

SECURITIES AND EXCHANGE COMMISSION

FORM 485A24E

Post-effective amendments

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FILER

**PRUDENTIAL TAX FREE MONEY FUND**

CIK: **311561** | IRS No.: **132993505** | State of Incorporation: **MD** | Fiscal Year End: **1231**  
Type: **485A24E** | Act: **33** | File No.: **002-64625** | Film No.: **94514248**

Mailing Address  
*ONE SEAPORT PLZ  
ONE SEAPORT PLZ  
NEW YORK NY 10292*

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

As filed with the Securities and Exchange Commission  
on March 2, 1994

REGISTRATION NO. 2-64625

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 /X/

PRE-EFFECTIVE AMENDMENT NO. / /

POST-EFFECTIVE AMENDMENT NO. 17 /X/

AND/OR

REGISTRATION STATEMENT UNDER THE  
INVESTMENT COMPANY ACT OF 1940 /X/

AMENDMENT NO. 18 /X/

(Check appropriate box or boxes)

PRUDENTIAL-BACHE TAX-FREE MONEY FUND, INC.

(Exact name of registrant as specified in charter)

(doing business as Prudential Tax-Free Money Fund)

ONE SEAPORT PLAZA,  
NEW YORK, NEW YORK 10292

(Address of Principal Executive Offices) (Zip Code)

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

S. JANE ROSE, ESQ.

ONE SEAPORT PLAZA  
NEW YORK, NEW YORK 10292

(NAME AND ADDRESS OF AGENT FOR SERVICE OF PROCESS)

APPROXIMATE DATE OF PROPOSED PUBLIC OFFERING:

AS SOON AS PRACTICABLE AFTER THE EFFECTIVE

DATE OF THE REGISTRATION STATEMENT.

IT IS PROPOSED THAT THIS FILING WILL BECOME EFFECTIVE

(CHECK APPROPRIATE BOX):

/ / immediately upon filing pursuant to paragraph (b)

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

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

/X/ on May 2, 1994 pursuant to paragraph (a), of Rule 485.

<TABLE>  
<CAPTION>

TITLE OF SECURITIES BEING REGISTERED	AMOUNT BEING REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE*	AMOUNT OF REGISTRATION FEE
<S> Shares of Common Stock, par value \$.01 per share	<C> 24,452,907	<C> \$1.00	<C> \$24,452,907	<C> \$100

\* The calculation of the maximum aggregate offering price was made pursuant to Rule 24e-2 and was based upon an offering price of \$1.00 per share, which was equal to the net asset value per share as of the

close of business on February 22, 1994 pursuant to Rule 457(d). The total amount of shares redeemed during the fiscal year ended December 31, 1993 was \$2,424,267,233. Of this amount, none has been used for reduction pursuant to paragraph (a) of Rule 24e-2 in all previous filings of post-effective amendments during the current year, and \$2,400,104,326 of this amount has been used for reduction pursuant to paragraph (c) of Rule 24f-2 in all previous filings during the current year. \$24,162,907 of shares in the amount of redeemed shares for the fiscal year ended December 31, 1993 being used for the reductions is the post-effective amendment being filed herein.

</TABLE>

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

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CROSS REFERENCE SHEET  
(as required by Rule 495)

<TABLE>

<CAPTION>

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

Part C

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

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Prospectus dated May 2, 1994  
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Prudential-Bache Tax-Free Money Fund, Inc., doing business as Prudential Tax-Free Money Fund (the Fund), is an open-end diversified management investment company whose investment objective is to attain for investors the highest level of current income that is exempt from federal income taxes, consistent with liquidity and the preservation of capital. The Fund will invest in short-term tax-exempt debt securities of state and local governments. See "How the Fund Invests--Investment Objective and Policies." The Fund's address is One Seaport Plaza, New York, New York 10292, and its telephone number is (800) 225-1852.

An investment in the Fund is neither insured nor guaranteed by the U.S. Government and there can be no assurance that the Fund will be able to maintain a stable net asset value of \$1.00 per share. See "How the Fund Values its Shares."

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This Prospectus sets forth concisely the information about the Fund that a prospective investor ought to know before investing. Additional information about the Fund has been filed with the Securities and Exchange Commission in a Statement of Additional Information, dated May 2, 1994, which information is incorporated herein by reference (is legally considered a part of this Prospectus) and available without charge upon request to the Fund at the address or telephone number noted above.  
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Investors are advised to read this Prospectus and retain it for future reference.  
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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

#### FUND HIGHLIGHTS

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

#### WHAT IS PRUDENTIAL TAX-FREE MONEY FUND?

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

#### WHAT IS THE FUND'S INVESTMENT OBJECTIVE?

The investment objective of the Fund is to attain for investors the highest level of current income that is exempt from federal income taxes, consistent with liquidity and the preservation of capital. The Fund will seek to achieve its investment objective by investing in a diversified portfolio of short-term debt obligations issued by states, territories and possessions of the United States and by the District of Columbia, and their political subdivisions, duly constituted authorities and corporations, the interest from which is wholly exempt from federal income tax in the opinion of bond counsel to the issuer. See "How the Fund Invests--Investment Objective and Policies" at page 6.

#### WHAT ARE THE FUND'S SPECIAL CHARACTERISTICS AND RISKS?

It is anticipated that the Fund's net asset value will remain constant at \$1.00 per share, although this cannot be assured. In order to maintain such constant net asset value, the Fund will value its portfolio securities at amortized cost. While this method provides certainty in valuation, it may result in periods during which the value of a security in its portfolio, as determined by amortized cost, is higher or lower than the price the Fund would receive if it sold such instruments. See "How the Fund Values its Shares" at page 10.

WHO MANAGES THE FUND?

Prudential Mutual Fund Management, Inc. (PMF or the Manager) is the Manager of the Fund and is compensated for its services at an annual rate of .50 of 1% of the Fund's average daily net assets up to \$750 million, .425 of 1% of the Fund's average daily net assets between \$750 million and \$1.5 billion and .375 of 1% in excess of \$1.5 billion. As of March 31, 1994, PMF served as manager or administrator to [65] investment companies, including [37] mutual funds, with aggregate assets of approximately \$[51] billion. The Prudential Investment Corporation (PIC or the Subadviser) furnishes investment advisory services in connection with the management of the Fund under a Subadvisory Agreement with PMF. See "How the Fund is Managed--Manager" at page 9.

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WHO DISTRIBUTES THE FUND'S SHARES?

Prudential Mutual Fund Distributors, Inc. (PMFD or the Distributor) acts as the Distributor of the Fund's shares. The Fund reimburses PMFD for expenses related to the distribution of the Fund's shares at an annual rate of up to .125 of 1% of the average daily net assets of the Fund's shares. See "How the Fund is Managed-- Distributor" at page 9.

WHAT IS THE MINIMUM INVESTMENT?

The minimum initial investment is \$1,000. The subsequent minimum investment is \$100. There is no minimum investment requirement for certain retirement and employee savings plans or custodial accounts for the benefit of minors. For purchases made through the Automatic Savings Accumulation Plan the minimum initial and subsequent investment is \$50. See "Shareholder Guide--How to Buy Shares of the Fund" at page 12 and "Shareholder Guide--Shareholder Services" at page 17.

HOW DO I PURCHASE SHARES?

You may purchase shares of the Fund through Prudential Securities, Pruco Securities Corporation (Prusec) or directly from the Fund, through its transfer agent, Prudential Mutual Fund Services, Inc. (PMFS or the Transfer Agent) at the net asset value per share (NAV) next determined after receipt of your purchase order by the Transfer Agent or Prudential Securities. {Orders are received on each business day until 4:00 P.M., New York time.} See "How the Fund Values its Shares" at page 10 and "Shareholder Guide--How to Buy Shares of the Fund" at page 12.

HOW DO I SELL MY SHARES?

You may redeem shares of the Fund at any time at the NAV next determined after Prudential Securities or the Transfer Agent receives your sell order. See "Shareholder Guide--How to Sell Your Shares" at page 15.

HOW ARE DIVIDENDS AND DISTRIBUTIONS PAID?

The Fund expects to declare daily and pay monthly dividends of net investment income and short-term capital gains, if any, and make distributions annually of any net long-term capital gains. Dividends and distributions will be automatically reinvested in additional shares of the Fund at NAV unless you request that they be paid to you in cash. See "Taxes, Dividends and Distributions" at page 10.

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FUND EXPENSES

SHAREHOLDER TRANSACTION EXPENSES

Maximum Sales Load Imposed on Purchases . . . . .	None
Maximum Sales Load Imposed on Reinvested Dividends . . . . .	None
Deferred Sales Load . . . . .	None
Redemption Fees . . . . .	None
Exchange Fee . . . . .	None

ANNUAL FUND OPERATING EXPENSES

(as a percentage of average net assets)

Management Fees . . . . .	0.500%
12b-1 Fees . . . . .	0.125%
Other Expenses . . . . .	0.115%
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Total Fund Operating Expenses. . . . . 0.740%  
=====

EXAMPLE	1 YEAR	3 YEARS	5 YEARS	10 YEARS
	-----	-----	-----	-----
You would pay the following expenses on a \$1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period:	\$8	\$24	\$41	\$92

The above example is based on data for the Fund's fiscal year ended December 31, 1993. The example should not be considered a representation of past or future expenses. Actual expenses may be greater or less than those shown.

The purpose of this table is to assist an investor in understanding the various costs and expenses that an investor in the Fund will bear, whether directly or indirectly. For more complete descriptions of the various costs and expenses, see "How the Fund is Managed." "Other Expenses" include operating expenses of the Fund, such as directors' and professional fees, registration fees, reports to shareholders, transfer agency and custodian fees.

FINANCIAL HIGHLIGHTS  
(for a share outstanding throughout each of the years indicated)

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

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,									
	1993	1992	1991	1990	1989	1988*	1987	1986	1985	1984
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:										
Net asset value, beginning of year. . . . .	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income and realized gains . . . . .	.018	.026	.041	.053	.056	.047	.040	.044	.048	.054
Dividends and distributions to shareholders. . . . .	(.018)	(.026)	(.041)	(.053)	(.056)	(.047)	(.040)	(.044)	(.048)	(.054)
Net asset value, end of year. . . . .	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
TOTAL RETURN:+. . . . .	1.86%	2.63%	4.22%	5.42%	5.74%	4.83%	4.11%	4.50%	4.94%	5.50%
Ratios/Supplemental Data:										
Net assets, end of (000) .	\$601,622	\$614,333	\$616,867	\$700,859	\$653,268	\$628,034	\$630,822	\$772,877	\$363,186	\$196,551
Average net assets (000) .	\$726,571	\$669,588	\$725,844	\$701,869	\$644,820	\$705,161	\$719,244	\$671,626	\$336,501	\$155,715
Ratios to average net assets:										
Expenses, including distribution fee. . . . .	.74%	.74%	.75%	.74%	.78%	.77%	.77%	.68%	.79%	.84%
Expenses, excluding distribution fee. . . . .	.62%	.62%	.63%	.61%	.66%	.64%	.64%	.56%	.66%	.81%
Net investment income. . .	1.84%	2.60%	4.15%	5.30%	5.65%	4.79%	4.08%	4.22%	4.88%	5.47%

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

## CALCULATION OF YIELD

THE FUND CALCULATES ITS "CURRENT YIELD" based on the net change, exclusive of realized and unrealized gains or losses, in the value of a hypothetical account over a seven calendar day base period. THE FUND ALSO CALCULATES ITS "EFFECTIVE ANNUAL YIELD" assuming weekly compounding AND ITS "TAX-EQUIVALENT YIELD." Tax-equivalent yield shows the taxable yield an investor would have to earn from a fully taxable investment in order to equal an after-tax equivalent to the Fund's tax-free yield and is calculated by dividing the Fund's current or effective yield by the result of one minus the maximum federal tax rate. The following is an example of the current yield, effective annual yield and tax equivalent yield calculations as of December 31, 1993:

Value of hypothetical account at end of period . . . . .	\$1.000423
Value of hypothetical account at beginning of period . . . . .	1.000000
Base period return . . . . .	\$0.000423
CURRENT YIELD (.0.000423 x (365/7)). . . . .	2.21%
EFFECTIVE ANNUAL YIELD, assuming weekly compounding. . . . .	2.23%
TAX EQUIVALENT YIELD (2.21% / (1-.396)). . . . .	3.66%

THE YIELD WILL FLUCTUATE FROM TIME TO TIME AND IS NOT NECESSARILY REPRESENTATIVE OF FUTURE INCOME OR DIVIDENDS.

The weighted average life to maturity of the Fund's portfolio on December 31, 1993 was 63 days.

Yield is computed in accordance with a standardized formula described in the Statement of Additional Information. In addition, comparative performance information may be used from time to time in advertising or marketing the Fund's shares, including data from Lipper Analytical Services, Inc., Donoghue's Money Fund Report, The Bank Rate Monitor, other industry publications, business periodicals, rating services and market indices.

## HOW THE FUND INVESTS

### INVESTMENT OBJECTIVE AND POLICIES

THE INVESTMENT OBJECTIVE OF THE FUND IS TO ATTAIN FOR INVESTORS THE HIGHEST LEVEL OF CURRENT INCOME THAT IS EXEMPT FROM FEDERAL INCOME TAXES, CONSISTENT WITH LIQUIDITY AND THE PRESERVATION OF CAPITAL. THE ACHIEVEMENT OF THE FUND'S INVESTMENT OBJECTIVE WILL DEPEND ON MARKET CONDITIONS GENERALLY AND ON THE ANALYTICAL AND PORTFOLIO MANAGEMENT SKILLS OF THE FUND'S INVESTMENT ADVISER. THERE IS NO ASSURANCE THAT THE FUND'S INVESTMENT OBJECTIVE WILL BE ACHIEVED.

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

THE FUND WILL SEEK TO ACHIEVE ITS INVESTMENT OBJECTIVE BY INVESTING IN A DIVERSIFIED PORTFOLIO OF SHORT-TERM DEBT OBLIGATIONS ISSUED BY STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES AND BY THE DISTRICT OF COLUMBIA, AND THEIR POLITICAL SUBDIVISIONS, DULY CONSTITUTED AUTHORITIES AND CORPORATIONS, THE INTEREST FROM WHICH IS WHOLLY EXEMPT FROM FEDERAL INCOME TAX IN THE OPINION OF BOND COUNSEL TO THE ISSUER. Such securities are generally known as "Municipal Bonds" or "Municipal Notes." Interest on certain Municipal Bonds and Municipal Notes may be a preference item for purposes of the federal alternative minimum tax. The investment adviser presently intends to avoid, to the extent possible, purchasing Municipal Bonds

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and Municipal Notes for the Fund's portfolio the interest on which would be a preference item for purposes of the federal alternative minimum tax. See "Taxes, Dividends and Distributions." The Fund will maintain a dollar-weighted average maturity of its portfolio of 90 days or less.

THE FUND WILL INVEST IN HIGH QUALITY MUNICIPAL BONDS AND NOTES WITH SHORT-TERM MATURITIES, AS FOLLOWS:

1. Municipal Bonds with remaining maturities of one year or less which have been rated, at the time of purchase, Aaa or Aa by Moody's Investors Service, Inc. ("Moody's") or AAA or AA by Standard & Poor's Ratings Group

("S&P"), or, if not rated, are of comparable quality in the judgment of the investment adviser under the direction of the Board of Directors; or

2. Municipal Notes with remaining maturities of one year or less which have been rated, at the time of purchase, MIG-1 or MIG-2 by Moody's; P-1 or P-2 by Moody's; SP-1 or SP++ by S&P; A-1 or A-2 by S&P; or, if not rated, have been issued by an issuer having outstanding debt securities rated not lower than Aa by Moody's or AA by S&P or by an issuer of comparable quality in the judgment of the investment adviser under the direction of the Board of Directors; or

3. Municipal Bonds or Notes with remaining maturities of one year or less which depend directly or indirectly on the credit of the United States Government.

The Fund utilizes the amortized cost method of valuation in accordance with regulations issued by the Securities and Exchange Commission (SEC). See "How the Fund Values its Shares." Accordingly, the Fund will limit its portfolio investments to those instruments which present minimal credit risks and which are of "eligible quality" as determined by the Fund's investment adviser under the supervision of the Board of Directors in accordance with regulations of the SEC, as they may from time to time be amended. "Eligible quality" for this purpose means a security (i) rated in one of the two highest rating categories (a) by at least two nationally recognized statistical rating organizations assigning a rating to the security or issuer or, (b) if only one rating organization assigned a rating, by that rating organization or (ii) if unrated, of comparable quality as determined by the Board of Directors.

See Appendix A in the Statement of Additional Information for a description of tax-exempt security ratings.

IN ADDITION TO CONSIDERING RATINGS ASSIGNED BY THE RATING SERVICES IN ITS SELECTION OF PORTFOLIO SECURITIES FOR THE FUND, THE INVESTMENT ADVISER WILL CONSIDER, AMONG OTHER THINGS, INFORMATION CONCERNING THE FINANCIAL HISTORY AND CONDITION OF THE ISSUER, ITS REVENUE AND EXPENSE PROSPECTS AND, IN THE CASE OF REVENUE BONDS, THE FINANCIAL HISTORY AND CONDITION OF THE SOURCE OF REVENUE TO SERVICE THE BONDS. In the event that a Municipal Bond or Note held by the Fund is assigned a lower rating or ceases to be rated, the investment adviser, under the supervision of the Board of Directors, will promptly reassess whether such security presents minimal credit risks and whether the Fund should continue to hold the security in its portfolio. If a portfolio security no longer presents minimal credit risks or is in default, the Fund will dispose of the security as soon as reasonably practicable unless the Board of Directors determines that to do so is not in the best interests of the Fund.

#### VARIABLE RATE AND FLOATING RATE SECURITIES

The Fund may invest in Municipal Bonds and Notes which are "variable rate" and "floating rate" obligations. The interest rates on such obligations fluctuate generally with changes in market interest rates and the Fund is typically able to demand repayment of the principal amount of such obligations at par plus accrued interest either, in some cases, at specified intervals of less than one year, or, in other cases, upon not less than seven days' notice. For additional information concerning variable rate and floating rate obligations, see "Investment Objective and Policies" in the Statement of Additional Information.

#### PUTS

The Fund may also purchase Municipal Bonds or Notes together with the right to resell such Bonds or Notes at an agreed-upon price or yield within a specified period prior to the maturity date of the Bonds or Notes. Such a right to resell is commonly known as a "put" or a "tender option," and the aggregate price which the Fund pays for Municipal Bonds or Notes with puts or tender options is higher than the price which would otherwise be paid for the Bonds or Notes. For a more detailed description of Municipal Bonds and Notes, and puts thereon, see "Investment Objective and Policies" in the Statement of Additional Information.

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#### WHEN-ISSUED AND DELAYED DELIVERY SECURITIES

The Fund may purchase municipal obligations on a when-issued or delayed delivery basis, in each case without limit. When municipal obligations are offered on a when-issued or delayed delivery basis, the price and coupon rate are fixed at the time the commitment to purchase is made, but delivery and payment for such securities take place at a later date. During the period between purchase and settlement, no interest accrues to the purchaser. In the case of purchases of such securities by the Fund, the price that the Fund is required to pay on the settlement date may be in excess of the market value of



the municipal obligations on that date. While securities may be sold prior to the settlement date, the Fund intends to purchase these securities with the purpose of actually acquiring them unless a sale would be desirable for investment reasons. At the time the Fund makes the commitment to purchase a municipal obligation on a when-issued or delayed delivery basis, it will record the transaction and reflect the value of the obligation, each day, in determining its net asset value. This value may fluctuate from day to day in the same manner as values of municipal obligations otherwise held by the Fund. If the seller defaults on the sale, the Fund could fail to realize the appreciation, if any, that had occurred. The Fund will establish a segregated account with its Custodian in which it will maintain cash and liquid, high-grade debt obligations equal in value to its commitments for when-issued or delayed delivery securities.

#### OTHER INVESTMENTS AND POLICIES

The Fund intends to hold portfolio securities to maturity; however, it may sell any security at any time in order to meet redemption requests or if such action, in the judgment of the investment adviser, is appropriate based on the investment adviser's evaluation of the issuer or of market conditions.

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

The Fund does not presently intend to borrow money except to the extent that the entry into reverse repurchase agreements may be considered borrowing.

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

#### INVESTMENT RESTRICTIONS

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

#### HOW THE FUND IS MANAGED

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

For the year ended December 31, 1993, total expenses of the Fund as a percentage of average net assets were .74%. See "Financial Highlights."

