  
 experience during the past  
 five years and directorships  
 -----

Position  
 with Fund  
 -----

Shares of  
 Common Stock  
 owned at  
 , 1994  
 -----

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.

Sir Michael Sandberg (66), Director of Interna-  
 tional Totalizer Systems, Global Utility Fund,  
 Inc. and The Global Yield Fund, Inc.; Chairman  
 and Director of PRICOA Worldwide Investors  
 Portfolio; Former Chairman of Hong Kong and  
 Shanghai Banking Corporation and British Bank  
 of the Middle East (1977-1986).

Director

[-0-]

Robin B. Smith (54), President (since September  
 1981) and Chief Executive Officer (since  
 January 1988) of Publishers Clearing House;  
 Director of The Omnicom Group, Inc., Huffy  
 Corporation, Texaco Inc., Springs Industries  
 Inc., First Financial Fund, Inc., The Global  
 Yield Fund Inc., The High Yield Income Fund,  
 Inc., The High Yield Plus Fund, Inc., Global  
 Utility Fund, Inc. and Prudential  
 Institutional Liquidity Portfolio, Inc.;

Director

[9,308(b)]

Name, age, business experience during the past five years and directorships -----	Position with Fund -----	Shares of Common Stock owned at , 1994 -----
Nancy H. Teeters (63), Economist; formerly Vice President and Chief Economist (March 1986-June 1990) of International Business Machines Corporation; Member of the Board of Governors of the Horace H. Rackham School of Graduate Studies of the University of Michigan; Director of Inland Steel Corporation (since July 1991), Global Utility Fund, Inc., Prudential Equity Fund, Inc., Prudential GNMA Fund, Prudential MoneyMart Assets, Prudential Special Money Market Fund, First Financial Fund, Inc. and the Global Yield Fund, Inc.; Trustee of The BlackRock Government Income Trust, Command Government Fund, Command Money Fund, Command Tax-Free Fund, Prudential California Municipal Fund and Prudential Municipal Series Fund.	Director	[-0-]

-----

\*Indicates an "interested person" of the Fund as defined in the Investment Company Act of 1940 (the "1940 Act"). Messrs. Ahearn and Neff are deemed "interested persons" by reason of their affiliation with Wellington Management. Mr. Beach is deemed an "interested person" due to the fact that he serves as an officer of the Fund. Mr. Redeker is deemed an "interested person" due to his affiliation with PMF and Prudential Securities. \*(a) Includes 9,000 shares of the Fund's common stock beneficially owned by Wellington Management, of which Mr. Neff is a Partner. [(b) Ms. Smith has sole voting and investment power with respect to these shares.]

The Directors and officers of the Fund as a group owned beneficially [19,308] shares of the Fund at February 11, 1994, representing less than 1% of the outstanding shares of the Fund.

The Fund pays annual compensation of \$6,000 and \$500 per Board Meeting, plus travel and incidental expenses, to each of the five Directors not affiliated with Wellington Management, 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 September 30, 1993 the Fund paid Directors' fees of \$48,000 and travel and incidental expenses of approximately \$9,700.

6

There were four regular meetings of the Fund's Board of Directors held during the fiscal year ended September 30, 1993. The Board of Directors presently has an Audit Committee, the members of which are Messrs. Mooney and Sandberg and Mmes. Smith and Teeters, the Fund's non-interested Directors. The Audit Committee met twice during the fiscal year ended September 30, 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 once during the fiscal year ended September 30, 1993. The Nominating Committee does not consider nominees recommended by shareholders to fill vacancies on the Board.

During the fiscal year ended September 30, 1993 no Director attended fewer than 75% of the aggregate of the total number of meetings of the Board of Directors and any committees thereof of which such Director was a member.

