

SECURITIES AND EXCHANGE COMMISSION

FORM PRES14A

Preliminary proxy statements, special meeting

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FILER

**PRUDENTIAL U S GOVERNMENT FUND**

CIK: **782409** | IRS No.: **136864401** | State of Incorpor.: **MA** | Fiscal Year End: **1031**  
Type: **PRES14A** | Act: **34** | File No.: **811-04457** | Film No.: **94516406**

Mailing Address  
*ONE SEAPORT PLZ  
NEW YORK NY 10292*

Business Address  
*199 WATER ST  
NEW YORK NY 10292  
2122141248*

PRELIMINARY COPY  
INFORMATION REQUIRED IN  
PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the registrant /X/  
Filed by a party other than the registrant / /

Check the appropriate box:

/X/ Preliminary proxy statement  
/ / Definitive proxy statement  
/ / Definitive additional materials  
/ / Soliciting material pursuant to Rule 14a-11(c) or Rule 14a-12

PRUDENTIAL U.S. GOVERNMENT FUND

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(NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

PRUDENTIAL U.S. GOVERNMENT FUND

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(NAME OF PERSON(S) FILING PROXY STATEMENT)

Payment of filing fee (Check the appropriate box):

/X/ \$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1) or 14a-6(j)(2).  
/ / \$500 per each party to the controversy pursuant to Exchange Act Rule  
14a-6(i)(3).  
/ / Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

PRELIMINARY COPY  
PRUDENTIAL U.S. GOVERNMENT FUND  
ONE SEAPORT PLAZA  
NEW YORK, N.Y. 10292

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NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
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To our Shareholders:

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

1. To elect Trustees.
2. To approve an amendment of the Fund's Declaration of Trust to permit a conversion feature for Class B shares.
3. To approve an amended and restated Class A Distribution and Service Plan.
4. To approve an amended and restated Class B Distribution and Service Plan.
5. To approve amendments of the Fund's investment restrictions

regarding restricted and illiquid securities.

6. To approve an amendment of the Fund's investment restrictions to clarify that collateral arrangements with respect to interest rate swap transactions, reverse repurchase agreements and dollar roll transactions are not deemed to be the issuance of a senior security or the pledge of assets.

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

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

9. To ratify the selection by the Trustees of Deloitte & Touche as independent accountants for the fiscal year ending October 31, 1994.

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

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

S. JANE ROSE  
SECRETARY

March , 1994

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

PRUDENTIAL U.S. GOVERNMENT FUND  
ONE SEAPORT PLAZA  
NEW YORK, N.Y. 10292

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PROXY STATEMENT  
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This proxy statement is furnished by the Trustees of Prudential U.S. Government Fund (the Fund), in connection with their solicitation of proxies for use at a Special Meeting of Shareholders of the Fund to be held at 3:00 P.M. on [ ] 1994, at 199 Water Street, New York, New York 10292. The purpose of the Meeting and the matters to be acted upon are set forth in the accompanying Notice of Special Meeting.

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

If a Proxy that is properly executed and returned accompanied by instructions to withhold authority to vote represents a broker "non-vote" (that is, a Proxy from a broker or nominee indicating that such person has not received instructions from the beneficial owner or other person entitled to vote

shares on a particular matter with respect to which the broker or nominee does not have discretionary power), the shares represented thereby will be considered not to be present at the Meeting for purposes of determining the existence of quorum for the transaction of business and be deemed not cast with respect to such proposal. If no instructions are received by the broker or nominee from the shareholder with reference to routine matters, the shares represented thereby

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

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

Management does not know of any person or group who owned beneficially 5% or more of either class of the Fund's outstanding shares of beneficial interest as of [ ] 1994.

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

ELECTION OF TRUSTEES  
(PROPOSAL NO. 1)

At the Meeting, ten Trustees will be elected to hold office for a term of unlimited duration until their successors are elected and qualify. It is the intention of the persons named in the accompanying form of Proxy to vote for the election of Stephen C. Eyre, Delayne D. Gold, Don G. Hoff, Harry A. Jacobs, Jr., Sidney R. Knafel, Robert E. LaBlanc, Lawrence C. McQuade, Thomas A. Owens, Jr., Richard A. Redeker and Clay T. Whitehead, all of whom are currently Trustees. Each of the nominees has consented to be named in this

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Proxy Statement and serve as a Trustee if elected. All of the current Trustees, except Mr. Redeker, have previously been elected by the shareholders. All of the Trustees except for Mr. McQuade and Mr. Redeker have served as Trustees since 1986. Mr. McQuade has served as a Trustee since 1987 and Mr. Redeker since 1993.

The Trustees have no reason to believe that any of the nominees named above will not become available for election as a Trustee, but if that should occur before the Meeting, proxies will be voted for such persons as the Trustees may recommend.