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#### MANAGER

PRUDENTIAL MUTUAL FUND MANAGEMENT, INC. (PMF OR THE MANAGER), ONE SEAPORT PLAZA, NEW YORK, NEW YORK 10292, IS THE MANAGER OF THE FUND AND IS COMPENSATED FOR ITS SERVICES AT AN ANNUAL RATE OF .50 OF 1% OF THE FUND'S AVERAGE DAILY NET ASSETS UP TO \$750 MILLION, .425 OF 1% OF THE FUND'S AVERAGE DAILY NET ASSETS BETWEEN \$750 MILLION AND \$1.5 BILLION AND .375 OF 1% IN EXCESS OF \$1.5 BILLION. It was incorporated in May 1987 under the laws of the State of Delaware. For the fiscal year ended December 31, 1993, the Fund paid management fees to PMF of .50% of the average net assets of the Fund. See "Manager" in the Statement of Additional Information.

As of March 31, 1994, PMF served as the manager to [37] open-end investment companies, constituting all of the Prudential Mutual Funds, and as manager or administrator to [28] closed-end investment companies with aggregate assets of approximately \$[50] billion.

UNDER THE MANAGEMENT AGREEMENT WITH THE FUND, PMF MANAGES THE INVESTMENT OPERATIONS OF THE FUND AND ALSO ADMINISTERS THE FUND'S CORPORATE AFFAIRS. SEE "MANAGER" IN THE STATEMENT OF ADDITIONAL INFORMATION.

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

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

#### DISTRIBUTOR

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

UNDER A DISTRIBUTION AND SERVICE PLAN (THE PLAN) ADOPTED BY THE FUND UNDER RULE 12B-1 UNDER THE INVESTMENT COMPANY ACT AND A DISTRIBUTION AND SERVICE AGREEMENT (THE DISTRIBUTION AGREEMENT), THE DISTRIBUTOR INCURS THE EXPENSES OF DISTRIBUTING SHARES OF THE FUND. These expenses include account servicing fees paid to, or on account of, financial advisers of Prudential Securities Incorporated (Prudential Securities) and Pruco Securities Corporation (Prusec), affiliated broker-dealers, account servicing fees paid to, or on account of, other broker-dealers or financial institutions (other than national banks) which have entered into agreements with the Distributor, advertising expenses, the cost of printing and mailing prospectuses to potential investors and indirect and overhead costs of Prudential Securities and Prusec associated with the sale of the Fund's shares, including lease, utility, communications and sales promotion expenses. There are no carry forward amounts under the Plan and interest expenses are not included under the Plan. The State of Texas requires that shares of the Fund may be sold in that state only by dealers or other financial institutions which are registered there as broker-dealers.

UNDER THE PLAN, THE FUND REIMBURSES THE DISTRIBUTOR FOR ITS DISTRIBUTION-RELATED EXPENSES AT AN ANNUAL RATE OF UP TO .125 OF 1% OF THE FUND'S AVERAGE DAILY NET ASSETS. Account servicing fees are paid based on the average balance of the Fund's shares held in the accounts of customers of financial advisers. The entire distribution fee may be used to pay account servicing fees.

The Plan provides that it shall continue in effect from year to year, provided that each such continuance is approved annually by a majority vote of the Board of Directors of the Fund, 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 Plan or any agreements related to the Plan. The Board of Directors is provided with and reviews quarterly reports of expenditures under the Plan.

For the fiscal year ended December 31, 1993, PMFD incurred distribution expenses in the aggregate of \$908,214, all of which were recovered through the distribution fees paid by the Fund to PMFD. The Fund records all payments made under the Plan as expenses in the calculation of its net investment income.

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

#### PORTFOLIO TRANSACTIONS

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

#### CUSTODIAN AND TRANSFER AND DIVIDEND DISBURSING AGENT

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

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

#### HOW THE FUND VALUES ITS SHARES

The Fund's net asset value per share or NAV is determined by subtracting its liabilities from the value of its assets and dividing the remainder by the number of outstanding shares. The Board of Directors have fixed the specific time of day for the computation of the NAV to be as of 4:30 p.m., New York time, immediately after the declaration of dividends.

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

The Fund determines the value of its portfolio securities by the amortized cost method. This method involves valuing an instrument at its cost and thereafter assuming a constant amortization to maturity of any discount or premium regardless of the impact of fluctuating interest rates on the market value of the instrument. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price the Fund would receive if it sold the instrument. During these periods, the yield to a shareholder may differ somewhat from that which could be obtained from a similar fund which marks its portfolio securities to the market each day. For example, during periods of declining interest rates, if the use of the amortized cost method resulted in lower value of the Fund's portfolio on a given day, a prospective investor in the Fund would be able to obtain a somewhat higher yield and existing shareholders would receive correspondingly less income. The converse would apply during periods of rising interest rates. The Board of Directors has established procedures designed to stabilize, to the extent reasonably possible, the Fund's NAV at \$1.00 per share. See "Net Asset Value" in the Statement of Additional Information.

#### TAXES, DIVIDENDS AND DISTRIBUTIONS

##### TAXATION OF THE FUND

THE FUND HAS ELECTED TO QUALIFY AND INTENDS TO REMAIN QUALIFIED AS A REGULATED INVESTMENT COMPANY UNDER THE INTERNAL REVENUE CODE. ACCORDINGLY, THE FUND WILL NOT BE SUBJECT TO FEDERAL INCOME TAXES ON ITS NET INVESTMENT

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INCOME AND CAPITAL GAINS, IF ANY, THAT IT DISTRIBUTES TO SHAREHOLDERS. IN ADDITION, THE FUND INTENDS TO INVEST ITS ASSETS SO THAT DIVIDENDS PAYABLE FROM NET TAX-EXEMPT INTEREST EARNED FROM MUNICIPAL BONDS AND NOTES WILL QUALIFY AS EXEMPT-INTEREST DIVIDENDS AND THUS BE EXCLUDED FROM A SHAREHOLDER'S GROSS INCOME UNDER THE INTERNAL REVENUE CODE. See "Taxes, Dividends and Distributions" in the Statement of Additional Information.

##### TAXATION OF SHAREHOLDERS

Distributions of net tax-exempt interest earned on Municipal Bonds and Municipal Notes will be excluded from a shareholder's gross income under the Internal Revenue Code. Distributions of net investment income (excluding such exempt-interest dividends) and realized net short-term capital gains in excess of net long-term capital losses of the Fund are taxable to shareholders of the Fund as ordinary income, whether such distributions are received in cash or reinvested in additional shares.

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

Distributions of net long-term capital gains (i.e., the excess of net long-term capital gains over net short-term capital losses) are taxable to shareholders as long-term capital gains regardless of how long a shareholder has held shares in the Fund. The Fund does not expect to realize long-term capital gains or losses. In determining the amount of capital gains to be distributed, any capital loss carryovers from prior years will be offset against capital gains.

Neither distributions of net investment income nor distributions of capital gains, if any, will be eligible for the 70% dividends received deduction allowed to corporate shareholders. The maximum long-term capital gains rate for individuals is currently 28%. The maximum long-term capital gains rate for corporate shareholders is currently the same as the maximum tax rate for ordinary income.

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

#### WITHHOLDING TAXES

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

#### DIVIDENDS AND DISTRIBUTIONS

THE FUND EXPECTS TO DECLARE DAILY AND PAY MONTHLY DIVIDENDS OF NET INVESTMENT INCOME AND SHORT-TERM CAPITAL GAINS, IF ANY, AND MAKE DISTRIBUTIONS ANNUALLY OF ANY NET LONG-TERM CAPITAL GAINS. A shareholder begins to earn dividends on the first business day after the settlement date of his or her order and continues to earn dividends through the day on which his or her shares are redeemed.

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

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#### GENERAL INFORMATION

##### DESCRIPTION OF COMMON STOCK

THE FUND WAS INCORPORATED IN MARYLAND ON MARCH 22, 1979, AND ITS AUTHORIZED CAPITAL STOCK CONSISTS OF THREE BILLION SHARES OF COMMON STOCK OF \$.01 PAR VALUE. Shares of the Fund, when issued, are fully paid, nonassessable, fully transferable and redeemable at the option of the shareholder. Shares are also redeemable at the option of the Fund. See "Shareholder Guide--How to Sell Your Shares." All shares are equal as to earnings, assets and voting privileges. There are no conversion, pre-emptive or other subscription rights. In the event of liquidation, each share of common stock of the Fund is entitled to its portion of all of the Fund's assets after all debts and expenses have been paid. The shares of the Fund do not have cumulative voting rights for the election of directors.

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

#### ADDITIONAL INFORMATION

This Prospectus, including the Statement of Additional Information which has been incorporated by reference herein, does not contain all the information set forth in the Registration Statement filed by the Fund with the SEC under the Securities Act of 1933. Copies of the Registration Statement may be obtained at a reasonable charge from the SEC or may be examined, without charge, at the office of the SEC in Washington, D.C.

## SHAREHOLDER GUIDE

### HOW TO BUY SHARES OF THE FUND

YOU MAY PURCHASE SHARES OF THE FUND THROUGH PRUDENTIAL SECURITIES OR PRUSEC OR DIRECTLY THROUGH ITS TRANSFER AGENT, PRUDENTIAL MUTUAL FUND SERVICES, INC., ATTENTION: INVESTMENT SERVICES, P.O. BOX 15020, NEW BRUNSWICK, NEW JERSEY 08906-5020. The minimum initial investment is \$1,000. The minimum subsequent investment is \$100. All minimum investment requirements are waived for certain retirement and employee savings plans and for custodial accounts for the benefit of minors. For purchases made through the Automatic Savings Accumulation Plan, the minimum initial and subsequent investment is \$50. See "Shareholder Services" below.

SHARES OF THE FUND ARE SOLD, WITHOUT A SALES CHARGE, AT THE NAV NEXT DETERMINED AFTER RECEIPT AND ACCEPTANCE BY PMFS OF A PURCHASE ORDER AND PAYMENT IN PROPER FORM [I.E., A CHECK OR FEDERAL FUNDS WIRED TO STATE STREET BANK & TRUST COMPANY (STATE STREET)]. SEE "HOW THE FUND VALUES ITS SHARES." {ORDERS ARE RECEIVED ON EACH BUSINESS DAY UNTIL 4:00 P.M., NEW YORK TIME.} When payment is received by PMFS prior to 4:00 P.M., New York time, in proper form, a share purchase order will be entered at the price determined as of 4:30 P.M., New York time, on that day, and dividends on the shares purchased will begin on the business day following such investment. See "Taxes, Dividends and Distributions."

Application forms can be obtained from PMFS, Prudential Securities or Prusec. If a stock certificate is desired, it must be requested in writing for each transaction. Certificates are issued only for full shares. Shareholders who hold their shares through Prudential Securities will not receive stock certificates. Shareholders cannot utilize Expedited Redemption or Check Redemption or have a Systematic Withdrawal Plan if they have been issued share certificates.

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

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

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

### PURCHASE THROUGH PRUDENTIAL SECURITIES

If you have an account with Prudential Securities (or open such an account), you may ask Prudential Securities to purchase shares of the Fund on your behalf. On the business day following confirmation that a free credit balance (i.e., immediately available funds) exists in your account, Prudential Securities will effect a purchase order for shares of the Fund in an amount up to the balance at the NAV determined on that day. Funds held by Prudential Securities on behalf of its clients in the form of free credit balances are delivered to State Street by Prudential Securities and begin earning dividends the second business day after receipt of the order by Prudential Securities. Accordingly, Prudential Securities will have the use of such free credit balances during this period.

Shares of the Fund purchased by Prudential Securities on behalf of its clients will be held by Prudential Securities as record holder. Prudential Securities will therefore receive statements and dividends directly from the Fund and will in turn provide investors with Prudential Securities account statements reflecting purchases, redemptions and dividend payments. Although Prudential Securities clients who purchase shares of the Fund through Prudential Securities may not redeem shares of the Fund by check, Prudential Securities may provide its clients with alternative forms of immediate access to monies invested in shares of the Fund.

Prudential Securities clients wishing additional information concerning investment in Fund shares made through Prudential Securities should call their Prudential Securities financial adviser.

**AUTOMATIC INVESTMENT.** Prudential Securities has advised the Fund that it has instituted procedures pursuant to which, upon enrollment by a Prudential Securities client, Prudential Securities will make automatic investments of free credit balances of \$1,000 or more (Eligible Credit Balances) held in such client's account in shares of the Fund (Autosweep). To effect the automatic investment of Eligible Credit Balances representing the proceeds from the sale of securities, Prudential Securities will enter orders for the purchase of Fund shares at the opening of business on the day following the settlement of such securities transactions; to effect the automatic investment of Eligible Credit Balances representing non-trade related credits, Prudential Securities will enter orders for the purchase of Fund shares at the opening of business semi-monthly. All shares purchased pursuant to such procedures will be issued at the net asset value of such shares determined on the date the order is entered and will receive the next dividend declared after such shares are issued.

**SELF-DIRECTED INVESTMENT.** Prudential Securities clients not electing the automatic investment of Eligible Credit Balances may continue to place orders for the purchase of Fund shares through Prudential Securities, subject to minimum initial and subsequent investment requirements as described above.

A Prudential Securities client who has not elected Autosweep (see "Automatic Investment" above) and who does not place a purchase order promptly after funds are credited to his or her Prudential Securities account will have a free credit balance with Prudential Securities and will not begin earning dividends on shares of the Fund until the second business day after receipt of the order by Prudential Securities. Accordingly, Prudential Securities may have the use of such free credit balances during this period.

#### PURCHASE THROUGH PRUSEC

You may purchase shares of the Fund by placing an order with your Prusec registered representative accompanied by payment for the purchase price of such shares and, in the case of a new account, a completed application form. You should also submit an IRS Form W-9. The Prusec registered representative will then forward these items to PMFS. See "Purchase by Mail" below.

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#### PURCHASE BY WIRE

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

If you arrange for receipt by State Street of Federal Funds prior to 4:00 P.M., New York time, on a business day, you may purchase Fund shares as of that day and receive dividends commencing on the next business day.

In making a subsequent purchase order by wire, you should wire State Street directly, and should be sure that the wire specifies Prudential Tax-Free Money Fund and your name and individual account number. It is not necessary to call PMFS to make subsequent purchase orders by wire. The minimum amount which may be invested by wire is \$1,000.

#### PURCHASE BY MAIL

Purchase orders for which remittance is to be made by check or money order may be submitted directly by mail to Prudential Mutual Fund Services, Inc., Attention: Investment Services, P.O. Box 15020, New Brunswick, NJ 08906-5020, together with payment for the purchase price of such shares and, in the case of a new account, a completed application form. You should also submit an IRS Form W-9. If PMFS receives an order to purchase shares of the Fund prior to 4:00 P.M., New York time, and payment by check, the purchase order will be effective that day and you will be entitled to dividends the following business day. See "Taxes, Dividends and Distributions." Checks should be made payable to Prudential Tax-Free Money Fund. Certified checks are not necessary, but checks must be drawn on a bank located in the United States. There are restrictions on the redemption of shares purchased by check while funds are being collected. See "How to Sell Your Shares."

PURCHASE BY HOLDERS OF PRUDENTIAL SECURITIES UNIT TRUSTS

Holders of Prudential sponsored Unit Trusts may elect to have monthly distributions paid by such Unit Trusts reinvested in shares of the Fund without compliance with the investment minimums described under "How to Buy Shares of the Fund."

THE PRUDENTIAL ADVANTAGE ACCOUNT PROGRAM

Shares of the Fund are offered to participants in the Prudential Advantage Account Program (the Advantage Account Program), a financial services program available to clients of Pruco Securities Corporation. Investors participating in the Advantage Account Program may select the Fund as their primary investment vehicle. Such investors will have the free credit cash balances in their Securities Account (a component of the Advantage Account Program carried through Prudential Securities) automatically invested in shares of the Fund. For free credit cash balances of \$1,000 or more, an order to purchase shares of the Fund will be placed on the business day following confirmation that a free credit cash balance exists. For free credit cash balances of less than \$1,000 an order will be placed on Monday of each week or on the next business day if Monday is a holiday. Prudential Securities will have the use of such free credit cash balances during this period.

Participation in the Advantage Account Program will allow you to utilize checkwriting and VISA debit card privileges. Redemptions will be automatically effected to satisfy debit balances arising under the Advantage Account Program, such as those incurred by use of the VISA Account, i.e., VISA card charges, or checks. Each Advantage Account Program Securities Account will be automatically scanned for debits each business day, as of the close of business, and a sufficient number of shares of the Fund (if selected as the primary fund) will be redeemed as of that day to satisfy such debits. Advantage Account participants will not be entitled to dividends declared on the date of redemption.

Advantage Account Program charges and expenses are not reflected in the Table of Fund Expenses. See "Fund Expenses."

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For information on participation in the Advantage Account Program, you should telephone (800) 235-7637 (toll-free).

HOW TO SELL YOUR SHARES

YOU CAN REDEEM YOUR SHARES AT ANY TIME FOR CASH AT THE NAV NEXT DETERMINED AFTER THE REDEMPTION REQUEST IS RECEIVED IN PROPER FORM BY THE TRANSFER AGENT OR PRUDENTIAL SECURITIES. SEE "HOW THE FUND VALUES ITS SHARES." ORDERS ARE RECEIVED ON EACH BUSINESS DAY UNTIL 4:00 P.M., NEW YORK TIME.

Shares for which a redemption request is received by PMFS prior to 4:00 P.M., New York time, are entitled to a dividend on the day on which the request is received. By pre-authorizing Expedited Redemption, you may arrange to have payment for redeemed shares made in Federal Funds wired to your bank, normally on the next bank business day following the date of receipt of the redemption instructions. Should you redeem all of your shares, you will receive the amount of all dividends declared for the month-to-date on those shares. See "Taxes, Dividends and Distributions."

If redemption is requested by a corporation, partnership, trust or fiduciary, written evidence of authority acceptable to the Transfer Agent must be submitted before such request will be accepted. All correspondence and documents concerning redemptions should be sent to the Fund in care of its Transfer Agent, Prudential Mutual Fund Services, Inc., Attention: Redemption Services, P.O. Box 15010, New Brunswick, New Jersey 08906-5010.

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

NORMALLY, THE FUND MAKES PAYMENT ON THE NEXT BUSINESS DAY FOR ALL SHARES REDEEMED, BUT IN ANY EVENT, PAYMENT IS MADE WITHIN SEVEN DAYS AFTER RECEIPT BY PMFS OF STOCK CERTIFICATES AND/OR OF A REDEMPTION REQUEST IN PROPER FORM.

However, the Fund may suspend the right of redemption or postpone the date of payment (a) for any periods during which the New York Stock Exchange is closed (other than for customary weekend or holiday closings), (b) for any periods when trading in the markets which the Fund normally utilizes is closed or restricted or an emergency exists as determined by the SEC so that disposal of the Fund's investments or determination of its NAV is not reasonably practicable or (c) for such other periods as the SEC may permit for protection of the Fund's shareholders; provided that applicable rules and regulations of the SEC shall govern as to whether the conditions in (b) or (c) exist.

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

#### REDEMPTION OF SHARES PURCHASED THROUGH PRUDENTIAL SECURITIES

Prudential Securities clients for whom Prudential Securities has purchased shares of the Fund may have these shares redeemed only by instructing their Prudential Securities financial adviser orally or in writing.

Prudential Securities has advised the Fund that it has established procedures pursuant to which shares of the Fund held by a Prudential Securities client having a deficiency in his or her Prudential Securities account will be redeemed automatically to the extent of that deficiency to the nearest highest dollar, unless the client notifies Prudential Securities to the contrary. The amount of the redemption will be the lesser of (a) the total NAV of Fund shares held in the client's Prudential Securities account or (b) the deficiency in the client's Prudential Securities account at the close of business on the date such deficiency is due. Accordingly, a Prudential Securities client

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utilizing this automatic redemption procedure and who wishes to pay for a securities transaction or meet any market action related deficiency in his or her account other than through such automatic redemption procedure must do so not later than the day of settlement for such securities transaction or the date such market action related deficiency is incurred. Prudential Securities clients who have elected to utilize Autosweep will not be entitled to dividends declared on the date of redemption.

#### REDEMPTION OF SHARES PURCHASED THROUGH PMFS

If you purchase shares of the Fund through PMFS, you may use Check Redemption, Expedited Redemption or Regular Redemption. Prudential Securities clients for whom Prudential Securities has purchased shares may not use such services.