The executive officers of the Fund, other than as shown above, are: Robert F. Gunia, Vice President, Susan C. Cote, Treasurer, S. Jane Rose, Secretary, Peter W. Fortner, Controller and Ronald Amblard, Assistant Secretary, each having held such offices since February 20, 1991. Mr. Gunia is 47 years old and is currently Chief Administrative Officer (since July 1990), Director, Executive Vice President, Treasurer and Chief Financial Officer 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 currently Senior Vice President 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 currently Senior Vice President (since January 1991) and Senior Counsel of PMF and a Senior Vice President and Senior Counsel of 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. Mr. Amblard is 35 years old and is currently First Vice President (since January 1994) and Associate General Counsel (since January 1992) of PMF and Vice President and Associate General Counsel of Prudential Securities (since January 1992). Prior thereto, he was Assistant General Counsel (August 1988- December 1991), Associate Vice President (January 1989-December 1990) and Vice President (January 1991-December 1993) of PMF. 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 February 4, 1991 (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 May 5, 1993 and was approved by shareholders on December 20, 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. Wellington Management Company (Wellington Management or the Subadviser), provides such services pursuant to a subadvisory agreement (the Subadvisory Agreement) among Wellington Management, PMF and the Fund. 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:

(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 Wellington Management;

(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 fees and expenses payable to Wellington Management 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 .70% of the Fund's average daily net assets for the portion of such assets up to and including \$250 million, .55% of the Fund's average daily net assets in excess of \$250 million up to and including \$500 million, .50% of the Fund's average daily net assets in excess of \$500 million up to and including \$1 billion, and .45% of the Fund's average daily net assets in excess of \$1 billion of the Fund's daily net assets. This fee is

8

computed daily and paid monthly. For the fiscal year ended September 30, 1993, PMF received a management fee of \$1,464,779.

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 September 30, 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 and expenses incurred by the Fund in connection with the management of the investment and reinvestment of the Fund's assets, (b) the fees and expenses of Directors who are not affiliated persons of the Manager or Subadviser, (c) the fees and certain expenses of the Fund's Custodian, (d) the fees and expenses of the Fund's Transfer and Dividend Disbursing Agent that relate to the maintenance of each shareholder account, (e) the charges and expenses of the Fund's legal counsel and independent accountants, (f) brokerage commissions and any issue or transfer taxes chargeable to the Fund in connection with its securities and futures transactions, (g) all taxes and corporate fees payable by the Fund to governmental agencies, (h) the fees of any trade association of which the Fund may be a member, (i) the cost of stock certificates representing, and/or non-negotiable share deposit receipts evidencing, shares of the Fund, (j) the cost of fidelity and liability insurance, (k) 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 statement and prospectus for such purposes, (l) allocable communications expenses with respect to investor services and all expenses of stockholders' and Board of Directors' meetings and of preparing, printing and mailing prospectuses and reports to stockholders, (m) litigation and indemnification expenses and other extraordinary expenses not incurred in the ordinary course of the Fund's business and (n) any expenses assumed by the Fund pursuant to a Plan of Distribution adopted in conformity with Rule 12b-1 under the 1940 Act.

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, a subsidiary 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 acts as manager for the following investment companies:

Open-End Management Investment Companies: Command Government Fund, Command Money Fund, Command Tax-Free Fund, Prudential Adjustable Rate Securities Fund, Inc., Prudential California Municipal Fund, Prudential Equity Fund, Inc., Prudential Equity Income Fund, Prudential FlexiFund, Prudential Global Fund, Inc., Prudential-Bache Global Genesis Fund. Inc. (d/b/a Prudential Global Genesis Fund), Prudential-Bache Global Natural Resources Fund, Inc. (d/b/a Prudential Global Natural Resources Fund), Prudential-Bache GNMA Fund, Inc. (d/b/a Prudential GNMA Fund), Prudential-Bache Government Plus Fund. Inc. (d/b/a Prudential Government Plus Fund), Prudential Government Securities Trust, Prudential Growth Fund, Inc., Prudential-Bache Growth Opportunity Fund, Inc. (d/b/a Prudential Growth Opportunity Fund), Prudential-Bache High Yield Fund, Inc. (d/b/a Prudential High Yield Fund), Prudential IncomeVertible\AE Fund, Inc., Prudential-Bache MoneyMart Assets Fund. Inc. (d/b/a Prudential MoneyMart Assets), Prudential Multi-Sector Fund, Inc., Prudential Municipal Bond Fund, Prudential Municipal Series Fund, Prudential-Bache National Municipals Fund, Inc. (d/b/a Prudential National Municipals Fund), Prudential Pacific Growth Fund, Inc., Prudential Short-Term Global Income Fund, Prudential-Bache Special Money Market Fund, Inc. (d/b/a Prudential Special Money Market Fund), Prudential-Bache Structured Maturity Fund, Inc. (d/b/a Prudential Structured Maturity Fund), Prudential-Bache Tax-Free Money Fund, Inc. (d/b/a Prudential Tax-Free Money Fund), Prudential U.S. Government Fund, Prudential-Bache Utility Fund, Inc. (d/b/a Prudential Utility Fund), Prudential Institutional Liquidity Portfolio, Inc., Prudential Intermediate Global Income Fund, Inc., Global Utility Fund, Inc., Nicholas-Applegate Fund, Inc. and The BlackRock Government Income Trust.