As a Massachusetts business trust, the Fund is not required to hold annual meetings of shareholders if the election of Trustees is not required under the Investment Company Act of 1940, as amended (the Investment Company Act). It is the present intention of the Trustees of the Fund not to hold annual meetings of shareholders unless such shareholder action is required.

INFORMATION REGARDING TRUSTEES

<TABLE>  
<CAPTION>

NAME, AGE, PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS AND DIRECTORSHIPS	POSITION WITH FUND	SHARES OF COMMON STOCK OWNED AT [ ]1994
<S>	<C>	<C>
Stephen C. Eyre (71), Executive Director, The John A. Hartford Foundation, Inc. (charitable foundation) (since May 1985); Director of Faircom, Inc., Munich American Reinsurance Company and Munich Management Corporation, Prudential Global Fund, Inc., Prudential Pacific Growth Fund, Inc. and Prudential Short-Term Global Income Fund, Inc.; Trustee of Pace University and Prudential U.S. Government Fund.	Trustee	-0-
Delayne D. Gold (55), Marketing and Management Consultant; Director of Prudential Adjustable Rate Securities Fund, Inc., Prudential Equity Fund, Inc., Prudential Global Fund, Inc., Prudential GNMA Fund, Prudential	Trustee	-0-

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<TABLE>  
<CAPTION>

NAME, AGE, PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS AND DIRECTORSHIPS	POSITION WITH FUND	SHARES OF COMMON STOCK OWNED AT [ ]1994
<S>	<C>	<C>
Government Plus Fund, Prudential Growth Opportunity Fund, Prudential High Yield Fund, Prudential IncomeVertible-R- Fund, Inc., Prudential MoneyMart Assets, Prudential National Municipals Fund, Prudential Pacific Growth Fund, Inc., Prudential Short-Term Global Income Fund, Inc., Prudential Special Money Market Fund, Prudential Structured Maturity Fund, Prudential Tax-Free Money Fund and Prudential Utility Fund; Trustee of the BlackRock Government Income Trust, Command Government Fund, Command Money Fund, Command Tax-Free Fund, Prudential California Municipal Fund, Prudential Government Securities Trust, Prudential Municipal Series Fund and Prudential U.S. Government Fund.		
Don G. Hoff (58), Chairman and Chief Executive Officer of Intertec, Inc. (investments) since 1980; formerly Chairman and Chief Executive Officer of AT&E Corporation (telecommunications) (1984-1990); Director of Innovative Capital Management, Inc., Prudential Global Fund, Inc., Prudential Pacific Growth Fund,	Trustee	-0-

</TABLE>

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<TABLE>  
<CAPTION>

NAME, AGE, PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS AND DIRECTORSHIPS	POSITION WITH FUND	SHARES OF COMMON STOCK OWNED AT [ ]1994
<S>	<C>	<C>
Inc., Prudential Short-Term Global Income Fund, Inc., The Asia Pacific Fund, Inc. and The Greater China Fund, Inc; Trustee of Prudential U.S. Government Fund.		
*Harry A. Jacobs, Jr. (72), Senior Director (since January 1986) of Prudential Securities; formerly Interim Chairman and Chief Executive Officer of Prudential Mutual Fund Management, Inc. (PMF) (June-September 1993); Chairman of the Board of Prudential Securities (1982-1985) and Chairman of the Board and Chief Executive Officer of Bache Group Inc. (1977-1982); Director of the Center for National	Trustee	-0-

Policy, Prudential Adjustable Rate Securities Fund, Inc., Prudential Equity Fund, Inc., Prudential Global Fund, Inc., Prudential GNMA Fund, Prudential Government Plus Fund, Prudential Growth Opportunity Fund, Prudential High Yield Fund, Prudential IncomeVertible-R- Fund, Inc., Prudential MoneyMart Assets, Prudential National Municipals Fund, Prudential Pacific Growth Fund, Inc., Prudential Short-Term Global Income Fund, Inc., Prudential Special Money Market Fund, Prudential Structured Maturity Fund, Prudential Tax-Free Money Fund, Prudential Utility Fund, The First Australia Fund, Inc., The First Australia

</TABLE>

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<TABLE>  
<CAPTION>

NAME, AGE, PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS AND DIRECTORSHIPS	POSITION WITH FUND	SHARES OF COMMON STOCK OWNED AT [ ]1994
<S>	<C>	<C>
Prime Income Fund, Inc., The Global Government Plus Fund, Inc. and The Global Yield Fund, Inc.; Trustee of the Trudeau Institute, The BlackRock Government Income Trust, Command Money Fund, Command Government Fund, Command Tax-Free Fund, Prudential California Municipal Fund; Prudential Municipal Series Fund and Prudential U.S. Government Fund.		
Sidney R. Knafel (63), Managing Partner of SRK Management Company (investments) since 1981; Chairman of Insight Communications Company, L.P. and Microbiological Associates, Inc.; Director of Cellular Communications, Inc., Cellular Communications International, Inc., Cellular Communications of Puerto Rico, Inc., IGENE Biotechnology, Inc., International CableTel Incorporated, Medical Imaging Centers of America, Inc., and a number of private companies; Director of Prudential Global Fund, Inc., Prudential Pacific Growth Fund, Inc. and Prudential Short-Term Global Income Fund, Inc.; Trustee of Prudential U.S. Government Fund.	Trustee	-0-
Robert E. LaBlanc (59), President of Robert E. LaBlanc Associates, Inc. (telecommunications) since 1981; Director of Contel Cellular,	Trustee	-0-