REGULAR REDEMPTION. You may redeem your shares by sending a written request, accompanied by duly endorsed share certificates, if issued, to PMFS, Attention: Redemption Services, P.O. Box 15010, New Brunswick, NJ 08906-5010. In this case, all share certificates must be endorsed by you with signature guaranteed, as described above. PMFS may request further documentation from corporations, executors, administrators, trustees or guardians. Regular redemption is made by check sent to the shareholder's address.

EXPEDITED REDEMPTION. By pre-authorizing Expedited Redemption, you may arrange to have payment for redeemed shares made in Federal Funds wired to the shareholder's bank, normally on the next business day following redemption. In order to use Expedited Redemption, you may so designate at the time the initial application form is filed or at a later date. Once the Expedited Redemption authorization form has been completed, the signature on the authorization form guaranteed as set forth below and the form returned to Prudential Mutual Fund Services, Inc., Attention: Redemption Services, P.O. Box 15010, New Brunswick, NJ 08906-5010, requests for redemption may be made by telegraph, letter or telephone. To request Expedited Redemption by telephone, a shareholder should call PMFS at (800) 225-1852. Calls must be received by PMFS before 4:00 P.M., New York time to permit redemption as of such date. Requests by letter should be addressed to Prudential Mutual Fund Services, Inc., at the address set forth above.

A signature guarantee is not required under Expedited Redemption once the authorization form is properly completed and returned. The Expedited Redemption privilege may be used only to redeem shares in an amount of \$200 or more, except that, if an account for which Expedited Redemption is requested has a net asset value of less than \$200, the entire account must be redeemed. The proceeds of redeemed shares in the amount of \$1,000 or more are transmitted by wire to your account at a domestic commercial bank which is a



member of the Federal Reserve System. Proceeds of less than \$1,000 are forwarded by check to your designated bank account.

DURING PERIODS OF SEVERE MARKET OR ECONOMIC CONDITIONS, EXPEDITED REDEMPTION MAY BE DIFFICULT TO IMPLEMENT, AND YOU SHOULD REDEEM SHARES BY MAIL AS DESCRIBED ABOVE.

CHECK REDEMPTION. At your request, State Street will establish a personal checking account for you. Checks drawn on this account can be made payable to the order of any person in any amount greater than \$500. When such check is presented to State Street for payment, State Street presents the check to the Fund as authority to redeem a sufficient number of shares of the Fund in your account to cover the amount of the check. If insufficient shares are in the account, or if the purchase was made by check within 10 days, the check will be returned marked "insufficient funds." Checks in an amount less than \$500 will not be honored. Shares for which certificates have been issued cannot be redeemed by check. PMFS reserves the right to impose a service charge to establish a checking account and order checks.

#### INVOLUNTARY REDEMPTION

Because of the relatively high cost of maintaining an account, the Fund reserves the right to redeem, upon 60 days' written notice, an account which is reduced by a shareholder to an NAV of \$500 or less due to redemption. You may avoid such redemption by increasing the NAV of your account to an amount in excess of \$500.

#### 30-DAY REPURCHASE PRIVILEGE

If you redeem your shares and have not previously exercised the repurchase privilege, you may reinvest any portion or all of the proceeds of such redemption in shares of the Fund at the NAV next determined after the order is received, which must be within 30 days

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after the date of the redemption. Exercise of the repurchase privilege will not affect the federal income tax treatment of any gain realized upon the redemption. If the redemption resulted in a loss, some or all of the loss, depending on the amount reinvested, will generally not be allowed for federal income tax purposes.

#### CLASS B PURCHASE PRIVILEGE

You may direct that the proceeds of a redemption of Fund shares be invested in Class B shares of any Prudential Mutual Fund by calling your Prudential Securities financial adviser or the Transfer Agent at (800) 225-1852. The transaction will be effected on the basis of the relative NAV.

#### HOW TO EXCHANGE YOUR SHARES

AS A SHAREHOLDER OF THE FUND, YOU MAY EXCHANGE YOUR SHARES FOR SHARES OF CERTAIN OTHER PRUDENTIAL MUTUAL FUNDS, INCLUDING MONEY MARKET FUNDS AND FUNDS SOLD WITH AN INITIAL SALES CHARGE, SUBJECT TO THE MINIMUM INVESTMENT REQUIREMENTS OF SUCH FUNDS ON THE BASIS OF RELATIVE NAV. You may exchange your shares for Class A shares of the Prudential Mutual Funds on the basis of the relative NAV plus the applicable sales charge. No additional sales charge is imposed in connection with subsequent exchanges. You may not exchange your shares for Class B shares of the Prudential Mutual Funds, except that shares acquired prior to January 22, 1990 subject to a contingent deferred sales charge can be exchanged for Class B shares. See "How to Sell Your Shares--Class B Purchase Privilege" above and "Shareholder Investment Account--Exchange Privilege" in the Statement of Additional Information. An exchange will be treated as a redemption and purchase for tax purposes.

IN ORDER TO EXCHANGE SHARES BY TELEPHONE, YOU MUST AUTHORIZE TELEPHONE EXCHANGES ON YOUR INITIAL APPLICATION FORM OR BY WRITTEN CONSENT TO THE TRANSFER AGENT AND HOLD SHARES IN NON-CERTIFICATE FORM. Thereafter, you may call the Fund at (800) 225-1852 to execute a telephone exchange of shares, weekdays, except holidays, between the hours of 8:00 a.m. and {4:00} P.M., New York time. For your protection and to prevent fraudulent exchanges, your telephone call will be recorded and you will be asked to provide your personal identification number. A written confirmation of the exchange transaction will be sent to you. All exchanges will be made on the basis of the relative NAV of the two funds next determined after the request is received in good order. The Exchange Privilege is available only in states where the exchange may legally be made.

IF YOU HOLD SHARES OF THE FUND THROUGH PRUDENTIAL SECURITIES, YOU MUST

EXCHANGE YOUR SHARES BY CONTACTING YOUR PRUDENTIAL SECURITIES FINANCIAL ADVISER. IF YOU HOLD CERTIFICATES, THE CERTIFICATES, SIGNED IN THE NAME(S) SHOWN ON THE FACE OF THE CERTIFICATES, MUST BE RETURNED IN ORDER FOR THE SHARES TO BE EXCHANGED. See "How to Sell Your Shares" above.

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

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

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

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

#### SHAREHOLDER SERVICES

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

. AUTOMATIC REINVESTMENT OF DIVIDENDS AND/OR DISTRIBUTIONS. For your convenience, all dividends and distributions are automatically reinvested in full and fractional shares of the Fund at NAV. You may direct the Transfer Agent in writing not less than 5 full

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business days prior to the record date to have subsequent dividends and/or distributions sent in cash rather than reinvested. If you hold shares through Prudential Securities, you should contact your financial adviser.

. AUTOMATIC SAVINGS ACCUMULATION PLAN (ASAP). Under ASAP you may make regular purchases of Fund shares in amounts as little as \$50 via an automatic charge to a bank account or Prudential Securities account (not including a Command Account). For additional information about this service, you may contact your Prudential Securities financial adviser, Prusec registered representative or the Transfer Agent directly.

. SYSTEMATIC WITHDRAWAL PLAN. A systematic withdrawal plan is available for shareholders having shares of the Fund which provides for monthly or quarterly checks. If you hold your shares through Prudential Securities, you should contact your financial adviser.

MULTIPLE ACCOUNTS. Special procedures have been designed for banks and other institutions that wish to open multiple accounts. An institution may open a single master account by filing an Application Form with Prudential Mutual Fund Services, Inc. (PMFS or the Transfer Agent), [Attention: Customer Service, P.O. Box 15005, New Brunswick, New Jersey 08906,] signed by personnel authorized to act for the institution. Individual sub-accounts may be opened at the time the master account is opened by listing them, or they may be added at a later date by written advice or by filing forms supplied by the Fund. Procedures are available to identify sub-accounts by name and number within the master account name. The investment minimums set forth above are applicable to the aggregate amounts invested by a group and not to the amount credited to each sub-account.

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

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

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

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THE PRUDENTIAL MUTUAL FUND FAMILY

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

TAXABLE BOND FUNDS

Prudential Adjustable Rate Securities Fund, Inc.  
Prudential GNMA Fund  
Prudential Government Plus Fund  
Prudential Government Securities Trust  
Intermediate Term Series  
Prudential High Yield Fund  
Prudential Structured Maturity Fund  
Income Portfolio  
Prudential U.S. Government Fund  
The BlackRock Government Income Trust

TAX-EXEMPT BOND FUNDS

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

GLOBAL FUNDS

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

EQUITY FUNDS

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

MONEY MARKET FUNDS

. Taxable Money Market Funds  
Prudential Government Securities Trust

Money Market Series  
 U.S. Treasury Money Market Series  
 Prudential Special Money Market Fund  
 Money Market Series  
 Prudential MoneyMart Assets  
   . Tax-Free Money Market Funds  
 Prudential Tax-Free Money Fund  
 Prudential California Municipal Fund  
   California Money Market Series  
 Prudential Municipal Series Fund  
   Connecticut Money Market Series  
   Massachusetts Money Market Series  
   New Jersey Money Market Series  
   New York Money Market Series  
   . Command Funds  
 Command Money Fund  
 Command Government Fund  
 Command Tax-Free Fund  
   . Institutional Money Market Funds  
 Prudential Institutional Liquidity Portfolio, Inc.  
   Institutional Money Market Series

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

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PRUDENTIAL  
TAX-FREE  
MONEY FUND

{LOGO}

PRUDENTIAL MUTUAL FUNDS  
BUILDING YOUR FUTURE  
ON OUR STRENGTH

PRUDENTIAL TAX-FREE MONEY FUND

Statement of Additional Information  
dated May 2, 1994

Prudential-Bache Tax-Free Money Fund, Inc., doing business as Prudential Tax-Free Money Fund (the Fund), is an open-end diversified management investment company whose investment objective is to attain for investors the highest level of current income that is exempt from federal income taxes, consistent with liquidity and the preservation of capital. The Fund will invest in short-term tax-exempt debt securities of state and local governments. See "Investment Objective and Policies." The Fund's address is One Seaport Plaza, New York, New York 10292, and its telephone number is (800) 225-1852.

This Statement of Additional Information is not a prospectus. It is intended to be read in conjunction with the Fund's Prospectus, dated May 2, 1994. A copy of the Prospectus may be obtained from the Fund at the address or telephone number noted above.

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GENERAL INFORMATION

On February 28, 1991, the Board of Directors approved an amendment to the Fund's Article of Incorporation to change the Fund's name to Prudential Tax-Free Money Fund, Inc. and authorized the Fund to do business under the name Prudential Tax-Free Money Fund until the next annual or special meeting of shareholders at which time the amendment will be submitted to shareholders for their approval.

INVESTMENT OBJECTIVE AND POLICIES

The investment objective of the Fund is to attain for investors the highest level of current income that is exempt from federal income taxes, consistent with liquidity and the preservation of capital. The Fund will seek to achieve its investment objective by investing in a diversified portfolio of short-term debt obligations issued by states, territories and possessions of the United States and by the District of Columbia, and their political subdivisions, duly constituted authorities and corporations, the interest from which is wholly-exempt from federal income tax in the opinion of bond counsel to the issuer. Such securities are generally known as "Municipal Bonds" or "Municipal Notes." Interest on certain Municipal Bonds and Municipal Notes may be a preference item for purposes of the federal alternative minimum tax. See "Taxes, Dividends & Distributions."

The investment objective and policies of the Fund other than those described under "Investment Restrictions" may be changed by the Board of Directors of the Fund without shareholder approval. Such changes may result in the Fund having investment objectives different from the objectives which the shareholder considered appropriate at the time of investment in the Fund.

Municipal Bonds and Notes

**Municipal Bonds.** Municipal Bonds are generally issued to obtain funds for various public purposes, including construction of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, schools, streets and water and sewer works. They may also be issued to refund outstanding obligations, to meet general operating expenses or to obtain funds to lend to other public institutions and facilities. Municipal Bonds also include bonds issued by or on behalf of public authorities in order to obtain funds with which to provide privately operated housing facilities, sports facilities, pollution control facilities, convention or trade show facilities, industrial, port or parking facilities and facilities for water supply, gas, electricity or waste disposal. These bonds typically are revenue bonds and generally do not carry the pledge of the issuer's credit.

Municipal Bonds may be general obligation or revenue bonds. General obligation bonds are secured by the issuer's pledge of its faith, credit and taxing power for the payment of principal and interest. Revenue bonds are payable from the revenues derived from a particular facility or class of facilities or from the proceeds of a special excise tax or other specific revenue source but not from the general taxing power.

**Municipal Notes.** Municipal Notes are short-term obligations generally with a maturity, at the time of issuance, ranging from six months to three years. The principal types of Municipal Notes include tax anticipation notes, bond anticipation notes and revenue anticipation notes. Municipal Notes sold in anticipation of collection of taxes, a bond sale, or receipt of other revenues, are usually general obligations of the issuing municipality or agency.

Municipal Notes also include tax-exempt or municipal commercial paper, which is likely to be issued to meet seasonal working capital needs of a municipality or interim construction financing and to be paid from general revenues of the municipality or refinanced with long-term debt. In most cases municipal commercial paper is backed by letters of credit, lending agreements, note repurchase agreements or other credit facility agreements offered by banks or other institutions.

Variable Rate and Floating Rate Securities. The interest rates payable on

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

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Puts. The Fund may purchase Municipal Bonds or Notes together with the right to resell the Municipal Bonds or Notes to the seller at an agreed-upon price or yield within a specified period prior to the maturity date of the Bonds or Notes. Such a right to resell is commonly known as a "put" or "tender option," and the aggregate price which the Fund pays for Municipal Bonds or Notes with puts or tender options is higher than the price which otherwise would be paid for the Bonds or Notes. Consistent with the Fund's investment objective and subject to the supervision of the Board of Directors, the primary purpose of this practice is to permit the Fund to be fully invested in securities, the interest on which is exempt from federal income taxes while preserving the necessary liquidity to purchase securities on a when-issued basis, to meet unusually large redemptions and to purchase, at a later date, securities other than those subject to the put. The Fund's policy is generally to exercise the puts or tender options on their expiration date when the exercise price is higher than the current market price for related Municipal Bonds or Notes. Puts or tender options may be exercised prior to the expiration date in order to fund obligations to purchase other securities or to meet redemption requests. These obligations may arise during periods in which proceeds from sales of Fund shares and from recent sales of portfolio securities are insufficient to meet such obligations or when the funds available are otherwise allocated for investment. In addition, puts may be exercised prior to the expiration date in the event the Fund's investment adviser revises its evaluation of the creditworthiness of the issuer of the underlying security. In determining whether to exercise puts or tender options prior to their expiration date and in selecting which puts or tender options to exercise in such circumstances, the investment adviser considers, among other things, the amount of cash available to the Fund, the expiration dates of the available puts or tender options, any future commitments for securities purchases, the yield, quality and maturity dates of the underlying securities, alternative investment opportunities and the desirability of retaining the underlying securities in the Fund's portfolio.

The Fund values Municipal Bonds and Notes which are subject to puts or tender options at amortized cost; no value is assigned to the put or tender option. The cost of the put or tender option is carried as an unrealized loss from the time of purchase until it is exercised or expires. The value of the put or tender option is dependent on the ability of the put writer to meet its obligation of repurchase, and it is the Fund's general policy to enter into put or tender option transactions only with such brokers, dealers or other financial institutions which present minimal credit risks. There is a credit risk associated with the purchase of puts or tender options in that the broker, dealer or financial institution might default on its obligation to repurchase an underlying security. The Fund has received a ruling of the Internal Revenue Service to the effect that the Fund will be considered the owner of the Municipal Bonds or Notes subject to the puts or tender options so that the interest on the Bonds or Notes will be tax-exempt income to the Fund.

When-Issued and Delayed Delivery Securities. Municipal Bonds and Notes are frequently offered on a when-issued or delayed delivery basis. When so offered, the price and coupon rate are fixed at the time the commitment to purchase is made, but delivery and payment for the when-issued securities take place at a later date. Normally, the settlement date occurs within one week of the purchase of Municipal Notes and within one month of the purchase of Municipal Bonds. The purchase price and the interest rate payable on the securities are fixed on the transaction date. The securities so purchased are subject to market fluctuation and, during the period between purchase and settlement, no interest accrues to

the purchaser. While securities may be sold prior to the settlement date, the Fund intends to purchase such securities with the purpose of actually acquiring them unless a sale would be desirable for investment reasons. At the time the Fund makes the commitment to purchase a Municipal Bond or Note on a when-issued or delayed delivery basis, it will record the transaction and reflect the value of the Bond or Note in determining its net asset value. The Fund will also establish a segregated account with its custodian bank in which it will maintain cash and other Municipal Bonds or Notes equal in value to commitments for when-issued or delayed delivery securities. Such Municipal Bonds or Notes will either mature on or about the settlement date or will be Bonds or Notes as to which the Fund has a put exercisable on or about the settlement date. If the Fund chooses to dispose of the right to acquire a when-issued or delayed delivery security prior to the settlement date, it could, as with the disposition of any other portfolio obligation, incur a gain or loss due to market fluctuation. The Fund does not believe that its net asset value or net investment income will be adversely affected by its purchase of Municipal Bonds or Notes on a when-issued or delayed delivery basis. The Fund may invest in when-issued or delayed delivery securities without other limitation.

Other Matters. For purposes of diversification under the Investment Company Act of 1940, as amended (the Investment Company Act), the identification of the issuer of Municipal Bonds or Notes depends on the terms and conditions of the obligation. If the assets and revenues of an agency, authority, instrumentality or other political subdivision are separate from those of the government creating the subdivision, and the obligation is backed only by the assets and revenues of the subdivision, such subdivision would be regarded as the sole issuer. Similarly, in the case of a private activity revenue bond or pollution control revenue bond, if the bond is backed only by the assets and revenues of the nongovernmental user, the nongovernmental user would be regarded as the sole issuer. If in either case the creating government or another entity guarantees an obligation, the guarantee would be regarded as a separate security and treated as an issue of such government or entity.

#### Portfolio Turnover

Portfolio turnover rate is defined as the lesser of the amount of the securities purchased or securities sold, excluding all securities whose maturity or expiration date at the time of acquisition was one year or less, divided by the average monthly value of such securities

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owned during the year. Because the Fund's portfolio will contain only securities maturing within one year, the Fund does not expect to have a turnover rate as so defined. However, because of the short-term nature of the Fund's portfolio, it expects to have substantial amounts of portfolio transactions. The Fund does not expect to pay any material amounts of brokerage commissions, but transaction costs exist in the form of spreads between bid and asked price.

#### INVESTMENT RESTRICTIONS

The investment restrictions listed below have been adopted by the Fund as fundamental policies. Under the Investment Company Act, a fundamental policy cannot be changed without the approval of the holders of a majority of the Fund's outstanding voting securities which means the lesser of (1) 67% of the Fund's shares represented at a meeting at which more than 50% of the outstanding shares are present in person or represented by proxy, or (2) more than 50% of the Fund's outstanding shares. Any investment restrictions which involve a maximum percentage of securities or assets shall not be considered to be violated unless an excess over the percentage occurs immediately after, and is caused by an acquisition or encumbrance of securities or assets of, or borrowings by, the Fund.

The Fund may not:

(1) Invest in securities other than Municipal Bonds and Notes as described under "Investment Objective and Policies."

(2) Invest more than 5% of the market or other fair value of its total assets in the securities of any one issuer (other than obligations of, or guaranteed by, the United States Government, its agencies or instrumentalities or secured by such obligations). See "Municipal Bonds and Notes" under "Investment Objective and Policies" for definition of an issuer.

(3) Make short sales of securities.

(4) Purchase securities on margin, except for such short-term credits as are necessary for the clearance of purchases and sales of portfolio securities.

(5) Borrow money, except that the Fund may borrow for temporary purposes in amounts not exceeding 5% of the market or other fair value (taken at the lower of cost or current value) of its total assets (not including the amount



borrowed). Any such borrowings will be made only from banks. Secured temporary borrowings may take the form of reverse repurchase agreements, pursuant to which the Fund would sell portfolio securities for cash and simultaneously agree to repurchase them at a specified date for the same amount of cash plus an interest component. The Fund would maintain, in a segregated account with its custodian, liquid assets equal in value to the amount owed.

(6) Pledge its assets or assign or otherwise encumber them in excess of 10% of its assets (taken at market or other fair value at the time of pledging) and then only to secure borrowings effected within the limitations set forth in restriction (5).

(7) Engage in the underwriting of securities.