Closed-End Management Investment Companies: The Global Government Plus Fund, Inc., The Global Yield Fund, Inc. and The High Yield Income Fund, Inc.

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, The Prudential Insurance Company of America (Prudential)
Susan C. Cote .....	Senior Vice President	Senior Vice President, PMF; Senior Vice President, Prudential Securities
Fred A. Fiandaca .....	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
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	Executive Vice President, Chief Financial and Administrative Officer,



Administrative  
Officer, Treasurer  
and Director

and Director, PMF;  
Senior Vice President,  
Prudential Securities

Eugene B. Heimberg ..... Director  
Prudential Plaza  
Newark, NJ 07102

Senior Vice President,  
Prudential

11

Name and Address -----	Position with PMF -----	Principal Occupations -----
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 Operat- ing Committee, Prudential Securities; Director, PSG
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 Wellington Management Company, 75 State Street, Boston Massachusetts 02109, which serves as the Fund's Subadviser pursuant to a Subadvisory Agreement dated February 4, 1991 among the Fund, PMF and Wellington Management. The Subadvisory Agreement was last approved by the 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 1940 Act), on May 5, 1993, and was approved by shareholders on December 30, 1991.

#### Terms of the Subadvisory Agreement

Pursuant to the Subadvisory Agreement, and subject to the supervision of PMF and the Board of Directors and in conformity with the stated policies of the Fund, Wellington Management manages the investment operations of the Fund and the composition of the Fund's portfolio, including the purchase, retention and disposition thereof. Wellington Management is currently paid a fee by PMF computed monthly at an annual rate of .50% of the Fund's average daily net assets for the portion of such assets up to and including \$250 million, .35% of the Fund's average daily net assets in excess of \$250 million up to and including \$500 million, .30% of the Fund's average daily net assets in excess of \$500

12

million up to and including \$1 billion and .25% of the Fund's average daily net assets in excess of \$1 billion for furnishing such services. The fees paid by the Fund to PMF under the Management Agreement are not affected by this arrangement; the Manager, not the Fund, pays the Subadviser. The Subadviser keeps certain books and records required to be maintained pursuant to the 1940 Act. The investment advisory services of the Subadviser to the Fund are not exclusive under the terms of the Subadvisory Agreement and the Subadviser is free to, and does, render investment advisory services to others. The Subadviser is not affiliated with the Manager or any of its affiliates.

For the fiscal year ended September 30, 1993, PMF paid subadvisory fees of \$1,046,270 or .50% of the Fund's average daily net assets on an annualized basis, to Wellington Management.

Wellington Management has authorized any of its partners, 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 Wellington Management under the Subadvisory Agreement may be furnished by any such partners, officers or employees of Wellington Management. The Subadvisory Agreement provides that Wellington Management 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 breach of fiduciary duty with respect to receipt or compensation for services or willful misfeasance, bad faith or gross negligence on the Subadviser's part in the performance of its duties or from its reckless disregard of its obligations and duties under the Subadvisory Agreement. The Subadvisory Agreement provides that it shall terminate automatically if assigned or upon termination of the

Management Agreement and that it may be terminated by the Fund at any time without the payment of any penalty by the Board of Directors of the Fund or by vote of a majority of the Fund's outstanding voting securities (as defined in the 1940 Act) or by the Manager or the Subadviser upon not more than sixty days' nor less than thirty days' written notice.