</TABLE>

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<TABLE>  
<CAPTION>

NAME, AGE, PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS AND DIRECTORSHIPS	POSITION WITH FUND	SHARES OF COMMON STOCK OWNED AT [ ]1994
<S>	<C>	<C>
Inc., M/A-COM, Inc., Storage Technology Corporation, TIE/communications, Inc., Tribune Company, Prudential Global Fund, Inc., Prudential Pacific Growth Fund, Inc. and Prudential Short-Term Global Income Fund, Inc.; Trustee of Manhattan College and Prudential U.S. Government Fund.		
*Lawrence C. McQuade (66), Vice Chairman of PMF (since 1988); Managing Director, Investment Banking, Prudential Securities (1988-1991); Director of Quixote Corporation (since February 1992) and BUNZL, PLC (since June 1991); formerly Director of Crazy Eddie Inc. (1987-1990) and Kaiser Tech, Ltd. and Kaiser Aluminum and Chemical Corp. (March 1987-November 1988); formerly Executive Vice President and Director of WR Grace & Company; President and Director of Prudential Adjustable Rate Securities Fund, Inc., Prudential Equity Fund, Inc., Prudential Global Fund, Inc., Prudential Global Genesis Fund, Prudential Global Natural Resources Fund, Prudential GNMA Fund, Prudential Government Plus Fund, Prudential Growth Fund, Inc., Prudential Growth Opportunity Fund, Prudential High Yield Fund, Prudential IncomeVertible-R- Fund,	President and Trustee	-0-

</TABLE>



Fund, Inc., Prudential Institutional Liquidity Portfolio, Inc., Prudential Intermediate Global Income Fund, Inc., Prudential MoneyMart Assets, Prudential Multi-Sector Fund, Inc., Prudential Pacific Growth Fund, Inc., Prudential Short-Term Global Income Fund, Inc., Prudential Special Money Market Fund, Prudential Structured Maturity Fund, Prudential Utility Fund, The Global Yield Fund, Inc., The Global Government Plus Fund, Inc., and The High Yield Income Fund, Inc.; Trustee of The BlackRock Government Income Trust, Command Government Fund, Command Money Fund, Command Tax-Free Fund, Prudential California Municipal Fund, Prudential Equity Income Fund, Prudential FlexiFund, Prudential Municipal Bond Fund, Prudential Municipal Series Fund, Prudential U.S. Government Fund and The Target Portfolio Trust.

Clay T. Whitehead (55), President, National Exchange Inc. (since May 1983); Director of Prudential Global Fund, Inc., Prudential Pacific Growth Fund, Inc. and Prudential Short-Term Global Income Fund, Inc.; Trustee, Prudential U.S. Government Fund.

Trustee

-0-

<FN>

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

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

The Fund pays annual compensation of \$7,500, plus travel and incidental expenses, to each of the seven Trustees not affiliated with PMF or Prudential Securities. In addition, the Chairman of the Audit Committee receives an additional fee of \$1,500 per year. The Trustees have the option to receive the Trustee'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 Trustee's fee which accrues interest at a rate equivalent to the prevailing rate applicable to 90-day U.S. Treasury Bills at the beginning of each calendar quarter or, pursuant to an exemptive order of the Securities and Exchange Commission (SEC), at the rate of return of the Fund. Payment of the interest so accrued is also deferred and accruals become payable at the option of the Trustee. The Fund's obligation to make payments of deferred Trustees' fees, together with interest thereon, is a general obligation of the Fund. During the fiscal year ended October 31, 1993, the Fund paid Trustees' fees of approximately \$54,000, and travel and incidental expenses of approximately \$3,100.

There were four regular meetings of the Trustees held during the fiscal year ended October 31, 1993. The Trustees have established an Audit Committee, the members of which are Ms. Gold and Messrs. Eyre, Hoff, Knafel, LaBlanc, Owens and Whitehead, the Fund's non-interested Trustees. The Audit Committee met twice during the fiscal year ended October 31, 1993. The Audit Committee makes recommendations to the Trustees with respect to the engagement of independent accountants and reviews with the independent accountants the plan and results of the audit engagement and matters having a material effect upon the Fund's financial operations. The Trustees have also established a Nominating Committee, comprised of the Fund's non-interested Trustees, which selects and proposes candidates for election as Trustees. The Nominating Committee met once during the fiscal year ended October 31, 1993. The Nominating Committee does not consider nominees recommended by shareholders to fill vacancies on the Board.