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

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

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

(11) Invest for the purpose of exercising control or management of another company.

(12) Write, purchase or sell puts, calls, or combinations thereof, except that it may obtain rights to resell Municipal Bonds and Notes as set forth under "Investment Objective and Policies."

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

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

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

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In order to comply with certain state "blue sky" restrictions, the Fund will not invest more than 10% of its total assets in repurchase agreements which have a maturity of longer than seven days or in other illiquid securities, including securities that are illiquid by virtue of the absence of a readily available market or legal or contractual restrictions on resale. Securities eligible for resale in accordance with Rule 144A under the Securities Act of 1933 that have legal or contractual restrictions on resale but have a readily available market will not be considered illiquid for purposes of this limitation if determined to be liquid by the Board of Directors. Repurchase agreements subject to demand are deemed to have a maturity equal to the notice period.

DIRECTORS AND OFFICERS

<TABLE>

<CAPTION>

Name and Address	Position With Fund	Principal Occupations During Past 5 Years
<S>	<C>	<C>
Delayne Dedrick Gold c/o Prudential Mutual Fund Management, Inc. One Seaport Plaza New York, NY	Director	Marketing and Management Consultant.
Arthur Hauspurg c/o Prudential	Director	Trustee and former President, Chief Executive Officer and Chairman of the Board of Consolidated Edison Company of

Mutual Fund  
Management, Inc.  
One Seaport Plaza  
New York, NY

New York, Inc.; Director of COMSAT Corp.

\*Harry A. Jacobs,  
Jr.  
One Seaport Plaza  
New York, NY

Director

Senior Director (since January 1986) of Prudential Securities; formerly Chairman of the Board (1982-1985) of Prudential Securities and Chairman of the Board and Chief Executive Officer of Bache Group Inc. (1977-1982); Trustee of the Trudeau Institute; Director of the Center for National Policy, The First Australia Fund, Inc., The First Australia Prime Income Fund, Inc., The Global Government Plus Fund, Inc. and The Global Yield Fund, Inc.

Thomas J. McCormack  
175 Fifth Avenue  
New York, NY

Director

Chairman, Chief Executive Officer and Editorial Director (since 1987) and President (1970-1987) of St. Martin's Press, Inc.; Director of Macmillan Publishers Limited (London) and Pan Books, Limited (London).

\*Lawrence C. McQuade  
One Seaport Plaza  
New York, NY

President and  
Director

Vice Chairman of PMF (since 1988); Managing Director, Investment Banking of Prudential Securities Incorporated (Prudential Securities) (1988-1991); Director of Quixote Corporation (since February 1992) and BUNZL, PLC (since June 1991); formerly, Director of Crazy Eddie Inc. (1987-1990) and Director of Kaiser Tech, Ltd., Kaiser Aluminum and Chemical Corp. (March 1987-November 1988); formerly Executive Vice President and Director of WR Grace & Company; President and Director of The Global Government Plus Fund Inc., The Global Yield Fund, Inc. and The High Yield Income Fund, Inc.

Stephen P. Munn  
101 So. Salina  
Street  
Syracuse, NY

Director

Chairman (since January 1994), Director and President (since 1988) and Chief Executive Officer (1988-December 1993) of Carlisle Companies Incorporated; formerly President of Carrier Transicold (a division of United Technologies Carrier) (1985-1988).

Louis A. Weil, III  
120 E. Van Buren  
Phoenix, AZ

Director

Publisher and Chief Executive Officer, Phoenix Newspapers, Inc. (since August 1991); Director of Central Newspapers, Inc. (since September 1991); prior thereto, Publisher of Time Magazine (May 1989-March 1991); formerly, President, Publisher and Chief Executive Officer of The Detroit News (February 1986-August 1989); formerly member of the Advisory Board, Chase Manhattan Bank-Westchester; Director of The Global Government Plus Fund, Inc.

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<TABLE>  
<CAPTION>

Name and Address	Position With Fund	Principal Occupations During Past 5 Years
<S>	<C>	<C>
David W. Drasnin 39 Public Square Suite 500 Wilkes-Barre, PA	Vice President	Vice President and Branch Manager of Prudential Securities.
Robert F. Gunia One Seaport Plaza New York, NY	Vice President	Chief Administrative Officer (since July 1990), Director (since January 1989), Executive Vice President, Treasurer and Chief Financial Officer (since June 1987) of PMF; Senior Vice President (since March 1987) of Prudential Securities; Vice President and Director of The Asia Pacific Fund, Inc. (since May 1989) and Vice President and Director (since February 1992) of Nicholas-Applegate Fund, Inc.
Susan C. Cote One Seaport Plaza New York, NY	Treasurer	Senior Vice President (since January 1989) and First Vice President (June 1987-December 1988) of PMF; Senior Vice President (since January 1992) and Vice President (January 1986-December 1991) of Prudential Securities.
S. Jane Rose One Seaport Plaza New York, NY	Secretary	Senior Vice President (since January 1991), Senior Counsel (since June 1987) and First Vice President (June 1987-December 1990) of PMF; Senior Vice President and Senior Counsel of Prudential Securities (since July 1992); formerly Vice President and Associate General Counsel of Prudential Securities.

Ronald Amblard  
One Seaport Plaza  
New York, NY

Assistant  
Secretary

Vice President (since January 1991), and Associate General Counsel (since January 1992) of PMF; Vice President and Associate General Counsel of Prudential Securities (since January 1992); Assistant General Counsel (August 1988-December 1991) and Associate Vice President (January 1989-December 1990) of PMF.

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\* "Interested" director, as defined in the Investment Company Act by reason of their affiliation with Prudential Securities or PMF.  
</TABLE>

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

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

The Fund pays each of its directors who is not an affiliated person of PMF or The Prudential Investment Corporation (PIC) annual compensation of \$6,000, in addition to certain out-of-pocket expenses. The Chairman of the Audit Committee receives an additional \$200 per year.

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

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

As of February 11, 1994, Prudential Securities was the record holder for other beneficial owners of 675,091,510 shares (or {96}%) of the outstanding common stock of the Fund. In the event of any meetings of shareholders, Prudential Securities will forward, or cause the forwarding of, proxy materials to the beneficial owners for which it is the record holder.

#### MANAGER

The manager of the Fund is Prudential Mutual Fund Management, Inc., One Seaport Plaza, New York, New York 10292 (PMF or the Manager). PMF serves as manager of the other investment companies that, together with the Fund, comprise the "Prudential Mutual Funds." See "How the Fund is Managed" in the Prospectus. As of March 31, 1994, PMF managed and/or administered open-end and

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closed-end management investment companies with assets of approximately \$51 billion. According to the Investment Company Institute, as of [\_\_\_\_], 1994, the Prudential Mutual Funds were the [10]th largest family of mutual funds in the United States.

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

For its services, PMF receives, pursuant to the Management Agreement, a fee at an annual rate of .50 of 1% of the Fund's average daily net assets up to \$750 million, .425 of 1% of the Fund's average daily net assets between \$750 million and a \$1.5 billion and .375 of 1% in excess of \$1.5 billion. The fee is computed

daily and payable monthly. The Management Agreement provides that, in the event the expenses of the Fund (including the fees payable to 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 to PMF will be reduced by the amount of such excess. Reductions in excess of the total compensation payable to PMF will be paid by PMF to the Fund. Currently, the Fund believes that the most restrictive expense limitation of state securities commissions is 2 1/2% of the Fund's average daily net assets up to \$30 million, 2% of the Fund's average daily net assets from \$30 million to \$100 million and 1 1/2% of the excess over \$100 million.

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

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

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

(c) the costs and expenses payable to PIC pursuant to a subadvisory agreement between PMF and PIC (the Subadvisory Agreement).

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

The Management Agreement provides that PMF will not be liable for any error of judgment or any loss suffered by the Fund in connection with the matters to which the Management Agreement relates, except a loss resulting from willful misfeasance, bad faith, gross negligence or reckless disregard of duty. The Management Agreement provides that it will terminate automatically if assigned, and that it may be terminated without penalty by either party upon not more than 60 days' nor less than 30 days' written notice. The Management Agreement provides that it will continue in effect for a period of more than two years from its execution only so long as such continuance is specifically approved at least annually in accordance with the requirements of the Investment Company Act. The Management Agreement was last approved by the Board of Directors of the Fund, including a majority of the Directors who are not parties to the agreement or interested persons of such parties as defined in the Investment Company Act, on May 3, 1993, and was approved by the shareholders of the Fund on April 28, 1988.

For the fiscal years ended December 31, 1993, 1992 and 1991, the Fund paid management fees to PMF of \$3,632,856, \$3,347,940 and \$3,629,218, respectively.

PMF has entered into the Subadvisory Agreement with PIC (the Subadviser), a

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

The Prudential Investment Corporation (PIC or the Subadviser) maintains a municipal credit unit which provides credit analysis and research on tax-exempt fixed-income securities. The portfolio manager consults routinely with the credit unit in managing the Fund's portfolio. The municipal credit unit, which currently maintains a staff of 14 persons including 10 credit analysts, reviews on an ongoing basis issuers of tax-exempt fixed-income obligations, including prospective purchases and portfolio holdings of the Series. Credit analysts have broad access to research and financial reports, data retrieval services and industry analysts. They review financial and operating statements supplied by state and local governments and other issuers of municipal securities to evaluate revenue projections and the financial soundness of municipal issuers. They study the impact of economic and political developments on state and local governments, evaluate industry sectors and meet periodically with public officials and other representatives of state and local governments and other tax-exempt issuers to discuss such matters as budget projections, debt policy, the strength of the regional economy and, in the case of revenue bonds, the demand for facilities. They also make site inspections to review specific projects and to evaluate the progress of construction or the operation of a facility.

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

The Subadvisory Agreement provides that it will terminate in the event of its assignment (as defined in the Investment Company Act) or upon the termination of the Management Agreement. The Subadvisory Agreement may be terminated by the Fund, PMF or PIC upon not more than 60 days' nor less than 30 days' written notice. The Subadvisory Agreement provides that it will continue in effect for a period of more than two years from its execution only so long as such continuance is specifically approved at least annually in accordance with the requirements of the Investment Company Act.

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

#### DISTRIBUTOR

Prudential Mutual Fund Distributors, Inc. (PMFD), One Seaport Plaza, New York, New York 10292, acts as the distributor of the Fund. It is a corporation organized under the laws of the State of Delaware and a wholly-owned subsidiary of PMF.

#### Distribution and Service Plan

Under the Fund's Distribution and Service Plan and the Distribution Agreement with PMFD, the Fund pays PMFD, as distributor, a distribution fee of up to 0.125% of the average daily net assets of the Fund, computed daily and payable monthly.

For the fiscal year ended December 31, 1993, PMFD incurred distribution expenses in the aggregate of \$908,214, all of which was recovered through the distribution fee paid by the Fund to PMFD. It is estimated that all this amount was spent on commission credits to Prudential Securities and Prusec for payments of account servicing fees to financial advisers and an allocation of overhead and other branch office distribution-related expenses. The term "overhead and other branch office distribution-related expenses" represents (a) the expenses of operating Prudential Securities' and Prusec's branch offices in connection with the sale of Fund shares including lease costs, the salaries and employee benefits of operations and sales support personnel, utility costs, communications costs and the costs of stationery and supplies, (b) the costs of client sales seminars, (c) travel expenses of mutual fund sales coordinators to promote the sale of Fund shares, and (d) other incidental expenses relating to branch promotion of Fund sales.

The Plan continues 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 directors who are not interested persons of the Fund and who have no direct or indirect financial interest in the operation of the Plan (as defined in the Investment Company Act), cast in person at a meeting called for the purpose of voting on such continuance. The Plan may be terminated at any time, without penalty, by the vote of a majority of the Directors who are not interested persons or by the vote of the holders of a majority of the outstanding voting securities of the Fund on not more than 60 days' written notice to any other party to the Plan. The Plan may not be amended to increase materially the amounts to be spent by the Fund thereunder without shareholder approval, and all material amendments are required to be approved by the Board of Directors in the manner described above. The Plan will automatically terminate in the event of its assignment.

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Pursuant to the Plan, the Directors will be provided with, and will review, at least quarterly, a written report of the distribution expenses incurred on behalf of the Fund by PMFD. The report will include an itemization of the distribution expenses and the purpose of such expenditures. In addition, as long as the Plan remains in effect, the selection and nomination of directors who are not interested persons of the Fund shall be committed to the Directors who are not interested persons of the Fund or a committee thereof.

Pursuant to Rule 12b-1, the Plan was 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 Plan, in person at a meeting called for such purpose on May 3, 1993, and was approved by the shareholders of the Fund on April 28, 1988.

#### PORTFOLIO TRANSACTIONS AND BROKERAGE

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

In placing orders for portfolio securities of the Fund, the Manager is required to give primary consideration to obtaining the most favorable price and efficient execution. This means that the Manager will seek to execute each transaction at a price and commission, if any, which provides the most favorable total cost or proceeds reasonably attainable in the circumstances. While the Manager generally seeks reasonably competitive spreads or commissions, the Fund will not necessarily be paying the lowest spread or commission available. Within the framework of the policy of obtaining most favorable price and efficient execution, the Manager will consider research and investment services provided by brokers or dealers who effect or are parties to portfolio transactions of the Fund, the Manager or the Manager's other clients. Such research and investment services are those which brokerage houses customarily provide to institutional investors and include statistical and economic data and research reports on particular municipalities and industries. Such services are used by the Manager in connection with all of its investment activities, and some of such services obtained in connection with the execution of transactions for the Fund may be used in managing other investment accounts. Conversely, brokers furnishing such services may be selected for the execution of transactions of such other accounts, whose aggregate assets are far larger than the Fund, and the services furnished by such brokers may be used by the Manager in providing investment management for the Fund. Commission rates are established pursuant to negotiations with the broker based on the quality and quantity of execution services provided by the broker in light of generally prevailing rates. The Manager is authorized to pay higher commissions on brokerage transactions for the Fund to brokers other than Prudential Securities in order to secure the research and investment services described above, subject to the primary consideration of obtaining the most favorable price and efficient execution in the circumstances and subject to review by the Fund's Board of Directors from time to time as to the extent and continuation of this practice. The allocation

of orders among brokers and the commission rates paid are reviewed periodically.

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

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

#### PURCHASE AND REDEMPTION OF FUND SHARES

##### How To Purchase Shares

The Fund's shares are sold, without a sales charge, on a continuing basis on each business day at their net asset value next determined (see "How the Fund Values its Shares" in the Prospectus) after a purchase order becomes effective. Shares of the Fund may be purchased by investors directly through Prudential Mutual Fund Services, Inc. (PMFS), or by Prudential Securities clients through an

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account at Prudential Securities. Shares may also be purchased through Pruco Securities Corporation (Prusec). Prudential Securities clients who hold Fund shares through Prudential Securities may benefit through administrative conveniences afforded them as Prudential Securities clients, but may be subject to certain additional restrictions imposed by Prudential Securities. See "Shareholder Guide--How to Buy Shares of the Fund" in the Prospectus.

##### How To Redeem Shares

The Fund effects redemption orders received by PMFS by 4:00 P.M., New York time, on each business day at the net asset value determined as of 4:30 P.M., New York time. General information concerning redemption of shares is found in the Prospectus under "Shareholder Guide--How to Sell Your Shares."

Investors who purchase shares directly from PMFS may use the following procedures:

**Check Redemption.** At a shareholder's request, State Street Bank and Trust Company (State Street) will establish a personal checking account for the shareholder. Checks drawn on this account can be made payable to the order of any person in any amount greater than \$500. The payee of the check may cash or deposit it like any other check drawn on a bank. When such check is presented to State Street for payment, State Street presents the check to the Fund as authority to redeem a sufficient number of shares in the shareholder's account to cover the amount of the check. This enables the shareholder to continue earning daily dividends until the check is cleared. Canceled checks are returned to the shareholder by State Street.

Shareholders are subject to State Street's rules and regulations governing such checking accounts, including the right of State Street not to honor checks in amounts exceeding the value of the shareholder's account at the time the check is presented for payment.

Shares for which certificates have been issued are not available for redemption to cover checks. A shareholder should be certain that adequate shares for which certificates have not been issued are in his or her account to cover the amount of the check. Also, shares purchased by check are not available to cover checks until 15 calendar days after receipt of the purchase check by PMFS. See "Shareholder Guide--How to Buy Shares of the Fund" in the Prospectus. If insufficient shares are in the account, or if the purchase was made by check within 10 calendar days, the check will be returned marked "insufficient funds." Since the dollar value of an account is constantly changing, it is not possible for a shareholder to determine in advance the total value of his or her

account so as to write a check for the redemption of the entire account.

PMFS reserves the right to impose a service charge to establish a checking account and to order checks. [State Street, the Fund and PMFS have reserved the right to modify this checking account privilege or to place a charge for each check presented for payment for any individual account or for all accounts in the future.]

The Fund, PMFS or State Street may terminate Check Redemption at any time upon 30 days' notice to participating shareholders. To receive further information, contact Prudential Mutual Fund Services, Inc., Attention: Redemption Services, P.O. Box 15010, New Brunswick, NJ 08906-5010.

**Expedited Redemption.** In order to use Expedited Redemption, a shareholder may so designate at the time the initial application form is filed, or at a later date. Once the Expedited Redemption authorization form has been completed, the signature(s) on the authorization form guaranteed as set forth below and the Form returned to PMFS, requests for redemption may be made by telegraph, letter or telephone. The proceeds of redeemed shares in the amount of \$1,000 or more are transmitted by wire to the shareholder's account at a domestic commercial bank which is a member of the Federal Reserve System. Proceeds of less than \$1,000 are forwarded by check to the shareholder's designated bank account. The minimum amount that may be redeemed by Expedited Redemption is \$200, except that, if an account for which Expedited Redemption is requested has a net asset value of less than \$200, the entire account may be redeemed. The Fund does not forward redemption proceeds with respect to shares purchased by check until 15 calendar days after receipt of the purchase check by PMFS.

To request Expedited Redemption by telephone, a shareholder should call PMFS at 800-225-1852. Calls must be received by PMFS before 4:00 P.M., New York time in order for the redemption to be effective on that day. Requests by letter should be addressed to Prudential Mutual Funds Services, Inc., at the address set forth above.

Each shareholder's signature on the authorization form must be guaranteed by: (a) a commercial bank which is a member of the Federal Deposit Insurance Corporation; (b) a trust company; or (c) a member firm of a domestic securities exchange. Guarantees must be signed by an authorized signatory of the bank, trust company or member firm, and "Signature Guaranteed" should appear with the signature. Signature guarantees by savings banks, savings and loan associations and notaries will not be accepted. PMFS may request further documentation from corporations, executors, administrators, trustees or guardians. In order to change the name of the commercial bank or account designated to receive redemption proceeds, it is necessary to execute a new Expedited Redemption authorization form and submit it to PMFS at the address set forth above. See "Shareholder Guide--How to Sell Your Shares" in the Prospectus for additional information on Expedited Redemption.

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**Regular Redemption.** Shareholders may redeem their shares by sending to PMFS, at the address set forth above, a written request, accompanied by duly endorsed share certificates, if issued. All written requests for redemption, and any share certificates, must be endorsed by the shareholder with signature guaranteed, as described above under "Expedited Redemption." PMFS may request further documentation from corporations, executors, administrators, trustees or guardians. Redemption proceeds are sent to a shareholder's address by check.

#### SHAREHOLDER INVESTMENT ACCOUNT

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

#### Procedure for Multiple Accounts

Special procedures have been designed for banks and other institutions that wish to open multiple accounts. An institution may open a single master account by filing an Application and Order Form with PMFS, signed by personnel



authorized to act for the institution. Individual sub-accounts may be opened at the time the master account is opened by listing them, or they may be added at a later date by written advice or by filing forms supplied by PMFS. Procedures are available to identify sub-accounts by name and number within the master account name. The investment minimums described in the Prospectus under "Shareholder Guide--How to Buy Shares of the Fund" are applicable to the aggregate amounts invested by a group, and not to the amount credited to each sub-account.

PMFS provides each institution with a written confirmation for each transaction in a sub-account and, to each institution on a monthly basis, a statement which sets forth for each master account its share balance and income earned for the month. In addition, each institution receives a statement for each individual account setting forth transactions in the sub-account for the year-to-date, the total number of shares owned as of the dividend payment date and the dividends paid for the current month, as well as for the year-to-date. For further information on the sub-accounting system and procedures, contact PMFS.