Information about Wellington Management. Wellington Management is a Massachusetts general partnership of which the following persons are managing partners: Robert W. Doran, Duncan M. McFarland, and John B. Neff. The Subadviser is a professional investment counseling firm which provides investment services to investment companies, employee benefit plans, endowment funds, foundations and other institutions and individuals. The Subadviser is not affiliated with the Manager or any of its affiliates.

The Subadviser's audited consolidated balance sheet as of December 31, 1993 is attached hereto as Exhibit B.

The Subadviser also acts as investment adviser for the following investment companies:

Anchor Series Trust; The Arbor Fund; Cambridge Series Trust; The Compass Capital Group; Vanguard Explorer Fund, Inc.; First Financial Fund, Inc.; First Investors Global Fund, Inc.; First Investors Life Series Fund; Frank Russell Investment Company; Gemini II Fund; Global Utility Fund, Inc.; Hartford International Opportunities Fund, Inc.; The High Yield Plus Fund, Inc.; Horace Mann Balanced Fund, Inc.; Horace Mann Growth Fund, Inc.; Horace Mann Income Fund, Inc.; Horace Mann Short-Term Invest-

13

ment Fund, Inc.; HVA Advisers Fund, Inc.; HVA Aggressive Growth Fund, Inc.; HVA Stock Fund, Inc.; NASL Series Trust; The New America High Income Fund, Inc.; North American Funds; Prudential Securities Target Program; SEI Cash + Plus Trust; SEI Liquid Asset Trust; SunAmerica Income Funds; Vanguard Fixed Income Securities Fund; Vanguard/Morgan Growth Fund, Inc.; Vanguard Preferred Stock Fund; Vanguard Specialized Portfolios; Vanguard Variable Insurance Fund; Vanguard/Wellesley Income Fund; and Vanguard/Wellington Fund; and Vanguard/Windsor Fund.

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 May 5, 1993. The Class A Plan was approved by the Class A shareholders on December 20, 1990. The Class B Plan was approved by the Class B shareholders on December 30, 1991.

The Plans are proposed to be amended as set forth in Proposal Nos. 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 September 30, 1994.

For the fiscal year ended September 30, 1993, PMFD received payments of \$238,001 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 sales persons who sell Class A shares. For the fiscal year ended September 30, 1993, PMFD also received \$870,800 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

14

.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 the average daily net assets under the Class B Plan.

For the fiscal year ended September 30, 1993, Prudential Securities received \$902,535 from the Fund under the Class B Plan and spent approximately \$4,010,300 in distributing the Fund's Class B shares. It is estimated that of this amount approximately 0.6% (\$22,500) was spent on printing and mailing of prospectuses to other than current shareholders, 9.5% (\$383,300) 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; 1.9% (\$76,700) in interest and/or carrying charges and 88.0% (\$3,527,800) on the aggregate of (i) payments of commissions to financial advisers (37.8% or (\$1,516,300) and (ii) an allocation of overhead and other branch office distribution-related expenses (50.2% or (\$2,011,500)). 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 expenses reimbursable by Class B shares of the Fund is reduced by the amount of such contingent deferred sales charges. For the fiscal year ended September 30, 1993, Prudential Securities received approximately \$139,000 in contingent deferred sales charges. As of September 30, 1993, the aggregate amounts of unreimbursed distribution expenses for the Fund's Class B shares were approximately \$4,444,900.

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 noncontinuation of the Class B Plan, the Board of Directors may

consider the appropriateness of having the Fund reimburse Prudential Securities for the outstanding carry forward amounts plus interest thereon.

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 May 5, 1993.

#### Portfolio Transactions

Subject to policies established by the Board of Directors of the Fund and the oversight and review of the Manager, the Subadviser arranges for the execution of the Fund's portfolio transactions and the allocation of brokerage. In executing portfolio transactions the Subadviser seeks to obtain the best net results for the Fund, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm involved. The Fund may invest in securities traded in the over-the-counter markets and deal directly with the dealers who make markets in the securities involved, unless a better price or execution could be obtained by using a broker. While the Subadviser generally seeks reasonably competitive commission rates, payment of the lowest commission or spread is not necessarily consistent with best net results in particular transactions. The Fund will not deal with Prudential Securities (or any affiliate) in any transaction in which Prudential Securities acts as principal. Purchases and sales of securities on a securities exchange are effected through brokers who charge a negotiated commission for their services. On a foreign securities exchange, commissions may be fixed. Orders may be directed to any broker including, to the extent and in the manner permitted by applicable law, Prudential Securities.