During the fiscal year ended October 31, 1993, Mr. LaBlanc attended fewer than 75% of the aggregate of the total number of meetings of the Trustees and any committees thereof of which he was a member.

The executive officers of the Fund, other than as shown above, are S. Jane Rose, Secretary, having held office since September 25, 1986; Robert F. Gunia, Vice President, and Susan C. Cote, Treasurer and Principal Financial and Accounting Officer, both having held office since June 24, 1987; and

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Domenick Pugliese, Assistant Secretary, having held office since June 4, 1992. Mr. Gunia is 47 years old and is currently Chief Administrative Officer (since July 1990), Director (since January 1989), Executive Vice President, Treasurer and Chief Financial Officer (since June 1987) of PMF and Senior Vice President of Prudential Securities. He is also Vice President and Director (since May 1989) of The Asia Pacific Fund, Inc. Ms. Cote is 39 years old and is Senior Vice President (since January 1989) of PMF, and a Senior Vice President of Prudential Securities (since January 1992). Prior thereto, she was Vice President (January 1986 - December 1991) of Prudential Securities. Ms. Rose is 48 years old and is Senior Vice President (since January 1991) and Senior Counsel of PMF and a Senior Vice President and Senior Counsel of Prudential Securities (since July 1992). Prior thereto, she was First Vice President (June 1987 - December 1990) of PMF and Vice President and Associate General Counsel of Prudential Securities. Mr. Pugliese is 32 years old and is a Vice President since July 1992 and Associate General Counsel (since March 1992) of PMF and Vice President and Associate General Counsel (since July 1992) of Prudential Securities. Prior thereto, he was associated with the law firm of Battle Fowler. The executive officers of the Fund are elected annually by the Trustees.

#### REQUIRED VOTE

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

#### MANAGEMENT OF THE FUND

##### THE MANAGER

Prudential Mutual Fund Management, Inc. (PMF or the Manager), One Seaport Plaza, New York, New York, 10292, serves as the Fund's Manager under a management agreement dated as of March 1, 1988 (the Management Agreement).

The Management Agreement was last approved by the Trustees of the Fund, including a majority of the Trustees who are not parties to such contract or interested persons of such parties (as defined in the Investment Company Act), on June 3, 1993 and was approved by shareholders on February 25, 1988.

##### TERMS OF THE MANAGEMENT AGREEMENT

Pursuant to the Management Agreement, PMF, subject to the supervision of the Fund's Trustees and in conformity with the stated policies of the Fund, is responsible for managing or providing for the management of the investment of the Fund's assets. In this regard, PMF provides supervision of the Fund's

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

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

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

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

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

The Fund pays PMF for the services performed and the facilities furnished by it a fee at an annual rate of .50 of 1% of the Fund's average daily net assets. This fee is computed daily and paid monthly. For the fiscal year ended October 31, 1993, PMF received a management fee of \$842,229.

The Management Agreement provides that, if the expenses of the Fund (including the fees of PMF, but excluding interest, taxes, brokerage commissions, distribution fees and litigation and indemnification expenses and other extraordinary expenses not incurred in the ordinary course of the Fund's business) for any fiscal year exceed the lowest applicable annual expense limitation established and enforced pursuant to the statutes or regulations of any jurisdiction in which shares of the Fund are then qualified for offer and sale, the compensation due PMF will be reduced by the amount of such excess, or, if such reduction exceeds the compensation payable to PMF, PMF will pay the Fund the amount of such reduction which exceeds the amount of such compensation.

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Any such reductions or payments are subject to readjustment during the year. No such reductions or payments were required during the fiscal year ended October 31, 1993. The Fund believes the most restrictive of such annual limitations is 2 1/2% of the Fund's average daily net assets up to \$30 million, 2% of the next \$70 million of such assets and 1 1/2% of such assets in excess of \$100 million.

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

The Management Agreement provides that PMF will not be liable to the Fund for any error of judgment by PMF or for any loss suffered by the Fund in connection with the matters to which the Management Agreement relates except a loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services or willful misfeasance, bad faith, gross negligence or reckless disregard of duty. The Management Agreement also provides that it will terminate automatically if assigned and that it may be terminated without penalty by the Trustees of the Fund, by vote of a majority of the Fund's outstanding voting securities (as defined in the Investment Company Act) or by the Manager, upon not more than 60 days' nor less than 30 days' written notice.