#### Automatic Reinvestment of Dividends and Distributions

For the convenience of investors, all dividends and distributions are automatically invested in full and fractional shares of the Fund at net asset value. An investor may direct the Transfer Agent in writing not less than 5 full business days prior to the payable date to have subsequent dividends and/or distributions sent in cash rather than invested. In the case of recently purchased shares for which registration instructions have not been received on the record date, cash payment will be made directly to the dealer. Any shareholder who receives a cash payment representing a dividend or distribution may reinvest such dividend or distribution at net asset value by returning the check or the proceeds to the Transfer Agent within 30 days after the payment date. Such investment will be made at the net asset value per share next determined after receipt of the check or proceeds by the Transfer Agent.

#### Exchange Privilege

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

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

Shareholders of the Fund may exchange their shares for Class A shares of the Prudential Mutual Funds, shares of Prudential Structured Maturity Fund, and shares of the money market funds specified below.

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

Prudential California Municipal Fund  
(California Money Market Series)

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

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

Prudential MoneyMart Assets

Prudential Tax-Free Money Fund

Shareholders of the Fund may not exchange their shares for Class B shares of the Prudential Mutual Funds or shares of Prudential Special Money Market Fund a money market fund, except that shares acquired prior to January 22, 1990 subject to a contingent deferred sales charge may be exchanged for Class B shares.

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

#### Automatic Savings Accumulation Plan (ASAP)

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

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

In addition, an investor may direct the Transfer Agent to redeem on a monthly or other periodic basis specified amounts (minimum of \$100) of shares of the Fund and invest the proceeds of such redemptions in shares of any Prudential Mutual Fund pursuant to the "Exchange Privilege" or the "Class B Purchase Privilege."

#### Systematic Withdrawal Plan

A withdrawal plan is available for shareholders having shares of the Fund held through Prudential Securities or the Transfer Agent. Such withdrawal plan provides for monthly or quarterly checks in any amount, except as provided below, up to the value of the shares in the shareholder's account.

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

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

Withdrawal payments should not be considered as dividends, yield or income. If periodic withdrawals continuously exceed reinvested dividends and distributions, the shareholder's original investment will be correspondingly reduced and ultimately exhausted. Furthermore, each withdrawal constitutes a redemption of shares, and any gain or loss realized must be recognized for federal income tax purposes. Each shareholder should consult his or her own tax adviser with regard to the tax consequences of the plan, particularly if used in connection with a retirement plan.

#### NET ASSET VALUE

The net asset value per share is the net worth of the Fund (assets, including securities at value, minus liabilities) divided by the number of shares outstanding.

The Fund uses the amortized cost method to determine the value of its portfolio securities. The amortized cost method involves valuing a security at its cost and amortizing any discount or premium over the period until maturity. The method does not take into

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account unrealized capital gains and losses which may result from the effect of fluctuating interest rates on the market value of the security.

The Fund maintains a dollar-weighted average portfolio maturity of 90 days or less, purchases instruments having remaining maturities of one year or less and invests only in securities determined by the investment adviser under the supervision of the Board of Directors to present minimal credit risks and to be of "eligible quality" in accordance with regulations of the SEC. The Board has established procedures designed to stabilize, to the extent reasonably possible, the Fund's price per share as computed for the purpose of sales and redemptions at \$1.00. Such procedures include review of the Fund's portfolio holdings by the

Board of Directors, at such intervals as it may deem appropriate, to determine whether the Fund's net asset value calculated by using available market quotations deviates from \$1.00 per share based on amortized cost. The extent of any deviation will be examined by the Board of Directors. If such deviation exceeds 1/2 of 1%, the Board will promptly consider what action, if any, will be initiated. In the event the Board determines that a deviation exists which may result in material dilution or other unfair results to investors or existing shareholders, the Board will take such corrective action which it regards as necessary and appropriate, including the sale of portfolio instruments prior to maturity to realize capital gains or losses or to shorten average portfolio maturity, the withholding of dividends, redemptions of shares in kind, or the use of available market quotations to establish a net asset value per share.

#### CALCULATION OF YIELD

The Fund will prepare a current quotation of yield from time to time. The yield quoted will be the simple annualized yield for an identified seven calendar day period. The yield calculation will be based on a hypothetical account having a balance of exactly one share at the beginning of the seven-day period. The base period return will be the change in the value of the hypothetical account during the seven-day period, including dividends declared on any shares purchased with dividends on the share but excluding any capital changes. The yield will vary as interest rates and other conditions affecting money market instruments change. Yield also depends on the quality, length of maturity and type of instruments in the Fund's portfolio, and its operating expenses. The Fund may also prepare an effective annual yield computed by compounding the unannualized seven-day period return as follows: by adding 1 to the unannualized 7-day period return, raising the sum to a power equal to 365 divided by 7, and subtracting 1 from the result.

$$\text{Effective yield} = [(base\ period\ return + 1)^{365/7}] - 1$$

The Fund may also calculate the tax equivalent yield over a 7-day period. The tax equivalent yield will be determined by first computing the current yield as discussed above. The Fund will then determine what portion of the yield is attributable to securities, the income of which is exempt for federal income tax purposes. This portion of the yield will then be divided by one minus 39.6% (the assumed maximum tax rate for individual taxpayers not subject to Alternative Minimum Tax) and then added to the portion of the yield that is attributable to other securities.

Comparative performance information may be used from time to time in advertising or marketing the Fund's shares, including data from Lipper Analytical Services, Inc., Donoghue's Money Fund Report, The Bank Rate Monitor, other industry publications, business periodicals, rating services and market indices.

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

#### TAXES, DIVIDENDS AND DISTRIBUTIONS

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

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

The Fund intends to invest its assets so that dividends payable from net tax-exempt interest income will qualify as exempt-interest dividends and be excluded from a shareholder's gross income under the Internal Revenue Code. In order for its dividends to qualify as tax-exempt income, (i) at least 50 percent of the value of the total assets of the Fund at the close of each quarter of its taxable year must consist of certain tax-exempt government obligations and (ii) the Fund must designate the dividend as an exempt-interest dividend in a written notice mailed to shareholders not later than sixty days after the end of its taxable year.

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

Interest on indebtedness incurred or continued by a shareholder, whether a corporation or an individual, to purchase or carry shares of the Fund is not deductible. Shareholders who have held their shares for six months or less may be subject to a disallowance of losses from the sale or exchange of those shares to the extent of any exempt-interest dividends received by the shareholder with respect to the shares and if such losses are not disallowed, they will be treated as long-term capital losses to the extent of any distribution of long-term capital gains received by the shareholder with respect to such shares. Moreover, any loss realized on a sale or exchange will be disallowed to the extent the shares disposed of are replaced within a period of 61 days beginning 30 days before and ending 30 days after the disposition, such as pursuant to a dividend reinvestment in shares. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss. Entities or persons who are "substantial users" (or related persons) of facilities financed by private activity bonds should consult their tax advisers before purchasing shares of the Fund.

The Fund does not expect to realize long-term capital gains or losses.

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

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

CUSTODIAN AND TRANSFER AND DIVIDEND DISBURSING AGENT,  
AND INDEPENDENT ACCOUNTANTS

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

Prudential Mutual Fund Services, Inc., Raritan Plaza One, Edison, New Jersey 08837, (PMFS) serves as the Transfer and Dividend Disbursing Agent of the Fund. It is a wholly-owned subsidiary of PMF. PMFS provides customary transfer agency services to the Fund, including the handling of shareholder communications, the processing of shareholder transactions, the maintenance of shareholder account records, payment of dividends and distributions, and related functions. For these services, PMFS receives an annual fee per shareholder account, a new account set-up fee for each manually-established account and a monthly inactive zero balance account fee per shareholder account. PMFS is also reimbursed for its out-of-pocket expenses, including but not limited to postage, stationery, printing, allocable communications expenses and other costs. For the fiscal year ended December 31, 1993, the Fund incurred fees of \$376,057 for the services of PMFS.

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

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PRUDENTIAL TAX-FREE MONEY FUND Portfolio of Investments  
December 31, 1993

<TABLE>  
<CAPTION>

Moody's Rating (Unaudited)	Principal Amount (000)	Description (a)	Value (Note 1)
<C>	<C>	<C>	<C>
		ALABAMA--2.6% Alabama Hsg. Fin. Auth., Sngl. Fam. Mtge. Rev., A.N.N.M.T., 3.10%, 10/1/94, Ser. 91-D1.....	\$ 15,585,000 -----
A-1+*	\$ 15,585		
		ARIZONA--0.8% Maricopa Cnty. Poll. Ctrl. Corp., Pub. Svc. Co., A.N.N.O.T., 3.10%, 8/1/94, Ser. 85A..	5,000,000 -----
VMIG1	5,000		
		CALIFORNIA--6.4% California Poll. Ctrl. Rev. Fin. Auth., Chevron USA Inc., A.N.N.O.T., 2.50%, 6/15/94, Ser. 84B Los Angeles Int'l. Arpt., LAX Two Proj., F.R.D.D., 4.75%, 1/3/94.....	4,994,688
P-1	5,000		
		San Diego Multifamily Hsg. Rev., Louisiana Cima Apts., F.R.W.D., 3.55%, 1/6/94, Ser. 85K Student Education Loan Marketing Corp., Student Loan Rev., A.N.N.M.T., 2.65%, 11/1/94, Ser. A..	18,700,000
VMIG2	18,700		
			3,605,000
VMIG2	3,605		
			11,200,000 -----
VMIG1	11,200		
			38,499,688 -----

Moody's Rating (Unaudited)	Principal Amount (000)	Description (a)	Value (Note 1)
<C>	<C>	<C>	<C>
		COLORADO--3.4% Avon Cnty. Ind. Dev. Rev., Beaver Creek Proj., F.R.M.D., 2.60%, 1/18/94, Ser. 84.....	\$ 4,500,000
P-1	\$ 4,500		
		Colorado Hsg. Fin. Auth., Multifamily Hsg. Rev., S.E.M.O.T., 2.90%, 4/1/94, Ser. 92A.....	10,910,000
Aa	10,910		

Aa	5,000	2.90%, 4/1/94, Ser. 92A3.....	5,000,000
			-----
			20,410,000
			-----
		CONNECTICUT--0.8%	
		Connecticut St. Spec. Assmt.	
		Unemployment,	
		Compensation Adv. Fund Rev.,	
		A.M.B.A.C.,	
A-1+*	5,100	2.70%, 2/15/94, Ser. A.....	5,100,000
			-----
		DISTRICT OF COLUMBIA--1.5%	
		Dist. of Columbia Hsg. Fin.	
		Agcy., Carmel Plaza,	
		F.R.W.D.,	
VMIG1	8,830	3.05%, 1/6/94, Ser. 91.....	8,830,000
			-----
		FLORIDA--1.6%	
		Florida Mun. Pwr. Agcy. Rev.,	
		Stanton II Proj.,	
		F.R.W.D.,	
VMIG1	4,000	3.30%, 1/6/94, Ser. 1018.....	4,000,000
</TABLE>			

B-15 See Notes to Financial Statements.

PRUDENTIAL TAX-FREE MONEY FUND

<TABLE>  
<CAPTION>

Moody's Rating (Unaudited) <C>	Principal Amount (000) <C>	Description (a) <C>	Value (Note 1) <C>
		FLORIDA (cont'd.)	
		Sarasota Cnty. Pub.	
		Hosp.	
		Dist. Rev., Sarasota	
		Memorial Hosp.,	
		T.E.C.P.,	
P-1	\$ 5,400	2.70%, 1/12/94, Ser. 85B	\$ 5,400,000
			-----
			9,400,000
			-----
		GEORGIA--6.4%	
		Cobb Cnty. Dev. Auth.	
		Rev.,	
		Institute of Nuclear	
		Pwr., F.R.W.D.,	
NR	7,985	3.20%, 1/5/94, Ser. 92..	7,985,000
		De Kalb Cnty. Dev.	
		Auth.,	
		General Motors,	
		F.R.W.D.,	
VMIG2	10,305	3.60%, 1/4/94, Ser. 85..	10,305,000
		Fulco Hosp. Auth.,	
		St. Joseph Hosp.,	
		T.E.C.P.,	
VMIG1	4,445	2.65%, 1/12/94, Ser. 89	4,445,000
		Fulton Cnty. Dev. Auth.	
		Rev.,	
		Robert W. Woodruff Art,	
		F.R.W.D.,	
NR	10,000	3.20%, 1/6/94, Ser. 93..	10,000,000
		Roswell Hsg. Auth.	
		Multifamily Rev.,	
		Rosemont Hsg. Rev.	
		Rfdg., F.R.W.D.,	
A-1*	5,500	3.25%, 1/6/94, Ser. 93..	5,500,000
			-----
			38,235,000
			-----
		ILLINOIS--13.9%	
		Chicago O'Hare Int'l.	
		Arpt.,	
		Amer. Airlines Inc.,	
		F.R.D.D.,	
P-2	4,645	4.00%, 1/3/94, Ser. 84B	4,645,000

Moody's Principal

Rating (Unaudited) <C>	Amount (000) <C>	Description (a) <C>	Value (Note 1) <C>
VMIG1	\$ 18,800	Elmhurst Illinois Rev., Joint Commission Healthcare, F.R.W.D., 3.20%, 1/6/94, Ser. 88.....	\$ 18,800,000
VMIG1	7,500	Hazel Crest Vlg. Rev., Waterford Estates Proj., F.R.W.D., 3.15%, 1/7/94, Ser. 92A.....	7,500,000
A-1+*	17,020	Illinois Dev. Fin. Auth., Orleans Multifamily Hsg. Rev., F.R.W.D., 3.15%, 1/7/94, Ser. 92.....	17,020,000
A-1+*	11,100	Illinois Ed. Facs. Auth. Rev., National College Education, F.R.W.D., 2.90%, 1/6/94, Ser.89.....	11,100,000
VMIG1	5,000	Illinois Hlth. Facs. Auth. Rev., Evanston Hosp., S.E.M.M.T., 2.65%, 5/5/94, Ser. 87E.....	5,000,000
SP-1+*	9,655	Wheeling Multifamily Hsg. Rev., Woodland Creek II, F.R.W.D., 3.50%, 1/7/94, Ser. 90.....	9,655,000
NR	10,000	Woodridge Dupage Cntys., Multifamily Hsg. Rev. Rfdg., Hinsdale Terr. Apts., F.R.W.D., 3.15%, 1/7/94, Ser. 90.....	10,000,000 ----- 83,720,000 -----
MIG1	9,000	IOWA--1.5% Iowa Gen. Oblig., T.R.A.N., 3.25%, 6/30/94, Ser. 93A.....	9,013,765 -----

</TABLE>

B-16 See Notes to Financial Statements.

PRUDENTIAL TAX-FREE MONEY FUND

<TABLE>

<CAPTION>

Moody's Rating (Unaudited) <C>	Principal Amount (000) <C>	Description (a) <C>	Value (Note 1) <C>
VMIG1	\$ 7,900	LOUISIANA--1.3% Louisiana Hsg. Fin. Agcy., Sngl. Fam. Mtge. Rev. Rfdg., A.N.N.M.T., 2.65%, 6/2/94, Ser. 92A.....	\$ 7,900,000 -----
VMIG1	23,000	MAINE--3.8% Biddeford Res. Rec. Rev., Energy Rec. Co. Proj., F.R.M.D., 2.75%, 1/3/94, Ser. 85.....	23,000,000 -----
VMIG1	3,600	MARYLAND--5.6% Baltimore Cnty. Poll. Ctrl. Rev., Baltimore Gas & Elec. Co., T.E.C.P., 2.70%, 1/4/94, Ser. 85.....	3,600,000
Aa	5,265	Maryland St. Cmnty. Dev. Auth., Multifamily Hsg. Rev., S.E.M.O.T., 2.80%, 5/15/94, Ser. 84B.....	5,265,000
Aa	10,090	Sngl. Fam. Mtge. Rev., S.E.M.O.T., 2.90%, 4/1/94, Ser. 85-2.....	10,090,000
Aa	6,790	2.90%, 4/1/94, Ser. 87-2..... Montgomery Cnty. Hsg., Sngl. Fam. Mtge. Rev.,	6,790,000

NR	7,600	F.R.W.D., 3.30%, 1/6/94, Ser. PA40.....	7,600,000
			-----
			33,345,000
			-----
		MASSACHUSETTS--4.0%	
		Massachusetts Hsg. Fin. Agcy., Sngl. Fam. Hsg. Rev., A.N.N.M.T.,	
VMIG1	4,650	2.95%, 9/1/94, Ser. 25.....	4,650,000
<CAPTION>			
	Moody's	Principal	
	Rating	Amount	Value
	(Unaudited)	(000)	(Note 1)
<C>	<C>	Description (a)	<C>
		Q.T.R.O.T.,	
Aaa	\$ 6,600	2.70%, 3/1/94, Ser. 5.....	\$ 6,600,000
		Massachusetts Ind. Fin. Agcy., Poll. Ctrl. Rev., New England Pwr. Co., T.E.C.P.,	
VMIG1	13,000	2.55%, 1/27/94, Ser. 93A.....	13,000,000
			-----
			24,250,000
			-----
		MICHIGAN--2.6%	
		Grand Rapids Econ. Dev. Corp., Ind. Dev. Rev. Rfdg., F.R.W.D.,	
Aa2	7,500	3.20%, 1/6/94, Ser. 92.....	7,500,000
		Michigan Strategic Fd., Poll. Ctrl. Rev., General Motors Proj., F.R.W.D.,	
VMIG2	8,335	3.25%, 1/4/94, Ser. 85.....	8,335,000
			-----
			15,835,000
			-----
		MINNESOTA--2.2%	
		Minnesota Gen. Oblig., F.R.W.D.,	
NR	5,980	3.45%, 1/5/94, Ser. 6.....	5,980,061
		Minnetonka Multifamily Hsg. Rev., Cliffs Ridgedale Proj., F.R.W.D.,	
A-1*	7,000	3.50%, 1/7/94, Ser. 85A.....	7,000,000
			-----
			12,980,061
			-----
		MISSOURI--5.3%	
		Missouri Econ. Dev., Export & Infrastructure Facs. Rev., F.R.W.D.,	
VMIG1	9,450	3.25%, 1/5/94, Ser. 92A.....	9,450,000
</TABLE>			

B-17 See Notes to Financial Statements.

PRUDENTIAL TAX-FREE MONEY FUND

<TABLE>			
<CAPTION>			
	Moody's	Principal	
	Rating	Amount	Value
	(Unaudited)	(000)	(Note 1)
<C>	<C>	Description (a)	<C>
		MISSOURI (cont'd.)	
		Missouri St. Environ. Impvt. & Energy Res. Auth., Union Elec. Co., A.N.N.O.T.,	
P-1	\$ 5,500	2.65%, 6/1/94, Ser. 84A.....	\$ 5,500,000
P-1	7,500	2.65%, 6/1/94, Ser. 84B.....	7,500,000
		T.E.C.P.,	
P-1	9,370	2.40%, 1/5/94, Ser. 85B.....	9,370,000
			-----
			31,820,000
			-----
		NEBRASKA--1.5%	
		Nebraska Investment Fin.	



		Auth., Briarhurst Candletree Proj., S.E.M.M.T.,	
A-1*	9,190	3.00%, 4/1/94, Ser. 85.....	9,190,000
		NEVADA--1.2%	
		Nevada Hsg. Dev., Sngl. Fam. Mtge. Rev., S.E.M.O.T.,	
AA*	7,100	2.95%, 4/1/94, Ser. 88-1A.....	7,100,000
		NEW YORK--0.9%	
		New York City, Gen. Oblig., F.R.D.D.,	
VMIG1	1,800	4.00%, 1/3/94, Ser. 94A-4.....	1,800,000
		New York St. Energy Res. & Dev. Auth., LILCO Proj., A.N.N.M.T.,	
VMIG1	3,835	2.50%, 3/1/94, Ser. 85A.....	3,835,000
			5,635,000

<CAPTION>

Moody's Rating (Unaudited)	Principal Amount (000)	Description (a)	Value (Note 1)
<C>	<C>	<C>	<C>
		NORTH CAROLINA--3.2%	
		Cabarrus Cnty. Ind. Facs. Auth., Poll. Ctrl. Rev. Phillip Morris Proj., F.R.W.D.,	
P-1	\$ 5,000	3.20%, 1/5/94, Ser. 92.....	\$ 5,000,000
		North Carolina Eastern Municipal Pwr., T.E.C.P.,	
P-1	7,200	2.55%, 1/11/94.....	7,200,000
		Rockingham Cnty. Ind. Facs., Poll. Ctrl. Rev., Phillip Morris Proj.,	
P-1	7,200	3.20%, 1/5/94, F.R.W.D.....	7,200,000
			19,400,000
		OHIO--1.4%	
		Toledo-Lucas Cnty., Convntn. & Visitors Bureau, M.T.H.O.T.,	
VMIG1	8,445	2.55%, 2/1/94, Ser. 88.....	8,445,000
		OKLAHOMA--3.4%	
		United Political Subdiv., Cash Mgmt. Trust,	
SP-1+*	12,390	3.35%, 6/30/94, Ser. 93.....	12,413,763
		Tulsa Pub. Facs. Auth., Solid Waste Sys. Rev., S.E.M.M.T.,	
VMIG1	7,825	2.85%, 5/2/94, Ser. 88.....	7,825,000
			20,238,763

</TABLE>

B-18 See Notes to Financial Statements.