In placing orders with brokers and dealers, the Subadviser will attempt to obtain the best net price and the most favorable execution for orders; however, the Subadviser may, in its discretion, purchase and sell portfolio securities through brokers and dealers who provide the Subadviser or the Fund with research, analysis, advice and similar services. The Subadviser may, in return for research and analysis, pay brokers a higher commission than may be charged by other brokers, provided that the Subadviser

determines in good faith that such commission is reasonable in terms either of that particular transaction or of the overall responsibility of the Subadviser and its other clients and that the total commission paid by the Fund is reasonable in relation to the benefits to the Fund over the long term. Information and research received from such brokers and dealers is in addition to, and not in lieu of, the services required to be performed by the Subadviser under the Subadvisory Agreement. Commission rates are established pursuant to negotiations with the broker based on the quality and quantity of execution services provided by the broker

16

in the light of generally prevailing rates. The Subadviser's policy is to pay higher commissions to brokers or futures commission merchants other than Prudential Securities (or any affiliate) for particular transactions than might be charged if a different broker had been selected, on occasions when, in the Subadviser's opinion, this policy furthers the objective of obtaining best price and execution. 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, 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.

Purchases and sales of securities, futures or options on futures on an exchange (including a board of trade), and options on securities may be effected through securities brokers or futures commission merchants that charge a commission for their services. The Fund has no obligation to deal with any broker or group of brokers in the execution of transactions. Consistent with the policy of obtaining the best net results, the Fund may use Prudential Securities for brokerage transactions (in conformity with federal securities laws). In order for Prudential Securities or its affiliates to effect any such transaction for the Fund, the commissions, fees or other remuneration received by Prudential Securities or its affiliates 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, futures or options on futures being purchased or sold on an exchange during a comparable period of time. The Fund's Board of Directors has adopted procedures designed to ensure that all brokerage commissions, fees or other remuneration paid to such firm or its affiliates are reasonable and fair.

Investment decisions for the Fund and for other investment accounts managed by the Subadviser are made independently of each other in light of differing considerations for the various accounts. However, the same

investment decision may occasionally be made for two or more such accounts. In such cases, simultaneous transactions are inevitable. Purchases or sales are then averaged as to price and allocated to accounts according to a formula deemed equitable to each account. While in some cases this practice could have a detrimental effect upon the price or value of the security as far as the Fund is concerned, in other cases it is believed to be beneficial to the Fund.

The Fund's brokerage transactions involving securities of companies headquartered in countries other than the United States are conducted primarily on the markets and principal exchanges of such countries. Foreign markets are generally not as developed as those in the United States, which may result in higher transaction costs, delayed settlement and less liquidity for trades effected in foreign markets. Transactions on foreign exchanges are usually subject to fixed commissions that generally are higher than negotiated commissions on U.S. transactions. There is generally less government supervision and regulation of exchanges and brokers in foreign countries than in the United States.

17

In accordance with Section 11(a) under the Securities Exchange Act of 1934, Prudential Securities may not retain compensation for effecting transactions on a national securities exchange for the Fund unless the Fund has expressly authorized the retention of such compensation. 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 an affiliate) are also subject to such fiduciary standards as may be imposed upon Prudential Securities (or any affiliate) by applicable law.

For the fiscal year ended September 30, 1993, the Fund paid total brokerage commissions of \$201,807 of which \$1,500, or approximately 0.7%, were paid to Prudential Securities. Prudential Securities performed approximately 1% of the total dollar amount of transactions involving commissions for the same period.

For the fiscal year ended September 30, 1993, the Fund's portfolio turnover rate was 14%. The turnover rate may vary greatly from year to year, and will not be a limiting factor if the Subadviser deems portfolio changes appropriate.

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

The Board of Directors is recommending and advising 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 SEC (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 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 ending September 30, 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

18

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 asset value 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.