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INFORMATION ABOUT PMF

PMF, a subsidiary of Prudential Securities and an indirect, wholly owned subsidiary of Prudential, was organized in May 1987 under the laws of the State of Delaware. Prudential's address is Prudential Plaza, Newark, New Jersey 07102. PMF acts as manager for the following investment companies:

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

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

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

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

<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, Prudential
Susan C. Cote .....	Senior Vice President	Senior Vice President, PMF; Senior Vice President, Prudential Securities
Fred A. Fiandaca .....	Executive Vice President, Chief Operating Officer and Director	Executive Vice President, Chief Operating Officer and Director, PMF; Chairman, Chief Operating 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	Executive Vice President, General Counsel and

Counsel and  
Secretary

Secretary, PMF; Senior Vice  
President, Prudential  
Securities

</TABLE>

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<TABLE>

<CAPTION>

NAME AND ADDRESS	POSITION WITH PMF	PRINCIPAL OCCUPATIONS
<S>	<C>	<C>
Robert F. Gunia .....	Executive Vice President, Chief Financial and Administrative Officer, Treasurer and Director	Executive Vice President, Chief Financial and Administrative Officer, Treasurer and Director, PMF; Senior Vice President, Prudential Securities
Eugene B. Heimberg .....	Director	Senior Vice President, Prudential
Prudential Plaza Newark, NJ 07102		
Lawrence C. McQuade .....	Vice Chairman	Vice Chairman, PMF
Leland B. Paton .....	Director	Executive Vice President and Director, Prudential Securities; Director, PSG
Richard A. Redeker .....	President, Chief Executive Officer and Director	President, Chief Executive Officer and Director, PMF; Executive Vice President, Director and Member of the Operating Committee, Prudential Securities; Director, PSG
S. Jane Rose .....	Senior Vice President, Senior Counsel and Assistant Secretary	Senior Vice President, Senior Counsel and Assistant Secretary, PMF; Senior Vice President and Senior Counsel, Prudential Securities
Donald G. Southwell .....	Director	Senior Vice President, Prudential; Director, PSG
213 Washington Street Newark, NJ 07102		

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#### THE SUBADVISER

Investment advisory services are provided to the Fund by PMF through its affiliate, The Prudential Investment Corporation (PIC or the Subadviser), Prudential Plaza, Newark, New Jersey 07102, under a Subadvisory Agreement. The Subadvisory Agreement was approved by shareholders on February 25, 1988 and was last approved by the Trustees of the Fund, including a majority of the Trustees who are not parties to such contract or interested persons of such parties (as defined in the Investment Company Act), on June 3, 1993.

#### TERMS OF THE SUBADVISORY AGREEMENT

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

PIC has authorized any of its directors, officers and employees who may be elected as Trustees or officers of the Fund to serve in the capacities in which they have been elected. Services furnished by PIC under the Subadvisory Agreement may be furnished by any such directors, officers or employees of PIC. The Subadvisory Agreement provides that PIC shall not be liable for any error of judgement or for any loss suffered by the Fund or PMF in connection with the matters to which the Subadvisory Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on PIC's part in the performance of its duties or from its reckless disregard of duty. The Subadvisory Agreement provides that it shall terminate automatically if assigned or upon termination of the Management Agreement and that it may be terminated without penalty by either party upon no more than 60 days' nor less than 30 days' written notice.

INFORMATION ABOUT PIC. PIC was organized in June 1984 under the laws of the State of New Jersey. The business and other connections of PIC's directors and executive officers are as set forth below. Except as otherwise indicated, the address of each person is Prudential Plaza, Newark, New Jersey 07102.

<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 .....	Senior Vice President	Senior Vice President, Prudential
Two Gateway Center Newark, NJ 07102		
John D. Brookmeyer, Jr.	Senior Vice President	Senior Vice President, Prudential; Senior Vice President, PIC
Two Gateway Center Newark, NJ 07102		
Eugene B. Heimberg .....	President and Director	Senior Vice President, Prudential
Garnett L. Keith, Jr. ....	Director	Vice Chairman and Director, Prudential
William P. Link .....	Executive Vice President	Executive Vice President, Prudential
Four Gateway Center Newark, NJ 07102		
Robert E. Riley .....	Executive Vice President	Executive Vice President, Prudential; Director, PSG
800 Boylston Avenue Boston, MA 02199		
James W. Stevens .....	Executive Vice President	Executive Vice President, Prudential; Director, PSG
Four Gateway Center Newark, NJ 07102		
Robert C. Winters .....	Director	Chairman of the Board and Chief Executive Officer, Prudential; Chairman of the Board, PSG
Claude J. Zinngrabe, Jr. .	Executive Vice President	Vice President, Prudential

</TABLE>

THE DISTRIBUTORS

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

Under separate Distribution and Service Plans (the Class A Plan and the Class B Plan, collectively, the Plans) adopted by the Fund under Rule 12b-1

under the Investment Company Act and separate distribution agreements (the Distribution Agreements), PMFD and Prudential Securities (collectively, the Distributor) incur the expenses of distributing the Fund's Class A and Class B shares, respectively.