PRUDENTIAL TAX-FREE MONEY FUND

<TABLE>

<CAPTION>

Moody's Rating (Unaudited)	Principal Amount (000)	Description (a)	Value (Note 1)
<C>	<C>	<C>	<C>
		PENNSYLVANIA--6.8%	
		Beaver Cnty. Ind. Dev. Auth., Poll. Ctrl. Rev., Toledo Edison Proj., M.T.H.M.T.,	
A-1*	\$ 11,000	2.50%, 3/16/94, Ser. 92E.....	\$ 11,000,000
		Emmaus Gen. Auth. Rev., F.R.W.D.,	
A-1*	7,000	3.45%, 1/5/94, Ser. 89C5.....	7,000,000
		Philadelphia Gas Wks. Rev.,	

P-1	4,800	T.E.C.P., 2.30%, 2/2/94, Ser. A.....	4,800,000
MIG1	10,000	Philadelphia, T.R.A.N., 3.25%, 6/15/94, Ser. A.....	10,022,000
VMIG1	8,200	Quakertown Hosp. Auth., F.R.W.D., 3.10%, 1/4/94, Ser. 85.....	8,200,000
			-----
			41,022,000
			-----

SOUTH DAKOTA--0.8%  
So. Dakota Hsg. Dev. Auth.,  
Homeownership Mtge.,  
S.E.M.O.T.,

Aa	5,000	2.80%, 5/1/94, Ser. 86C.....	5,000,000
			-----

TEXAS--3.3%  
Brazos River Texas Harbor  
Nav. Dist., Dow Chemical Co.  
Proj., T.E.C.P.,

P-1	2,200	2.50%, 4/26/94, Ser. 91.....	2,200,000
VMIG1	8,000	Greater East Texas, Higher Ed. Auth., Student Ln. Rev., A.N.N.M.T., 2.55%, 5/1/94, Ser. 92A.....	8,000,000

<CAPTION>

Moody's Rating (Unaudited) <C>	Principal Amount (000) <C>	Description (a) <C>	Value (Note 1) <C>
Aaa	\$ 9,795	Southeast Texas Hsg. Fin. Corp., Banc One Corp., Tax Exempt Trust, F.R.W.D., 3.20%, 1/6/94, Ser. 91D.....	\$ 9,795,000
			-----
			19,995,000
			-----

UTAH--3.7%  
Intermountain Pwr. Auth.  
Pwr. Supply Rev.,  
Ser. 85E,

VMIG1	4,500	2.55%, 3/15/94, S.E.M.O.T.....	4,500,000
VMIG1	10,000	2.70%, 6/15/94, A.N.N.O.T.....	10,000,000
VMIG1	2,000	Ser. 85F, 2.10%, 1/7/94, T.E.C.P.....	1,999,400
VMIG1	5,600	Salt Lake City Rev., T.E.C.P., 2.55%, 1/11/94, Ser. 90.....	5,600,000
			-----
			22,099,400
			-----

VIRGINIA--2.8%  
Chesterfield Cnty. Ind. Dev.  
Auth., Phillip Morris  
Proj., F.R.W.D.,

P-1	6,500	3.20%, 1/5/94.....	6,500,000
VMIG1	10,000	Virginia Hsg. Dev. Auth., Comnwith. Mtge. Rev., S.E.M.M.T., 2.95%, 5/12/94, Ser. C-3.....	10,000,000
			-----
			16,500,000
			-----

WASHINGTON--5.2%  
Washington Gen. Oblig.,  
Q.T.R.O.T.,

A-1+*	9,000	2.80%, 4/4/94, Ser. G.....	9,000,000
-------	-------	----------------------------	-----------

</TABLE>

B-19 See Notes to Financial Statements.

PRUDENTIAL TAX-FREE MONEY FUND

<TABLE>

<CAPTION>

Moody's Rating (Unaudited) <C>	Principal Amount (000) <C>	Description (a) <C>	Value (Note 1) <C>
		WASHINGTON (cont'd.)	

		Washington Hsg. Fin. Comn., Sngl. Fam. Mtge. Rev., A.N.N.M.T.,	
SP-1+*	\$ 9,230	2.60%, 6/10/94, Ser. 92B.....	\$ 9,230,000
		Washington Public Pwr. Supply, F.R.W.D.,	
NR	13,046	3.45%, 1/5/94, Ser. 5.....	13,046,425
			-----
			31,276,425
			-----
		WISCONSIN--4.6%	
		Madison Met.Tax & Rev., T.R.A.N.	
NR	8,000	3.00%, 2/22/94, Ser. 93.....	8,005,775
		Wisconsin Gen. Oblig., F.R.W.D.,	
VMIG1	9,000	3.00%, 1/6/94, Ser. 93-3.....	9,000,000
		Wisconsin Hsg. & Econ. Dev. Auth., Home Ownership Rev., S.E.M.O.T.,	
Aa	10,875	2.80%, 3/1/94, Ser. 90D.....	10,875,000
			-----
			27,880,775
			-----
		Total Investments--102.5%	
		(amortized cost \$616,705,877; Note 1).....	616,705,877
		Liabilities in excess of other assets--(2.5%).....	(15,083,995)
			-----
		Net Assets--100%.....	\$ 601,621,882
			-----
			-----

</TABLE>

(a) The following abbreviations are used in portfolio descriptions:

A.M.B.A.C.--American Municipal Bond Assurance Co.  
A.N.N.M.T.--Annual Mandatory Tender  
A.N.N.O.T.--Annual Optional Tender  
F.R.D.D.--Floating Rate (Daily) Demand Note\*\*  
F.R.M.D.--Floating Rate (Monthly) Demand Note\*\*  
F.R.W.D.--Floating Rate (Weekly) Demand Note\*\*  
M.T.H.M.T.--Monthly Mandatory Tender  
M.T.H.O.T.--Monthly Optional Tender  
S.E.M.M.T.--Semi-Annual Mandatory Tender  
S.E.M.O.T.--Semi-Monthly Tender Offer  
T.E.C.P.--Tax-Exempt Commercial Paper  
T.R.A.N.--Tax & Revenue Anticipation Note  
Q.T.R.O.T.--Quarterly Tax & Reserve Optional Tender

\* Standard & Poor's Rating.

\*\* For purposes of amortized cost valuation, the maturity date of these instruments is considered to be the later of the next date on which the security can be redeemed at par, or the next date on which the rate of interest is adjusted.

NR--Not Rated by Moody's or Standard & Poor's.

The Fund's current Statement of Additional Information contains a description of Moody's and Standard and Poor's ratings.

B-20 See Notes to Financial Statements.

PRUDENTIAL TAX-FREE MONEY FUND  
Statement of Assets and Liabilities

<TABLE>	
<CAPTION>	
Assets	December 31, 1993
	-----
<S>	<C>
Investments, at value.....	\$ 616,705,877
Receivable for investments sold.....	12,021,222
Receivable for Fund shares sold.....	8,088,553
Interest receivable.....	2,997,179
Prepaid expenses.....	17,565
	-----
Total assets.....	639,830,396
	-----
Liabilities	
Bank overdraft.....	21,282,876
Payable for Fund shares reacquired.....	16,132,852
Due to Manager.....	294,437

Accrued expenses.....	272,022
Dividends payable.....	194,256
Due to Distributor.....	32,071
	-----
Total liabilities.....	38,208,514
	-----
Net Assets.....	\$ 601,621,882
	-----
Net assets were comprised of:	
Common stock, \$.01 par value.....	\$ 6,017,162
Paid-in capital in excess of par.....	595,604,720
	-----
Net assets, December 31, 1993.....	\$ 601,621,882
	-----
Net asset value, offering price and redemption price per share (\$601,621,882 {DIVIDED-BY} 601,716,161 shares of common stock issued and outstanding; 3 billion shares authorized).....	\$1.00
	-----

</TABLE>

See Notes to Financial Statements.

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PRUDENTIAL TAX-FREE MONEY FUND  
Statement of Operations

<TABLE>

<CAPTION>

	Year Ended December 31, 1993
	-----
Net Investment Income	
	<C>
Income	
Interest.....	\$18,773,851
	-----
Expenses	
Management fee.....	3,632,856
Distribution fee.....	908,214
Transfer agent's fees and expenses...	425,000
Custodian's fees and expenses.....	125,000
Registration fees.....	85,000
Franchise taxes.....	65,000
Audit fee.....	47,000
Reports to shareholders.....	40,000
Directors' fees.....	30,200
Insurance.....	23,000
Legal fees.....	20,000
Miscellaneous.....	3,521
	-----
Total expenses.....	5,404,791
	-----
Net investment income.....	13,369,060
Realized Gain on Investments	
Net realized gain on investment transactions.....	237
	-----
Net Increase in Net Assets	
Resulting from Operations.....	\$13,369,297
	-----

</TABLE>

PRUDENTIAL TAX-FREE MONEY FUND  
Statement of Changes in Net Assets

<TABLE>

<CAPTION>

	Year Ended December 31,	
Increase (Decrease) in Net Assets	1993	1992
	-----	-----
	<C>	<C>
Operations		
Net investment income.....	\$ 13,369,060	\$ 17,432,261

Net realized gain on securities transactions.....	237	109,098
	-----	-----
Net increase in net assets resulting from operations.....	13,369,297	17,541,359
	-----	-----
Dividends to shareholders.....	(13,369,297)	(17,432,261)
	-----	-----
Fund share transactions (at \$1.00 per share) Net proceeds from shares subscribed.....	2,398,092,847	1,989,624,621
Net asset value of shares issued to shareholders in reinvestment of dividends.....	12,745,371	16,898,883
Cost of shares reacquired.....	(2,423,549,007)	(2,009,166,930)
	-----	-----
Net decrease in net assets from Fund share transactions.....	(12,710,789)	(2,643,426)
	-----	-----
Total decrease.....	(12,710,789)	(2,534,328)
Net Assets Beginning of year....	614,332,671	616,866,999
	-----	-----
End of year.....	\$ 601,621,882	\$ 614,332,671
	-----	-----
	-----	-----

</TABLE>

See Notes to Financial Statements.

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PRUDENTIAL TAX-FREE MONEY FUND  
Notes to Financial Statements

Prudential-Bache Tax-Free Money Fund, Inc., doing business as Prudential Tax-Free Money Fund (the "Fund"), is registered under the Investment Company Act of 1940 as a diversified, open-end management investment company. The investment objective of the Fund is to attain the highest level of current income that is exempt from federal income taxes, consistent with liquidity and preservation of capital. The Fund will invest in short-term tax-exempt debt securities of state and local governments. The ability of the issuers of the securities held by the Fund to meet their obligations may be affected by economic or political developments in a specific state, industry or region.

Note 1. Accounting Policies

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

**Securities Valuation:** Portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method of valuation involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium.

**Securities Transactions and Investment Income:** Securities transactions are recorded on the trade date. Realized gains and losses on sales of investments are calculated on an identified cost basis. Interest income is recorded on an accrual basis.

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

**Dividends:** The Fund declares dividends daily from net investment income. Payment of dividends is made monthly.

Reclassification of Capital Accounts: Effective January 1, 1993, the Fund began accounting and reporting for distributions to shareholders in accordance with Statement of Position 93-2: Determination, Disclosure, and Financial Statement Presentation of Income, Capital Gain, and Return of Capital Distributions by Investment Companies. As a result of this statement, the Fund changed the classification of distributions to shareholders to better disclose the differences between financial statements amounts and distributions determined in accordance with income tax regulations. The effect caused by adopting this statement was to decrease paid-in capital by \$846,050 and decrease accumulated net realized loss on investments by \$846,050 compared to amounts previously reported through December 31, 1992. Net investment income, net realized gains and net assets were not affected by this change.

#### Note 2. Agreements

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

The management fee paid PMF is computed daily and payable monthly. For the period through August 31, 1993 the management fee was paid at an annual rate of .50 of 1% of the Fund's average daily net assets. Effective September 1, 1993, PMF revised the fee structure to be paid at an annual rate of .50 of 1% of the Fund's average daily net assets up to \$750 million, .425 of 1% of the next \$750 million of average daily net assets and .375 of 1% of average daily net assets in excess of \$1.5 billion.

PMF has agreed that, in any fiscal year, it will reimburse the Fund for expenses (including the fees of PMF, but excluding interest, taxes, brokerage commissions, distribution fees, and litigation and indemnification expenses and other extraordinary expenses) in excess of the most restrictive expense limitation imposed by state securities commissions. The most restrictive expense limitation is presently believed to be 2 1/2% of the Fund's average daily net assets up to \$30 million, 2% of the next \$70 million of average daily net assets and 1 1/2% thereafter. Such expense reimbursement, if any, will be estimated and accrued daily. No reimbursement was required due to such limitation for the year ended December 31, 1993.

The Fund has a distribution agreement with Prudential Mutual Fund Distributors, Inc. ("PMFD"). To reimburse PMFD for its expenses incurred pursuant to a plan of distribution, the Fund pays PMFD a reimbursement, accrued daily and payable monthly, at an annual rate of .125 of 1% of the Fund's average daily net assets. PMFD pays various

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broker-dealers, including Prudential Securities Incorporated ("PSI") and Pruco Securities Corporation, affiliated broker-dealers, for account servicing fees and other expenses incurred by such broker-dealers. PMFD is a wholly-owned subsidiary of PMF; PSI, PMF and PIC are (indirect) wholly-owned subsidiaries of The Prudential Insurance Company of America.

#### Note 3. Other Transactions With Affiliates

Prudential Mutual Fund Services, Inc. ("PMFS"), a wholly-owned subsidiary of PMF, serves as the Fund's transfer agent and during the year ended December 31, 1993, the Fund incurred fees of \$376,057 for the services of PMFS. As of December 31, 1993, approximately \$32,000 of such fees were due to PMFS. Transfer agent fees and expenses in the Statement of Operations include certain out-of-pocket expenses paid to non-affiliates.

#### Note 4. Federal Income Taxes

The cost of securities for federal income tax purposes is substantially the same as for financial reporting purposes.

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<TABLE>  
<CAPTION>

	Year Ended December 31,				
<S>	1993 <C>	1992 <C>	1991 <C>	1990 <C>	1989 <C>
PER SHARE OPERATING PERFORMANCE:					
Net asset value, beginning of year.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income and realized gains.....	.018	.026	.041	.053	.056
Dividends and distributions to shareholders.....	(.018)	(.026)	(.041)	(.053)	(.056)
Net asset value, end of year.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
TOTAL RETURN:#.....	1.86%	2.63%	4.22%	5.42%	5.74%
Ratios/Supplemental Data:					
Net assets, end of year (000).....	\$ 601,622	\$614,333	\$616,867	\$700,859	\$653,268
Average net assets (000).....	\$ 726,571	\$669,588	\$725,844	\$701,869	\$644,820
Ratios to average net assets:					
Expenses, including distribution fee.....	.74%	.74%	.75%	.74%	.78%
Expenses, excluding distribution fee.....	.62%	.62%	.63%	.61%	.66%
Net investment income.....	1.84%	2.60%	4.15%	5.30%	5.65%

</TABLE>

<TABLE>

<C> <S>

-----

# Includes reinvestment of dividends and distributions.

</TABLE>

See Notes to Financial Statements.

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#### REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of  
Prudential Tax-Free Money Fund

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

PRICE WATERHOUSE

1177 Avenue of the Americas  
New York, New York  
February 16, 1994

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#### APPENDIX A DESCRIPTION OF TAX-EXEMPT SECURITY RATINGS

Corporate and Tax-Exempt Bond Ratings

The four highest ratings of Moody's Investors Service, Inc. ("Moody's") for tax-exempt and corporate bonds are Aaa, Aa, A and Baa. Bonds rated Aaa are judged to be of the "best quality." The rating of Aa is assigned to bonds which are of "high quality by all standards," but as to which margins of

protection or other elements make long-term risks appear somewhat larger than Aaa rated bonds. The Aaa and Aa rated bonds comprise what are generally known as "high grade bonds." Bonds which are rated A by Moody's possess many favorable investment attributes and are considered "upper medium grade obligations." Factors giving security to principal and interest of A rated bonds are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future. Bonds rated Baa are considered as "medium grade" obligations. They are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well. Moody's applies numerical modifiers "1", "2", and "3" in each generic rating classification from Aa through B in its corporate bond rating system. The modifier "1" indicates that the security ranks in the higher end of its generic rating category; the modifier "2" indicates a mid-range ranking; and the modifier "3" indicates that the issue ranks in the lower end of its generic rating category. The foregoing ratings for tax-exempt bonds are sometimes presented in parentheses preceded with a "con" indicating the bonds are rated conditionally. Bonds for which the security depends upon the completion of some act or the fulfillment of some condition are rated conditionally. These are bonds secured by (a) earnings of projects under construction, (b) earnings of projects unseasoned in operation experience, (c) rentals which begin when facilities are completed or (d) payments to which some other limiting condition attaches. Such parenthetical rating denotes the probable credit stature upon completion of construction or elimination of the basis of the condition.

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

#### Tax-Exempt Note Ratings

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

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

#### Corporate and Tax-Exempt Commercial Paper Ratings

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



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

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

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## PART C

## OTHER INFORMATION

## Item 24. Financial Statements and Exhibits.

## (a) Financial Statements:

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

Financial Highlights for each of the ten years in the period ended December 31, 1993.

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

Portfolio of Investments at December 31, 1993.

Statement of Assets and Liabilities at December 31, 1993.

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

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

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

Notes to Financial Statements.

Report of Independent Accountants.

## (b) Exhibits:

1. (a) Articles of Incorporation of Registrant, as amended, incorporated by reference to Exhibit (b) to Post-Effective Amendment No. 10 to Registration Statement on Form N-1A (File No. 2-64625).

(b) Amendment to Articles of incorporation dated April 28, 1988, incorporated by reference to Exhibit 9(b) to Post-Effective Amendment No. 12 to Registration Statement on Form N-1A (File No. 2-64625).

2. (a) By-Laws of the Registrant, incorporated by reference to Exhibit No. 2 to Pre-Effective Amendment No. 1 to Registration Statement on Form N-1 (File No. 2-64625).

(b) Amendment to By-Laws, incorporated by reference to Exhibit No. 2(b) to Post-Effective Amendment No. 11 to Registration Statement on Form N-1A (File No. 2-64625).

(c) Amendment to By-Laws, incorporated by reference to Exhibit 3(c) to Post-Effective Amendment No. 13 to Registration Statement on Form N-1A (File No. 2-64625).

4. (a) Specimen Stock Certificate issued by the Registrant, incorporated by reference to Exhibit No. 4 to Post-Effective Amendment No. 11 to Registration Statement on Form N-1A (File No. 2-64625).

(b) Instruments defining rights of holders of the securities being offered, incorporated by reference to Exhibit Nos. 1 and 2 above.

5. (a) Management Agreement between the Registrant and Prudential Mutual Fund Management, Inc., as amended on November 19, 1993.\*

(b) Subadvisory Agreement between Prudential Mutual Fund Management, Inc. and The Prudential Investment Corporation, incorporated by reference to Exhibit No. 5(b) to Post-Effective Amendment No. 12 to Registration Statement on Form N-1A (File No. 2-64625).

6. Distribution and Service Agreement between the Registrant and Prudential Mutual Fund Distributors, Inc., as amended on July 1, 1993.\*

8. (a) Custodian Agreement between the Registrant and State Street Bank and Trust Company, dated July 13, 1984, incorporated by reference to Exhibit No. 8 to Post-Effective Amendment No. 1 to Registration Statement on Form N-1 (File No. 2-64625).

(b) Revised Custodian Agreement between the Registrant and State Street Bank and Trust Company, incorporated by reference to Exhibit No. 8(b) to Post-Effective Amendment No. 14 to Registration Statement on Form N-1A (File No. 2-64625).