#### The Proposed Conversion Feature

On May 5, 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 C.

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 purchase. 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 determined 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 a shareholder's account (ii) multiplied by the total number of Class B shares then held in a shareholder's account. Each time any Eligible Shares in a shareholder's Fund 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

19

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 purchase 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.

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 May 5, 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 2 above), 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 20, 1990 and last approved by the Board of Directors on May 5, 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 D.

#### 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.

21

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 the Rule 12b-1 Directors 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 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, voluntarily 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 the period February 4 through September 30, 1991 and the fiscal years ended September 30, 1992 and 1993, PMFD received payments of \$201,121, \$241,417 and \$238,001, respectively, under the Existing Class A Plan representing .13%, .20% and .20%, respectively, 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 September 30, 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 September 30, 1994. Other expenses

22

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 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 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.

23

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

On May 5, 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 December 30, 1991 and last approved by the Board of Directors on May 5, 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 E.

#### 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 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% 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

24

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 the 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 \$6,550,400.

For the period March 18 through September 30, 1991 and the fiscal years ended September 30, 1992 and 1993, Prudential Securities received \$101,616, \$456,606 and \$902,535, respectively, from the Fund under the Existing Class B Plan, representing .13%, 1% and 1%, respectively, of the average daily net assets of the Class B shares, and

25

spent approximately \$1,019,100, \$1,225,000 and \$4,010,300, 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 period ended September 30, 1991 and the fiscal years ended September 30, 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 would not be an issue. Currently, because the Existing Class B Plan is a reimbursement plan, the Distributor retains an independent 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, 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 Existing 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 as described

under Proposal No. 3. 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.

RATIFICATION OF INDEPENDENT ACCOUNTANTS  
(Proposal No. 5)

The Board of Directors of the Fund, including the Directors who are not interested persons of the Fund, has selected Deloitte & Touche as independent accountants for the Fund for the fiscal year ending September 30, 1994. The ratification of the selection of independent public accountants is to be voted upon at the Meeting and it is intended that the persons named in the accompanying Proxy will vote for Deloitte & Touche. No representative of Deloitte & Touche 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 public 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 public 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 OF THE FUND RECOMMENDS THAT YOU VOTE "FOR" THIS PROPOSAL NO. 5.

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.

28

Exhibit A

PRUDENTIAL MUTUAL FUND MANAGEMENT, INC. AND SUBSIDIARIES

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:



("PMFS") and Prudential Mutual Fund Distributors, Inc. ("PMFD"). All intercompany profits, transactions and balances have been eliminated.

#### 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
	=====

A-2

#### 4. RELATED PARTY TRANSACTIONS

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

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
	=====

## 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.



## 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

WELLINGTON MANAGEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1993

ASSETS

Current assets:

Cash-Note 3 .....	624,000
Investment advisory fees receivable-Note 5 .....	28,470,000
Other current assets .....	1,331,000
	-----
Total current assets .....	30,425,000
Fixed assets, net of accumulated depreciation-Note 2 .....	12,265,000
Investments and other assets-Note 1 .....	2,601,000
	-----
Total assets .....	\$45,291,000
	=====

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:

Payable under revolving credit agreement-Note 3 .....	\$11,900,000
Accounts payable and other accrued expenses .....	3,156,000
Accrued compensation and benefits-Note 4 .....	3,352,000
	-----
Total current liabilities .....	18,408,000
Other liabilities .....	2,429,000
	-----
Total liabilities .....	20,837,000
	-----
Partners' capital .....	24,454,000
Commitments-Note 6 .....	
	-----
Total liabilities and partners' capital .....	\$45,291,000
	=====

The accompanying notes are an integral part of the financial statement.

B-1

WELLINGTON MANAGEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated balance sheet is prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Wellington Management Company ("WMC") maintains its books and determines income reportabl Principles of Consolidation

The consolidated balance sheet includes the accounts of WMC and its subsidiaries, principally consisting of Wellington Trust Company, N.A. (a national trust company), Wellington Management International and Wellington Luxembourg, S.C.A. All

Investments

Investments in mutual funds for which WMC has provided initial capital are stated at the lower of cost or market. The Company has also made a 10% common stock investment in First Global Investment Trust Co., Ltd., a Taiwanese mutual fund man

Fixed Assets

Depreciation is provided on the straight-line basis over useful lives of 3 years for software, 4 to 7 years for equipment and furniture and over the remaining lease term for leasehold improvements. Maintenance and repairs are charged to expe

Income Taxes

No provision for federal income taxes is recognized in the consolidated balance sheet for WMC because, as a general partnership, liability for income taxes is the responsibility of the individual partners.