The Plans were last approved by the Trustees, including a majority of the Trustees who are not interested persons of the Fund and who have no direct or indirect financial interest in the operation of the Class A or Class B Plan or in agreement related to either Plan (the Rule 12b-1 Trustees), on June 3, 1993. The Class A Plan was approved by the Class A shareholders on December 19, 1990. The Class B Plan was approved by shareholders of the Fund (the Class B shareholders) on January 11, 1990.

The Plans are proposed to be amended as set forth in Proposal Nos. 3 and 4 below.

**CLASS A PLAN.** Under the Class A Plan, the Fund reimburses PMFD for its distribution-related expenses with respect to Class A shares at an annual rate of up to .30 of 1% of the average daily net assets of the Class A shares. The Class A Plan provides that (i) up to .25 of 1% of the average daily net assets of the Class A shares may be used for personal service and/or the maintenance of shareholder accounts (service fee) and (ii) total distribution fees (including the service fee of .25 of 1%) may not exceed .30 of 1% of the average daily net assets of the Class A shares. PMFD has advised the Fund that distribution-related expenses of the Fund will not exceed .15 of 1% of the average daily net assets of the Class A shares for the fiscal year ending October 31, 1994.

For the fiscal year ended October 31, 1993, PMFD received payments of \$9,508 under the Class A Plan representing .15 of 1% of the average daily net assets of the Class A shares as reimbursement of expenses related to the distribution of Class A shares. This amount was primarily expended on account servicing fees to Prudential Securities and Pruco Securities Corporation, an affiliated broker-dealer (Prusec), for payment to financial advisers and other salespersons who sell Class A shares. For the fiscal year ended October 31, 1993 PMFD also received \$107,100 in initial sales charges.

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**CLASS B PLAN.** Under the Class B Plan, the Fund reimburses Prudential Securities for its distribution-related expenses with respect to Class B shares at an annual rate of up to .75 of 1% of the average daily net assets of the Class B shares. The Class B Plan also provides for the payment of a service fee to Prudential Securities at a rate not to exceed .25 of 1% of the average daily net assets of the Class B shares. The aggregate distribution fee for Class B shares (asset-based sales charge plus service fee) will not exceed 1% of average daily net assets under the Class B Plan.

For the fiscal year ended October 31, 1993, Prudential Securities received \$1,621,067 from the Fund under the Class B Plan and spent approximately \$2,036,000 in distributing the Fund's Class B shares. It is estimated that of the latter amount, approximately 1% (\$20,800) was spent on printing and mailing of prospectuses to other than current shareholders, 17.8% (\$361,600) on compensation to Prusec, for commissions to its financial advisers and other expenses, including an allocation of overhead and other branch office distribution-related expenses, incurred by it for distribution of Fund shares and 81.2% (\$1,653,600) on the aggregate of (i) payments of commissions to financial advisers, 37.5% (\$763,000) and (ii) an allocation of overhead and other branch office distribution-related expenses, 43.7% (\$890,600). The term "overhead and other branch office distribution-related expenses" represents (a) the expenses of operating Prudential Securities branch offices in connection with the sale of Fund shares, including lease costs, the salaries and employee benefits of operations and sales support personnel, utility costs, communications costs and the costs of stationery and supplies, (b) the costs of client sales seminars, (c) expenses of mutual fund sales coordinators to promote the sale of Fund shares and (d) other incidental expenses relating to branch promotion of Fund sales.

Prudential Securities also receives the proceeds of contingent deferred

sales charges paid by holders of Class B shares upon certain redemptions of Class B shares. Under the current Class B Plan, the amount of distribution expenses reimbursable by Class B shares of the Fund is reduced by the amount of such contingent deferred sales charges. For the fiscal year ended October 31, 1993, Prudential Securities received approximately \$423,200, in contingent deferred sales charges. As of October 31, 1993, the aggregate amount of unreimbursed distribution expenses for the Fund's Class B shares was approximately \$34,800.

The Class A and Class B Plans continue in effect from year to year, provided that each such continuance is approved at least annually by a vote of the Trustees, including a majority vote of the Rule 12b-1 Trustees, cast in person at a meeting called for the purpose of voting on such continuance. The Class A

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and Class B Plans may each be terminated at any time, without penalty, by the vote of a majority of the Rule 12b-1 Trustees or by the vote of the holders of a majority of the outstanding shares of the applicable class on not more than 30 days' written notice to any other party to the Plans. Neither Plan may be amended to increase materially the amounts to be spent for the services described therein without approval by the shareholders of the applicable class, and all material amendments are required to be approved by the Trustees in the manner described above. Each Plan will automatically terminate in the event of its assignment. The Fund will not be contractually obligated to pay expenses incurred under either the Class A Plan or the Class B Plan if it is terminated or not continued. In the event of termination or noncontinuation of the Class B Plan, the Trustees may consider the appropriateness of having the Fund reimburse Prudential Securities for the outstanding carry forward amounts plus interest thereon.