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9. Transfer Agency and Service Agreement, dated January 1, 1988, between the Registrant and Prudential Mutual Fund Services, Inc., incorporated by reference to Exhibit No. 9(b) to Post-Effective Amendment No. 11 to Registration Statement on Form N-1A (File No. 2-64625).

10. (a) Opinion of Counsel, incorporated by reference to Exhibit No. 10 to Pre-Effective Amendment No. 1 to Registration Statement on Form N-1 (File No. 2-64625).

(b) Opinion of Sullivan & Cromwell\*.

11. Consent of Independent Accountants.\*

13. Letter from Bache Halsey Stuart Shields Incorporated, incorporated by reference to Exhibit 13 to Pre-Effective Amendment No. 1 to Registration Statement on Form N-1 (File No. 2-64625).

15. Distribution and Service Plan between the Registrant and Prudential Mutual Fund Distributors Inc., as amended on July 1, 1993.\*

16. Calculation of Yield and Total Return, incorporated by reference to Exhibit 16 to Post-Effective Amendment No. 12 to Registration Statement on Form N-1A (File No. 2-64625).

Other Exhibits

Power of Attorney for:

Lawrence C. McQuade\*\*  
Delayne Dedrick Gold\*\*  
Arthur Hauspurg\*\*  
Harry A. Jacobs, Jr.\*\*  
Thomas J. McCormack\*\*

- - - - -

\*Filed herewith.

\*\*Executed copies filed under other Exhibits to Post-Effective Amendment No. 12 to the Registration statement on Form N-1A (File No. 2-64625).

Item 25. Persons Controlled by or under Common Control with Registrant.

None.

Item 26. Number of Holders of Securities.

As of February 11, 1994, there were 47,942 record holders of common stock, \$.01 par value per share, of the Registrant.

Item 27. Indemnification.

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

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

The Registrant intends to purchase an insurance policy insuring its officers and directors against liabilities, and certain costs of defending claims against such officers and directors, to the extent such officers and directors are not found to have committed conduct

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constituting willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties. The insurance policy also insures the Registrant against the cost of indemnification payments to officers and directors under certain circumstances.

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

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

Item 28. Business and other Connections of Investment Adviser

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

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

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

<TABLE>

<CAPTION>

Name and Address	Position with PMF	Principal Occupations
------------------	-------------------	-----------------------

<S>

<C>

<C>

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 Raritan Plaza One Edison, NJ 08837	Chief Operating Officer and Director	Chief Operating Officer and Director, PMF; Chief Executive Officer and Director, Prudential Mutual Fund Services, Inc.
Stephen P. Fisher	Senior Vice President	Senior Vice President, PMF; Senior Vice President, Prudential Securities
Frank W. Giordano	Executive Vice President, General Counsel and Secretary	Executive Vice President, General Counsel and Secretary, PMF; Senior Vice President, Prudential Securities
Robert F. Gunia	Executive Vice President, Chief Administrative Officer, Chief Financial Officer and Director	Executive Vice President, Chief Administrative Officer, Chief Financial Officer and Director, PMF; Senior Vice President, Prudential Securities
Eugene B. Heimberg Prudential Plaza Newark, NJ 07101	Director	Senior Vice President, Prudential
Lawrence C. McQuade	Vice Chairman	Vice Chairman, PMF
Leland B. Paton	Director	Executive Vice President and Director, Prudential Securities; Director, Prudential Securities Group, Inc. (PSG)

</TABLE>

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<TABLE>

<CAPTION>

Name and Address	Position with PMF	Principal Occupations
<S>	<C>	<C>
Richard A. Redeker	President, Chief Executive Officer and Director	President, Chief Executive Officer and Director, PMF; Director and Member of Operating Committee, Prudential Securities; Director, PSG
S. Jane Rose	Senior Vice President, Senior Counsel and Assistant Secretary	Senior Vice President, Senior Counsel and Assistant Secretary, PMF; Senior Vice President and Senior Counsel, Prudential Securities
Donald G. Southwell 213 Washington Street Newark, NJ 07102	Director	Senior Vice President, Prudential; Director, PSG

</TABLE>

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

<TABLE>

<CAPTION>

Name and Address	Position with PIC	Principal Occupations
<S>	<C>	<C>
Martin A. Berkowitz	Senior Vice President, Chief Financial and Compliance Officer	Senior Vice President, Chief Financial and Compliance Officer, PIC; Vice President, Prudential
William M. Bethke Two Gateway Center Newark, NJ 07102	Senior Vice President	Senior Vice President, Prudential
Thomas A. Biolsi	Vice President and Chief Compliance Officer	Vice President and Chief Compliance Officer, Prudential
John D. Brookmeyer, Jr.	Senior Vice President	Senior Vice President, Prudential; Senior Vice

Two Gateway Center  
Newark, NJ 07102

President, PIC

Eugene B. Heimberg

Senior Vice President  
and Director

Senior Vice President, Prudential

Garnett L. Keith, Jr.

President and Director

Vice Chairman and Director, Prudential

William P. Link  
Four Gateway Center  
Newark, NJ 07102

Executive Vice  
President

Executive Vice President, Prudential

Robert E. Riley  
800 Boylston Avenue  
Boston, MA 02199

Executive Vice  
President

Executive Vice President, Prudential; Director, PSG

James W. Stevens  
Four Gateway Center  
Newark, NJ 07102

Executive Vice  
President

Executive Vice President, Prudential; Director, PSG

Robert C. Winters

Director

Chairman of the Board and Chief Executive Officer,  
Prudential; Chairman of the Board and Director, PSG

Claude J. Zinngrabe, Jr.

Executive Vice  
President  
Acquisitions and  
Sales Group

Vice President, Prudential

</TABLE>

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Item 29. Principal Underwriters

(a) Prudential Mutual Fund Distributors

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

(b) Prudential Mutual Fund Distributors, Inc.

<TABLE>

<CAPTION>

Name(1)	Positions and Offices with Underwriter	Positions and Offices with Registrant
<S>	<C>	<C>
Joanne Accurso-Soto.....	Vice President	None
Dennis Annarumma.....	Vice President, Assistant Treasurer and Assistant Comptroller	None
Phyllis J. Berman.....	Vice President	None

Fred A. Fiandaca.....	Chief Executive Officer and Director	None
Raritan Plaza One Edison, NJ 08847		
Stephen P. Fisher.....	Vice President	None
Frank W. Giordano.....	Executive Vice President, General Counsel, Secretary and Director	None
Robert F. Gunia.....	Executive Vice President, Director, Treasurer and Comptroller	Vice President
Richard A. Redeker.....	President, Chief Executive Officer and Director	None
Andrew J. Varley.....	Vice President	None
Anita Whelan.....	Vice President and Assistant Secretary	None

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

</TABLE>

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

Item 30. Location of Accounts and Records

All accounts, books and other documents required to be maintained by Section 31(a) of the 1940 Act and the Rules thereunder are maintained at the offices of State Street Bank and Trust Company, One Heritage Drive, North Quincy, Massachusetts 02171, the Registrant, One Seaport Plaza, New York, New York, and Prudential Mutual Fund Services, Inc., Raritan Plaza One, Edison, New Jersey.

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Documents required by Rules 31a-1(b)(5), (6), (7), (9), (10) and (11) and 31a-1(f) will be kept at 2 Gateway Center, Newark, New Jersey documents required by Rules 31a-1(b)(4) and (11) and 31a-1(d) at One Seaport Plaza and the remaining accounts, books and other documents required by such other pertinent provisions of Section 31(a) and the Rules promulgated thereunder will be kept by State Street Bank and Trust Company and Prudential Mutual Fund Services, Inc.

Item 31. Management Services

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

Item 32. Undertakings

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

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant has duly caused this Post-Effective Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, and State of New York, on the 24th day of February, 1994.

PRUDENTIAL-BACHE TAX-FREE MONEY  
FUND, INC.  
(doing business as Prudential Tax-Free Money Fund)

/s/ Lawrence C. McQuade

-----  
(Lawrence C. McQuade, President)

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

<TABLE>		
<CAPTION>		
Signature	Title	Date
-----	-----	-----
<S>	<C>	<C>
/s/ Lawrence C. McQuade	President and Director	February 24, 1994
-----		
Lawrence C. McQuade		

/s/ Delayne Detrick Gold	Director	February 24, 1994
-----		
Delayne Detrick Gold		
/s/ Arthur Hauspurg	Director	February 24, 1994
-----		
Arthur Hauspurg		
/s/ Harry A. Jacobs, Jr.	Director	February 24, 1994
-----		
Harry A. Jacobs, Jr.		
/s/ Thomas J. McCormack	Director	February 24, 1994
-----		
Thomas J. McCormack		
/s/ Stephen P. Munn	Director	February 24, 1994
-----		
Stephen P. Munn		
/s/ Louis A. Weil, III	Director	February 24, 1994
-----		
Louis A. Weil, III		
/s/ Susan C. Cote	Treasurer and Principal Financial and Accounting Officer	February 24, 1994
-----		
Susan C. Cote		

</TABLE>

#### EXHIBIT INDEX

1. (a) Articles of Incorporation of Registrant, as amended, incorporated by reference to Exhibit (b) to Post-Effective Amendment No. 10 to Registration Statement on Form N-1A (File No. 2-64625).
 

(b) Amendment to Articles of incorporation dated April 28, 1988, incorporated by reference to Exhibit 9(b) to Post-Effective Amendment No. 12 to Registration Statement on Form N-1A (File No. 2-64625).
2. (a) By-Laws of the Registrant, incorporated by reference to Exhibit No. 2 to Pre-Effective Amendment No. 1 to Registration Statement on Form N-1 (File No. 2-64625).
 

(b) Amendment to By-Laws, incorporated by reference to Exhibit No. 2(b) to Post-Effective Amendment No. 11 to Registration Statement on Form N-1A (File No. 2-64625).

(c) Amendment to By-Laws, incorporated by reference to Exhibit 3(c) to Post-Effective Amendment No. 13 to Registration Statement on Form N-1A (File No. 2-64625).
4. (a) Specimen Stock Certificate issued by the Registrant, incorporated by reference to Exhibit No. 4 to Post-Effective Amendment No. 11 to Registration Statement on Form N-1A (File No. 2-64625).
 

(b) Instruments defining rights of holders of the securities being offered, incorporated by reference to Exhibit Nos. 1 and 2 above.
5. (a) Management Agreement between the Registrant and Prudential Mutual Fund Management, Inc., as amended on November 19, 1993.\*
 

(b) Subadvisory Agreement between Prudential Mutual Fund Management, Inc. and The Prudential Investment Corporation, incorporated by reference to Exhibit No. 5(b) to Post-Effective Amendment No. 12 to Registration Statement on Form N-1A (File No. 2-64625).
6. Distribution and Service Agreement between the Registrant and Prudential Mutual Fund Distributors, Inc., as amended on July 1, 1993.\*
8. (a) Custodian Agreement between the Registrant and State Street Bank and Trust Company, dated July 13, 1984, incorporated by reference to Exhibit No. 8 to Post-Effective Amendment No. 1 to Registration Statement on Form N-1 (File No. 2-64625).
 

(b) Revised Custodian Agreement between the Registrant and State Street Bank and Trust Company, incorporated by reference to Exhibit No. 8(b) to Post-Effective Amendment No. 14 to Registration Statement on Form N-1A (File No. 2-64625).
9. Transfer Agency and Service Agreement, dated January 1, 1988, between the Registrant and Prudential Mutual Fund Services, Inc., incorporated by reference to Exhibit No. 9(b) to Post-Effective Amendment No. 11 to Registration Statement on Form N-1A (File No. 2-64625).
10. (a) Opinion of Counsel, incorporated by reference to Exhibit No. 10 to Pre-Effective Amendment No. 1 to Registration Statement on Form N-1 (File No. 2-64625).

(b) Opinion of Sullivan and Cromwell.\*

11. Consent of Independent Accountants.\*

13. Letter from Bache Halsey Stuart Shields Incorporated, incorporated by reference to Exhibit 13 to Pre-Effective Amendment No. 1 to Registration Statement on Form N-1 (File No. 2-64625).

15. Distribution and Service Plan between the Registrant and Prudential Mutual Fund Distributors Inc., as amended on July 1, 1993.\*

16. Calculation of Yield and Total Return, incorporated by reference to Exhibit 16 to Post-Effective Amendment No. 12 to Registration Statement on Form N-1A (File No. 2-64625).

Other Exhibits

Power of Attorney for:

Lawrence C. McQuade\*\*  
Delayne Dedrick Gold\*\*  
Arthur Hauspurg\*\*  
Harry A. Jacobs, Jr.\*\*  
Thomas J. McCormack\*\*

- -----

\*Filed herewith.

\*\*Executed copies filed under other Exhibits to Post-Effective Amendment No. 12 to the Registration statement on Form N-1A (File No. 2-64625).



PRUDENTIAL-BACHE TAX-FREE MONEY FUND, INC.  
MANAGEMENT AGREEMENT

Agreement, made this 2nd day of May, 1988, as amended on November 19, 1993, between Prudential-Bache Tax-Free Money Fund, Inc., a Maryland corporation (the "Fund"), and Prudential Mutual Fund Management, Inc., a Delaware corporation (the "Manager").

W I T N E S S E T H

WHEREAS, the Fund is a diversified, open-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"); and

WHEREAS, the Fund desires to retain the Manager to render or contract to obtain as hereinafter provided investment advisory services to the Fund and the Fund also desires to avail itself of the facilities available to the Manager with respect to the administration of its day to day corporate affairs, and the Manager is willing to render such investment advisory and administrative services;

NOW, THEREFORE, the parties agree as follows:

1. The Fund hereby appoints the Manager to act as manager of the Fund and administrator of its corporate affairs for the period and on the terms set forth in this Agreement. The Manager accepts such appointment and agrees to render the services herein described, for the compensation herein provided. The Manager will enter into an agreement, dated the date hereof, with The

Prudential Investment Corporation ("PIC") pursuant to which PIC shall furnish to the Fund the investment advisory services

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specified therein in connection with the management of the Fund. Such agreement in the form attached as Exhibit A is hereinafter referred to as the "Subadvisory Agreement." The Manager will continue to have responsibility for all investment advisory services furnished pursuant to the Subadvisory Agreement.

2. Subject to the supervision of the Board of Directors of the Fund, the Manager shall administer the Fund's corporate affairs and, in connection therewith, shall furnish the Fund with office facilities and with clerical, bookkeeping and recordkeeping services at such office facilities and, subject to Section 1 hereof and the Subadvisory Agreement, the Manager shall manage the investment operations of the Fund and the composition of the Fund's portfolio, including the purchase, retention and disposition thereof, in accordance with the Fund's investment objectives, policies and restrictions as stated in the Prospectus (hereinafter defined) and subject to the following understandings:

(a) The Manager shall provide supervision of the Fund's investments and determine from time to time what investments or securities will be purchased, retained, sold or loaned by the Fund, and what portion of the assets will be invested or held uninvested as cash.

(b) The Manager, in the performance of its duties and

obligations under this Agreement, shall act in conformity with the Articles of Incorporation, By-Laws and Prospectus (hereinafter defined) of the Fund and with the instructions and directions of the Board of Directors of the Fund and will conform to and comply with the requirements of the 1940 Act

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and all other applicable federal and state laws and regulations.

(c) The Manager shall determine the securities and futures contracts to be purchased or sold by the Fund and will place orders pursuant to its determinations with or through such persons, brokers, dealers or futures commission merchants (including but not limited to Prudential Securities Incorporated) in conformity with the policy with respect to brokerage as set forth in the Fund's Registration Statement and Prospectus (hereinafter defined) or as the Board of Directors may direct from time to time. In providing the Fund with investment supervision, it is recognized that the Manager will give primary consideration to securing the most favorable price and efficient execution. Consistent with this policy, the Manager may consider the financial responsibility, research and investment information and other services provided by brokers, dealers or futures commission merchants who may effect or be a party to any such transaction or other transactions to which other clients of

the Manager may be a party. It is understood that Prudential Securities Incorporated may be used as principal broker for securities transactions but that no formula has been adopted for allocation of the Fund's investment transaction business. It is also understood that it is desirable for the Fund that the Manager have access to supplemental investment and market research and security and economic analysis provided by

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brokers or futures commission merchants and that such brokers may execute brokerage transactions at a higher cost to the Fund than may result when allocating brokerage to other brokers or futures commission merchants on the basis of seeking the most favorable price and efficient execution. Therefore, the Manager is authorized to pay higher brokerage commissions for the purchase and sale of securities and futures contracts for the Fund to brokers or futures commission merchants who provide such research and analysis, subject to review by the Fund's Board of Directors from time to time with respect to the extent and continuation of this practice. It is understood that the services provided by such broker or futures commission merchant may be useful to the Manager in connection with its services to other clients.

On occasions when the Manager deems the purchase or sale of a security or a futures contract to be in the best

interest of the Fund as well as other clients of the Manager or the Subadviser, the Manager, to the extent permitted by applicable laws and regulations, may, but shall be under no obligation to, aggregate the securities or futures contracts to be so sold or purchased in order to obtain the most favorable price or lower brokerage commissions and efficient execution. In such event, allocation of the securities or futures contracts so purchased or sold, as well as the expenses incurred in the transaction, will be made by the

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Manager in the manner it considers to be the most equitable and consistent with its fiduciary obligations to the Fund and to such other clients.

(d) The Manager shall maintain all books and records with respect to the Fund's portfolio transactions and shall render to the Fund's Board of Directors such periodic and special reports as the Board may reasonably request.

(e) The Manager shall be responsible for the financial and accounting records to be maintained by the Fund (including those being maintained by the Fund's Custodian).

(f) The Manager shall provide the Fund's Custodian on each business day with information relating to all transactions concerning the Fund's assets.

(g) The investment management services of the Manager to the Fund under this Agreement are not to be deemed

exclusive, and the Manager shall be free to render similar services to others.

3. The Fund has delivered to the Manager copies of each of the following documents and will deliver to it all future amendments and supplements, if any:

(a) Articles of Incorporation of the Fund, as filed with the Secretary of State of Maryland (such Articles of Incorporation, as in effect on the date hereof and as amended from time to time, are herein called the "Articles of Incorporation");

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(b) By-Laws of the Fund (such By-Laws, as in effect on the date hereof and as amended from time to time, are herein called the "By-Laws");

(c) Certified resolutions of the Board of Directors of the Fund authorizing the appointment of the Manager and approving the form of this agreement;

(d) Registration Statement under the 1940 Act and the Securities Act of 1933, as amended, on Form N-1A (the "Registration Statement"), as filed with the Securities and Exchange Commission (the "Commission") relating to the Fund and shares of the Fund's Common Stock and all amendments thereto;

(e) Notification of Registration of the Fund under the

1940 Act on Form N-8A as filed with the Commission and all amendments thereto; and

(f) Prospectus of the Fund (such Prospectus and Statement of Additional Information, as currently in effect and as amended or supplemented from time to time, being herein called the "Prospectus").

4. The Manager shall authorize and permit any of its directors, officers and employees who may be elected as directors or officers of the Fund to serve in the capacities in which they are elected. All services to be furnished by the Manager under this Agreement may be furnished through the medium of any such directors, officers or employees of the Manager.

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5. The Manager shall keep the Fund's books and records required to be maintained by it pursuant to paragraph 2 hereof. The Manager agrees that all records which it maintains for the Fund are the property of the Fund and it will surrender promptly to the Fund any such records upon the Fund's request, provided however that the Manager may retain a copy of such records. The Manager further agrees to preserve for the periods prescribed by Rule 31a-2 under the 1940 Act any such records as are required to be maintained by the Manager pursuant to Paragraph 2 hereof.

6. During the term of this Agreement, the Manager shall pay the following expenses:

(i) the salaries and expenses of all personnel of the Fund and the Manager except the fees and expenses of directors who are not affiliated persons of the Manager or the Fund's investment adviser,

(ii) all expenses incurred by the Manager or by the Fund in connection with managing the ordinary course of the Fund's business other than those assumed by the Fund herein, and

(iii) the costs and expenses payable to PIC pursuant to the Subadvisory Agreement.