Provisions for Retired Partners

Payments made to retired partners are based upon profits of the partnership and are treated as partnership distributions.

## 2. FIXED ASSETS

Fixed assets at December 31, 1993 consist of:

Software .....	1,752,000
Equipment and furniture .....	15,958,000
Leasehold improvements .....	3,882,000
	-----
	21,592,000
Less-accumulated depreciation .....	(9,327,000)
	-----
	\$12,265,000
	=====

## 3. REVOLVING CREDIT AGREEMENT

WMC and its subsidiaries have an unsecured line of credit with a bank under which WMC may borrow up to \$15,500,000, of which \$1,000,000 can only be utilized on a limited basis during the course of the year, with interest at the prevailing prime rate and/or LIBOR plus 1.00% (.75% in 1992). WMC has agreed to maintain an average compensating balance with the bank of \$467,000. The amount outstanding under the revolving credit agreement at December 31, 1993 is classified as a current liability in the consolidated balance sheet because such amount is intended to be repaid during the next year.

## 4. RETIREMENT PLANS

WMC has a defined contribution profit-sharing plan covering all employees. Contributions to the profit-sharing plan are made by WMC based on profits up to a rate of 10% of compensation paid or accrued to employees before employee contributions to the plan through salary reductions. Additionally, WMC has a money purchase pension plan, under which WMC contributes 5% of compensation paid or accrued to employees before employee contributions to the profit-sharing plan through salary reductions. Partners may also contribute to both the defined contribution profit-sharing plan and the money purchase pension plan. Contributions to the retirement plans for employees and partners are subject to certain limitations for each plan and for aggregate combined contributions to both plans.

## 5. AGREEMENTS WITH THE VANGUARD GROUP OF INVESTMENT COMPANIES

At December 31, 1993, WMC served as investment advisor under separate agreements to each of sixteen investment companies of The Vanguard Group

of Investment Companies ("Vanguard"). The current agreements were entered into effective at various times from June 1, 1980 through May 31, 1993 and expire at various times through June 19, 1994, subject to renewal for additional one-year periods at the option of the individual investment companies. The agreements may be terminated by either party on 60 days' notice. The agreements provide for base fees calculated at stated

B-3

percentages of net assets, which vary by investment company. Certain of the agreements also provide for an increase or decrease in the base fee dependent upon the investment performance of the investment company.

Investment advisory fees receivable from Vanguard investment companies amounted to \$7,683,000 at December 31, 1993.

## 6. COMMITMENTS

WMC has an agreement with a former principal executive providing for payments of \$36,000 per year. WMC leases substantially all of its office space under noncancellable leases which require minimum annual rentals as follows:

Fiscal Year	Annual Amount
1994	\$5,429,000
1995	5,399,000
1996	5,172,000
1997	5,126,000
1998	5,126,000
1999 - 2003	2,345,000

B-4

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Partners of Wellington Management Company

In our opinion, the accompanying consolidated balance sheet presents fairly, in all material respects, the financial position of Wellington Management Company (a partnership) and its subsidiaries (the "Company") at December 31, 1993 in conformity with generally accepted accounting principles. This financial statement is the responsibility of the Company's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether

the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE  
Boston, Massachusetts  
February 3, 1994

B-5

Exhibit C

#### FORM OF AMENDMENT TO ARTICLES OF INCORPORATION

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

#### Article IV COMMON STOCK

Section 1. The total number of shares of capital stock which the Corporation shall have authority to issue is 2 billion shares of the par value of \$.001 per share and of the aggregate par value of \$2,000,000 to be divided initially into three classes, consisting of 666,666,666  $\frac{2}{3}$  shares of Class A Common Stock, 666,666,666  $\frac{2}{3}$  shares of Class B Common Stock and 666,666,666  $\frac{2}{3}$  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

C-1

(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 or 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.