Pursuant to each Plan, the Trustees review at least quarterly a written report of the distribution expenses incurred on behalf of the Class A and Class B shares of the Fund by PMFD and Prudential Securities, respectively. The report includes an itemization of the distribution expenses and the purposes of such expenditures. In addition, as long as the Plans remain in effect, the selection and nomination of Rule 12b-1 Trustees shall be committed to the Rule 12b-1 Trustees.

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

#### PORTFOLIO TRANSACTIONS

The Manager is responsible for decisions to buy and sell securities futures contracts and options on such securities and futures contracts for the Fund, the selection of brokers, dealers and future commissions merchants to effect the transactions and the negotiation of brokerage commissions, if any. For purposes of this section, the term "Manager" includes the Subadviser. Broker/dealers may receive brokerage commissions on Fund portfolio transactions, including options, futures, and options on futures transactions and the purchase and sale of underlying securities upon the exercise of options. Orders may be directed to any broker or futures commission merchant including, to the extent and in the manner permitted by applicable law, Prudential Securities and its affiliates.

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In the U.S. Government securities market, securities are generally traded on a "net" basis with dealers acting as principal for their own accounts without a stated commission, although the price of the security usually includes a profit to the dealer. In underwritten offerings, securities are purchased at a fixed price which includes an amount of compensation to the underwriter, generally referred to as the underwriter's concession or discount. On occasion, certain money market instruments and agency securities may be purchased directly from an issuer, in which case no commissions or discounts are paid. The Fund will not deal with Prudential Securities (or any affiliate) in any transaction in which

Prudential Securities (or any affiliate) acts as principal. Thus, it will not deal in U.S. Government securities with Prudential Securities (or any affiliate) acting as market maker, and it will not execute a negotiated trade with Prudential Securities if execution involves Prudential Securities (or any affiliate) acting as principal with respect to any part of the Fund's order.

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

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futures commission merchants other than Prudential Securities in order to secure research and investment services described above, subject to review by the Fund's Trustees from time to time as to the extent and continuation of this practice. The allocation of orders among brokers and futures commission merchants and the commission rates paid are reviewed periodically by the Fund's Trustees.

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

Subject to the above considerations, Prudential Securities (or any affiliate) may act as a broker for the Fund. In order for Prudential Securities (or any affiliate) to effect any portfolio transactions for the Fund, the commissions, fees or other remuneration received by Prudential Securities (or any affiliate) must be reasonable and fair compared to the commissions, fees or other remuneration paid to other brokers in connection with comparable transactions involving similar securities being purchased or sold on an exchange during a comparable period of time. This standard would allow Prudential Securities (or any affiliate) to receive no more than the remuneration which would be expected to be received by an unaffiliated broker in a commensurate arm's-length transaction. Furthermore, the Trustees of the Fund, including a majority of the Trustees who are not interested persons, has adopted procedures which are reasonably designed to provide that any commissions, fees or other remuneration paid to Prudential Securities (or any affiliate) are consistent with the foregoing standard. In accordance with Section 11(a) of the Securities Exchange Act of 1934, Prudential Securities may not retain compensation for effecting transactions on a national securities exchange for the Fund unless the



Fund has expressly authorized the retention of such compensation. Prudential Securities must furnish to the Fund at least annually a statement setting forth the total amount of all compensation retained by Prudential Securities from transactions effected for the Fund during the applicable period. Brokerage transactions with Prudential Securities (or any affiliate) are also subject to such fiduciary standards as may be imposed upon Prudential Securities (or such affiliate) by applicable law.

During the fiscal year ended October 31, 1993, the Fund paid no brokerage commissions to Prudential Securities.

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APPROVAL OF A PROPOSAL TO AMEND  
THE FUND'S DECLARATION OF TRUST  
TO PERMIT THE IMPLEMENTATION OF A CONVERSION FEATURE  
(FOR CONSIDERATION BY CLASS A AND CLASS B SHAREHOLDERS VOTING JOINTLY)  
(PROPOSAL NO. 2)

The Trustees are recommending that shareholders approve an amendment to the Fund's Declaration of Trust to permit the implementation of a conversion feature for Class B shares. The conversion feature is authorized pursuant to an exemptive order of the SEC (the SEC Order) and would provide for the automatic conversion of Class B shares to Class A shares at relative net asset value approximately seven years after purchase. Class A shares are subject to a lower annual distribution and service fee than Class B shares and conversions would occur without the imposition of any additional sales charge. A description of the conversion feature is set forth in greater detail below. Amendment of the Declaration of Trust requires approval by a majority of the Fund's outstanding shares.