The Fund assumes and will pay the expenses described below:

(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 the Fund's investment

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adviser,

(c) the fees and expenses of the Custodian that relate to (i) the custodial function and the recordkeeping connected therewith, (ii) preparing and maintaining the general accounting records of the Fund and the providing of any such records to the Manager useful to the Manager in connection with the Manager's responsibility for the accounting records of the Fund pursuant to Section 31 of the 1940 Act and the rules promulgated thereunder, (iii) the pricing of the shares



of the Fund, including the cost of any pricing service or services which may be retained pursuant to the authorization of the Board of Directors of the Fund, and (iv) for both mail and wire orders, the cashiering function in connection with the issuance and redemption of the Fund's securities,

(d) the fees and expenses of the Fund's Transfer and Dividend Disbursing Agent, which may be the Custodian, that relate to the maintenance of each shareholder account,

(e) the charges and expenses of legal counsel and independent accountants for the Fund,

(f) brokers' 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 federal, state or other governmental agencies,

(h) the fees of any trade associations of which the Fund may be a member,

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(i) the cost of stock certificates representing, and/or non-negotiable share deposit receipts evidencing, shares of the Fund,

(j) the cost of fidelity, directors and officers and errors and omissions insurance,

(k) the fees and expenses involved in registering and maintaining registration of the Fund and of its shares with

the Securities and Exchange Commission, registering the Fund as a broker or dealer and qualifying its shares under state securities laws, including the preparation and printing of the Fund's registration statements, prospectuses and statements of additional information for filing under federal and state securities laws for such purposes,

(l) allocable communications expenses with respect to investor services and all expenses of shareholders' and directors' meetings and of preparing, printing and mailing reports to shareholders in the amount necessary for distribution to the shareholders,

(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.

7. In the event the expenses of the Fund for any fiscal year (including the fees payable to the Manager but excluding

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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) exceed the lowest applicable annual expense limitation established and enforced pursuant to the statute or regulations of

any jurisdictions in which shares of the Fund are then qualified for offer and sale, the compensation due the Manager will be reduced by the amount of such excess, or, if such reduction exceeds the compensation payable to the Manager, the Manager will pay to the Fund the amount of such reduction which exceeds the amount of such compensation.

8. For the services provided and the expenses assumed pursuant to this Agreement, the fund will pay to the Manager as full compensation therefor a fee at an annual rate of .50 of 1% of the Fund's average daily net assets up to \$750 million, .425 of 1% on assets between \$750 million and \$1.5 billion and .375 of 1% on assets in excess of \$1.5 billion of the Fund's average daily net assets. This fee will be computed daily and will be paid to the Manager monthly. Any reduction in the fee payable and any payment by the Manager to the Fund pursuant to paragraph 7 shall be made monthly. Any such reductions or payments are subject to readjustment during the year.

9. The Manager shall not be liable for any error of judgment or for any loss suffered by the Fund in connection with the matters to which this Agreement relates, except a loss resulting from a breach of fiduciary duty with respect to the

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receipt of compensation for services (in which case any award of damages shall be limited to the period and the amount set forth in Section 36(b)(3) of the 1940 Act) or loss resulting from willful

misfeasance, bad faith or gross negligence on its part in the performance of its duties or from reckless disregard by it of its obligations and duties under this Agreement.

10. This Agreement shall continue in effect for a period of more than two years from the date hereof only so long as such continuance is specifically approved at least annually in conformity with the requirements of the 1940 Act; provided, however, that this Agreement 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 outstanding voting securities (as defined in the 1940 Act) of the Fund, or by the Manager at any time, without the payment of any penalty, on not more than 60 days' nor less than 30 days' written notice to the other party. This Agreement shall terminate automatically in the event of its assignment (as defined in the 1940 Act).

11. Nothing in this Agreement shall limit or restrict the right of any director, officer or employee of the Manager who may also be a director, officer or employee of the Fund to engage in any other business or to devote his or her time and attention in part to the management or other aspects of any business, whether of a similar or dissimilar nature, nor limit or restrict the right of the Manager to engage in any other business or to render services of any kind to any other corporation, firm, individual or

association.

12. Except as otherwise provided herein or authorized by the Board of Directors of the Fund from time to time, the Manager shall for all purposes herein be deemed to be an independent contractor and shall have no authority to act for or represent the Fund in any way or otherwise be deemed an agent of the Fund.

13. During the term of this Agreement, the Fund agrees to furnish the Manager at its principal office all prospectuses, proxy statements, reports to shareholders, sales literature, or other material prepared for distribution to shareholders of the Fund or the public, which refer in any way to the Manager, prior to use thereof and not to use such material if the Manager reasonably objects in writing within five business days (or such other time as may be mutually agreed) after receipt thereof. In the event of termination of this Agreement, the Fund will continue to furnish to the Manager copies of any of the above mentioned materials which refer in any way to the Manager. Sales literature may be furnished to the Manager hereunder by first-class or overnight mail, facsimile transmission equipment or hand delivery. The Fund shall furnish or otherwise make available to the Manager such other information relating to the business affairs of the Fund as the Manager at any time, or from time to time, reasonably requests in order to discharge its obligations hereunder.

14. This Agreement may be amended by mutual consent, but the consent of the Fund must be obtained in conformity with the

requirements of the 1940 Act.

15. Any notice or other communication required to be given pursuant to this Agreement shall be deemed duly given if delivered or mailed by registered mail, postage prepaid, (1) to the Manager at One Seaport Plaza, New York, N.Y. 10292, Attention: Secretary; or (2) to the Fund at One Seaport Plaza, New York, N.Y. 10292, Attention: President.

16. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

17. The Fund may use the name "Prudential-Bache Tax-Free Money Fund, Inc." or any name including the words "Prudential" or "Bache" only for so long as this Agreement or any extension, renewal or amendment hereof remains in effect, including any similar agreement with any organization which shall have succeeded to the Manager's business as Manager or any extension, renewal or amendment thereof remain in effect. At such time as such an agreement shall no longer be in effect, the Fund will (to the extent that it lawfully can) cease to use such a name or any other name indicating that it is advised by, managed by or otherwise connected with the Manager, or any organization which shall have succeeded to such businesses. In no event shall the Fund use the name "Prudential-Bache Tax-Free Money Fund, Inc." or any name including the word "Prudential" or "Bache" if the Manager's function is transferred or assigned to a company of which The

Prudential Insurance Company of America does not have control.

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IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their officers designated below as of the day and year first above written.

PRUDENTIAL-BACHE TAX-FREE MONEY FUND, INC.

By: /s/ Lawrence C. McQuade

-----  
Lawrence C. McQuade  
President

PRUDENTIAL MUTUAL FUND MANAGEMENT, INC.

By: /s/ Robert F. Gunia

-----  
Robert F. Gunia  
Executive Vice President

[agr2] tfm-mgmt .agr



PRUDENTIAL-BACHE TAX-FREE MONEY FUND, INC.

Distribution Agreement

Agreement made as of May 2, 1988, as amended and restated on July 1, 1993, between Prudential-Bache Tax-Free Money Fund, Inc., a Maryland Corporation (the Fund) and Prudential Mutual Fund Distributors, Inc., a Delaware Corporation (the Distributor).

WITNESSETH

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

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

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

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

NOW, THEREFORE, the parties agree as follows:

Section 1. Appointment of the Distributor

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

Section 2. Exclusive Nature of Duties

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

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

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

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

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

### Section 3. Purchase of Shares from the Fund

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

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

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

conditions in Section 4.3 hereof or at such other times as may be determined by the Directors/Trustees. The Fund shall also have the right to suspend the sale of its shares if a banking moratorium shall have been declared by federal or New York authorities.

3.4 The Fund, or any agent of the Fund designated in writing by the Fund, shall be promptly advised of all purchase orders for shares received by the Distributor. Any order may be rejected by the Fund; provided, however, that the Fund will not arbitrarily or without reasonable cause refuse to accept or confirm orders for the

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purchase of shares. The Fund (or its agent) will confirm orders upon their receipt, will make appropriate book entries and upon receipt by the Fund (or its agent) of payment therefor, will deliver deposit receipts for such shares pursuant to the instructions of the Distributor. Payment shall be made to the Fund in New York Clearing House funds or federal funds. The Distributor agrees to cause such payment and such instructions to be delivered promptly to the Fund (or its agent).

#### Section 4. Repurchase or Redemption of Shares by the Fund

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

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

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

## Section 5. Duties of the Fund

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

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

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its Prospectus and annual and interim reports as the Distributor shall reasonably request.

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

5.4 The Fund shall use its best efforts to qualify and maintain the qualification of any appropriate number of its shares for sales under the securities laws of such states as the Distributor and the Fund may approve; provided that the Fund shall not be required to amend its Declaration of Trust or By-Laws to comply with the laws of any state, to maintain an office in any state, to change the terms of the offering of its shares in any state from the terms set forth in its Registration Statement, to qualify as a foreign corporation in any state or to consent to service of process in any state other than with respect to claims arising out of the offering of its shares. Any such qualification may be withheld, terminated or withdrawn by the Fund at any time in its discretion. As provided in Section 8.1 hereof, the expense of qualification and maintenance of qualification shall be borne by the Fund. The Distributor shall furnish such information and other material relating to its affairs and activities as may be required by the Fund in connection with such qualifications.

## Section 6. Duties of the Distributor

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

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

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appropriate officers of the Fund.

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

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

## Section 7. Reimbursement of the Distributor under the Plan

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

Distributor and such dealers and institutions and amounts paid for personal service and/or the maintenance of shareholder accounts. Amounts reimbursable under the Plan shall be accrued daily and paid monthly or at such other intervals as the Directors/Trustees may determine but shall not be paid at a rate that exceeds .125 of 1% per annum of the assets of the shares of the Fund. Payment of the distribution and service fee shall be subject to the limitations of Article III, Section 26 of the NASD Rules of Fair Practice.

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

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7.3 Costs of the Distributor subject to reimbursement hereunder are costs of performing distribution activities and may include, among others:

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

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

(c) sales commissions and account servicing fees paid to, or on account of, broker-dealers and financial institutions (other than Prudential Securities and Prusec) which have entered into selected dealer

agreements with the Distributor with respect to shares of the Fund;

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

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

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

## Section 8. Allocation of Expenses

8.1 The Fund shall bear all costs and expenses of the continuous offering of its shares, including fees and disbursements of its counsel and auditors, in connection with the preparation and

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filing of any required Registration Statements and/or Prospectuses under the Investment Company Act or the Securities Act, and all amendments and supplements thereto, and preparing and mailing annual and periodic reports and proxy materials to shareholders (including but not limited to the expense of setting in type any such Registration Statements, Prospectuses, annual or periodic reports or proxy materials). The Fund shall also bear the cost of expenses of qualification of the shares for sale, and, if necessary or advisable in connection therewith, of qualifying the Fund as a broker or dealer, in such states of the United States or other jurisdictions as shall be selected by the Fund and the Distributor pursuant to Section 5.4 hereof and the cost and expense payable to each such state for continuing qualification therein until the Fund decides to discontinue such qualification pursuant to Section 5.4 hereof. As set forth in Section 7 above, the Fund shall also bear the expenses it assumes pursuant to the Plan with respect to the shares of the Fund, so long as the Plan is in effect.

8.2 If the Plan is terminated or discontinued, the costs previously incurred by the Distributor in performing the duties set forth in Section 6 hereof shall be borne by the Distributor and will not be subject to reimbursement by the Fund.

## Section 9. Indemnification

9.1 The Fund agrees to indemnify, defend and hold the Distributor, its officers and directors and any person who controls the Distributor within the meaning of Section 15 of the Securities Act, free and harmless from and against any and all claims, demands, liabilities and expenses (including the cost of investigating or defending such claims, demands or liabilities and any counsel fees incurred in connection therewith) which the Distributor, its officers, directors or any such controlling person may incur under the Securities Act, or under common law or otherwise, arising out of or based upon any untrue statement of a material fact contained in the Registration Statement or Prospectus or arising out of or based upon any alleged omission to state a material fact required to be stated in either thereof or necessary to make the statements in either thereof not misleading, except insofar as such claims, demands, liabilities or expenses arise out of or are based upon any such untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with information furnished in writing by the Distributor to the Fund for use in the Registration Statement or Prospectus; provided, however, that this indemnity agreement shall not inure to the benefit of any such officer, director, trustee or controlling person unless a court of competent jurisdiction shall determine in a final decision on the merits, that the person to be indemnified was not liable by reason of willful misfeasance, bad faith or gross negligence in the performance of its duties, or by reason of its reckless disregard of its obligations under this Agreement (disabling conduct), or, in the absence of such a decision, a

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reasonable determination, based upon a review of the facts, that the indemnified person was not liable by reason of disabling conduct, by (a) a vote of a majority of a quorum of directors or trustees who are neither "interested persons" of the Fund as defined in Section 2(a)(19) of the Investment Company Act nor parties to the proceeding, or (b) an independent legal counsel in a written opinion. The Fund's agreement to indemnify the Distributor, its officers and directors or trustees and any such controlling person as aforesaid is expressly conditioned upon the Fund's being promptly notified of any action brought against the Distributor, its officers or directors or trustees, or any such controlling person, such notification to be given by letter or telegram addressed to the Fund at its principal business office. The Fund agrees promptly to notify the Distributor of the commencement of any litigation or proceedings against it or any of its officers or directors in connection with the issue and sale of any shares.



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

#### Section 10. Duration and Termination of this Agreement

10.1 This Agreement shall become effective as of the date first above written and shall remain in force for two years from the date hereof and thereafter, but only so long as such continuance is specifically approved at least annually by (a) the Directors/Trustees of the Fund, or by the vote of a majority of the

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outstanding voting securities of the shares of the Fund, and (b) by the vote of a majority of those Directors/Trustees who are not parties to this Agreement or interested persons of any such parties and who have no direct or indirect financial interest in this Agreement or in the operation of the Fund's Plan or in any agreement related thereto (Rule 12b-1 Directors/Trustees), cast in person at a meeting called for the purpose of voting upon such approval.

10.2 This Agreement may be terminated at any time, without the payment of any penalty, by a majority of the Rule 12b-1 Directors/Trustees or by vote of a majority of the outstanding voting securities of the shares of the Fund, or by the Distributor, on sixty (60) days' written notice to the other party. This

Agreement shall automatically terminate in the event of its assignment.

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

Section 11. Amendments to this Agreement

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

Section 12. Governing Law

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

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

Prudential Mutual Fund  
Distributors, Inc.

By: /s/ Robert F. Gunia  
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Name: Robert F. Gunia  
Title: Executive Vice President

Prudential-Bache  
Tax-Free Money Fund, Inc.

By: /s/ Lawrence C. McQuade

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Name: Lawrence C. McQuade  
Title: President

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2-1, MARUNOUCHI I-CHOME, CHIYODA-KU, TOKYO 100  
GLOUCESTER TOWER, 11 PEDDER STREET, HONG KONG

</TABLE>

February 24, 1994

Prudential-Bache Tax-Free Money Fund, Inc.,  
One Seaport Plaza,  
New York, New York 10292.

Dear Sirs:

You have requested our opinion in connection with your filing of Post-Effective Amendment No.17 to the Registration Statement on Form N-1A under the Securities Act of 1933 and your registration in connection therewith of 24,452,907 shares of your Common Stock, \$.01 par value (the "Shares") pursuant to Rule 24e-2 under the Investment Company Act of 1940.

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

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

The foregoing opinion is limited to the Federal laws of the United States and the General Corporation Laws of the State of Maryland, and we are expressing no opinion as to the effect by the laws of any other jurisdiction.

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

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

Very truly yours,

/s/ Sullivan & Cromwell

Sullivan & Cromwell

## CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Statement of Additional Information constituting part of this Post-Effective Amendment No. 17 to the registration statement on Form N-1A (the "Registration Statement") of our report dated February 16, 1994, relating to the financial statements and financial highlights of Prudential Tax-Free Money Fund, which appears in such Statement of Additional Information and to the incorporation by reference of our report into the Prospectus which constitutes part of this Registration Statement. We also consent to the reference to us under the heading "Custodian and Transfer and Dividend Disbursing Agent and Independent Accountants" in such Statement of Additional Information and the reference to us under the heading "Financial Highlights" in such Prospectus.

PRICE WATERHOUSE

1177 Avenue of the Americas  
New York, New York  
February 24, 1994

PRUDENTIAL-BACHE TAX-FREE MONEY FUND, INC.

Distribution and Service Plan

Introduction

The Distribution and Service Plan (the Plan) set forth below which is designed to conform to the requirements of Rule 12b-1 under the Investment Company Act of 1940 (the Investment Company Act) and Article III, Section 26 of the Rules of Fair Practice of the National Association of Securities Dealers, Inc. (NASD) has been adopted by Prudential-Bache Tax-Free Money 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 shares issued by the Fund. Under the Plan, the Fund intends to reimburse the Distributor for costs incurred by the Distributor in distributing shares of the Series and to pay the Distributor a service fee for the maintenance of shareholder accounts.

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

financial interest in the operation of this Plan or any agreements related to it (the Rule 12b-1 Directors or Trustees), have determined by votes cast in person at a meeting called for the purpose of voting on this Plan that there is a reasonable likelihood that adoption of this Plan will benefit the Fund and its shareholders. Expenditures under this Plan by the Fund for Distribution Activities (defined below) are primarily intended to result in the sale of 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 Series, 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 shares of the Series and to service shareholder accounts using all of the facilities of the distribution networks of Prudential Securities Incorporated (Prudential Securities) and Pruco Securities Corporation (Prusec), including sales personnel and

branch office and central support systems, and also using such other qualified broker-dealers and financial institutions as the Distributor may select. Services provided and activities undertaken to distribute shares of the Fund are referred to herein as "Distribution Activities."

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## 2. Payment of Service Fee

The Fund shall reimburse the Distributor for costs incurred by it in providing personal service and/or maintaining shareholder accounts at a rate not to exceed .125 of 1% per annum of the average daily net assets of the shares of the Fund (service fee). The Fund shall calculate and accrue daily amounts reimbursable by the shares of the Fund hereunder and shall pay such amounts monthly or at such other intervals as the Board of Directors or Trustees may determine. Costs of the Distributor subject to reimbursement hereunder include account servicing fees and indirect and overhead costs associated with providing personal service and/or maintaining shareholder accounts.

## 3. Payment for Distribution Activities

The Fund shall reimburse the Distributor for costs incurred by it in performing Distribution Activities at a rate which, together with the service fee (described in Section 2 hereof), shall not exceed .125% per annum of the average daily net assets of the shares of the Fund. The Fund shall calculate and accrue daily amounts reimbursable by the shares of the Fund hereunder



and shall pay such amounts monthly or at such other intervals as the Board of Directors or Trustees may determine.

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

- (a) amounts paid to Prudential Securities in reimbursement of costs incurred by Prudential Securities in performing services under a selected dealer agreement between Prudential Securities and the Distributor for sale of shares of the Fund, including sales

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commissions and account servicing fees paid to, or on account of, account executives and indirect and overhead costs associated with Distribution Activities, including central office and branch expenses;

- (b) amounts paid to Prusec in reimbursement of costs incurred by Prusec in performing services under a selected dealer agreement between Prusec and the Distributor for sale of shares of the Fund, including sales commissions and account servicing fees paid to, or on account of, agents and indirect and overhead costs associated with Distribution Activities;
- (c) advertising for the Fund in various forms through any available medium, including the cost of printing and mailing Fund prospectuses, statements of additional information and periodic financial reports and sales literature to persons other than current shareholders of the Fund; and
- (d) sales commissions (including account servicing fees) paid to, or on account of, broker-dealers and financial institutions (other than Prudential Securities and Prusec) which have entered into selected dealer agreements with the Distributor with respect to shares of the Fund.

#### 4. Quarterly Reports; Additional Information

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

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the Distributor.

The Distributor will inform the Board of Directors or Trustees of the Fund of the commissions and account servicing fees to be paid by the Distributor to 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 Fund.

If approved by a vote of a majority of the outstanding voting securities of the Fund, the Plan shall, unless earlier terminated in accordance with its terms, continue in full force

and effect thereafter for so long as such continuance is specifically approved at least annually by a majority of the Board of Directors or Trustees of the Fund and a majority of the Rule 12b-1 Directors or Trustees by votes cast in person at a meeting called for the purpose of voting on the continuation of the Plan.

#### 6. Termination

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

#### 7. Amendments

The Plan may not be amended to change the distribution expenses to be paid as provided for in Section 3 hereof so as to

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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 Fund. All material amendments of the Plan, including the addition or deletion of categories of expenditures which are reimbursable hereunder, shall be approved by a majority of the Board of Directors or the Trustees of the Fund and a majority of the Rule 12b-1 Directors or Trustees by votes cast in person at a meeting called for the purpose of voting on the Plan.

#### 8. Non-interested Directors or Trustees

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

9. Records

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

Dated: May 2, 1988  
as amended and restated  
on July 1, 1993

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