C-2

Exhibit D

GLOBAL UTILITY FUND, INC.

Distribution and Service Plan  
(Class A Shares)

Introduction

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

The Fund has entered into a distribution agreement (the Distribution Agreement) pursuant to which the Fund will employ the Distributor to distribute Class A shares issued by the Fund (Class A shares). Under the Distribution Agreement, the Distributor will be entitled to receive payments from investors of front-end sales charges with respect to the sale of Class A shares. Under the Plan, the Fund intends to 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 and sales literature and other promotional and distribution activities and to provide for the servicing and maintenance of shareholder accounts.

#### The Plan

The material aspects of the Plan are as follows:

##### 1. Distribution Activities

The Fund shall engage the Distributor to distribute Class A shares of the Fund and to service shareholder accounts using all of the facilities of the distribution networks of Prudential Securities Incorporated (Prudential Securities) and Pruco Securities Corpora-

D-1

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

D-2

(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 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 fees to be paid as provided for in Sections 2 and 3, respectively, 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.

## 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 Rule 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:

GLOBAL UTILITY FUND, INC.  
Distribution and Service Plan  
(Class B Shares)

### Introduction

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

The Fund has entered into a distribution agreement (the Distribution Agreement) pursuant to which the Fund will continue to employ the Distributor to distribute Class B shares issued by the Fund (Class B shares). Under the Distribution Agreement, the Distributor will be

entitled to receive payments from investors of contingent deferred sales charges imposed with respect to certain repurchases and redemptions of Class B shares. Under the Plan, the Fund wishes to 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 and sales literature and other promotional and distribution activities and to provide for the servicing and maintenance of shareholder accounts.

#### The Plan

The material aspects of the Plan are as follows:

##### 1. Distribution Activities

The Fund shall engage the Distributor to distribute Class B shares of the Fund and to service shareholder accounts using all of the facilities of the Prudential Securities distribution network including sales personnel and branch office and central support

E-1

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

(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.

E-3

#### 8. Rule 12b-1 Directors or Trustees

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

E-4

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.

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



The undersigned hereby appoints Susan C. Cote, S. Jane Rose and Ronald Amblard 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 Global Utility Fund held of record by the undersigned on \_\_\_\_\_, 1994 at the Special Meeting of Shareholder's 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.

Daniel S. Ahearn  
Edward D. Beach  
Thomas T. Mooney  
John B. Neff  
Richard A. Redeker  
Sir Michael Sandberg  
Robin B. Smith  
Nancy H. Teeters

		For	Against	Abstain
2. To approve an amendment of the Fund's Articles of Incorporation to permit a	2	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

conversion feature for Class B Shares.

- |    |  |   |                                     |                                     |                                     |
|----|--|---|-------------------------------------|-------------------------------------|-------------------------------------|
| 3. | To approve an amended and restated Class A Distribution and Service Plan.  | 3 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| 4. | NOT APPLICABLE TO CLASS A SHAREHOLDERS.  | 4 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| 5. | To ratify the selection by the Board of Directors of Deloitte & Touche as independent accountants for the year ending December 31, 1994. | 5 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| 6. | To transact such other business as may properly come before the Meeting or any adjournments thereof.                                     | 6 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

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.

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

The undersigned hereby appoints Susan C. Cote,  
S. Jane Rose and Ronald Amblard 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 Global Utility Fund  
held of record by the undersigned  
on \_\_\_\_\_, 1994 at the Special Meeting of  
Shareholder's 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	Withhold	Withhold
All	All	Those Listed
Nominees	Nominees	On Back

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

Daniel S. Ahearn  
Edward D. Beach  
Thomas T. Mooney  
John B. Neff  
Richard A. Redeker  
Sir Michael Sandberg  
Robin B. Smith

		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.	To approve an amended and restated Class B Distribution and Service Plan.	4 [X]	[X]	[X]
5.	To ratify the selection by the Board of Directors of Deloitte & Touche as independent accountants for the year ending December 31, 1994.	5 [X]	[X]	[X]
6.	To transact such other business as may properly come before the Meeting or any adjournments thereof.	6 [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.