THE CLASSES OF SHARES

The Fund currently offers two classes of shares, designated as Class A and Class B shares, pursuant to the Alternative Purchase Plan, in reliance upon the SEC Order. Class A shares are currently offered with an initial sales charge of up to 4.5% of the offering price and are subject to an annual distribution and service fee of up to .30 of 1% of the average daily net assets of the Class A shares pursuant to a Rule 12b-1 plan. This fee is currently charged at a rate of .15 of 1% of the average daily net assets of the Class A shares and PMFD has agreed to so limit its fee under the Class A Plan for the fiscal year ended October 31, 1994. Class B shares are currently offered without an initial sales charge but are subject to a contingent deferred sales charge or CDSC (declining from 5% to zero of the lesser of the amount invested or the redemption proceeds) on certain redemptions generally made within six years of purchase and to an annual distribution and service fee pursuant to a Rule 12b-1 plan of up to 1% of the average daily net asset value of the Class B shares.

In accordance with the SEC Order, the Trustees may, among other things, authorize the creation of additional classes of shares from time to time. The Trustees have approved the offering of a new class of shares, to be designated Class C shares, which will be offered simultaneously with the offering of Class B shares with the proposed conversion feature. Class C shares will be offered either without an initial or deferred sales charge but will be subject to an annual

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distribution and service fee not to exceed 1% of the average daily net assets of the Class C shares. If the proposed conversion feature for Class B shares is not approved, Class C shares will not be offered.

THE PROPOSED CONVERSION FEATURE

On June 3, 1993, the Trustees, including a majority of the Trustees who are not "interested persons" of the Fund (as defined in the Investment Company Act), approved an amendment to the Fund's Declaration of Trust to permit the implementation of a conversion feature for the Fund's Class B shares. A copy of the proposed amendment to the Fund's Declaration of Trust is attached hereto as

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

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

For purposes of determining the number of Eligible Shares, if the Class B shares in a shareholder's account on any conversion date are the result of multiple purchases at different net asset values per share, the number of Eligible Shares calculated as described above will generally be either more or less than the number of shares actually purchased approximately seven years before such conversion date. For example, if 100 shares were initially purchased at \$10 per share (for a total of \$1,000) and a second purchase of 100 shares was

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

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

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

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

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

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#### REQUIRED VOTE

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

THE TRUSTEES RECOMMEND THAT YOU VOTE "FOR" THIS PROPOSAL NO. 2.

APPROVAL OF  
AMENDED AND RESTATED CLASS A DISTRIBUTION  
AND SERVICE PLAN  
(FOR CONSIDERATION BY CLASS A AND CLASS B SHAREHOLDERS VOTING SEPARATELY)  
(PROPOSAL NO. 3)

On June 3, 1993, the Fund's Trustees approved an amended and restated Class A Distribution and Service Plan pursuant to Rule 12b-1 under the Investment Company Act and an amended and restated Distribution Agreement with PMFD for Class A shares of the Fund (the Proposed Class A Plan and the Proposed Class A Distribution Agreement, respectively) and recommend submission of the Proposed Class A Plan to the Fund's Class A shareholders for approval or disapproval at this Special Meeting of Shareholders. As contemplated by the SEC Order (previously defined under Proposal No. 2), the Proposed Class A Plan is also being submitted for approval by Class B shareholders because, subject to approval of Proposal No. 2, Class B shares will automatically convert to Class A shares approximately seven years after purchase. The Proposed Class A Distribution Agreement does not require and is not being submitted for shareholder approval.

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

The Trustees previously adopted a plan of distribution for the Fund's Class A shares pursuant to Rule 12b-1 under the Investment Company Act which was approved by shareholders on December 19, 1990 and last approved

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by the Trustees on June 3, 1993 (the Existing Class A Plan). Shareholders of the Fund's Class A and Class B shares are being asked to approve amendments to the Existing Class A Plan that change it from a reimbursement type plan to a compensation type plan. The amendments do not change the maximum annual fee that may be paid to PMFD under the Existing Class A Plan, although the possibility exists that expenses incurred by PMFD and for which it is entitled to be reimbursed under the Existing Class A Plan may be less than the fee PMFD will receive under the Proposed Class A Plan. The amendments are being proposed to facilitate administration and accounting. The Trustees believe that the Proposed Class A Plan is in the best interest of the Fund and is reasonably likely to benefit the Fund's Class A shareholders. A copy of the Proposed Class A Plan is attached hereto as Exhibit C.

## THE EXISTING CLASS A PLAN

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

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

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

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

## THE PROPOSED CLASS A PLAN

The Proposed Class A Plan amends the Existing Class A Plan in one material respect. Under the Existing Class A Plan, the Fund reimburses PMFD for expenses actually incurred for Distribution Activities up to a maximum of .30 of 1% per annum of the average daily net assets of the Class A shares. The Proposed Class A Plan authorizes the Fund to pay PMFD the same maximum annual fee as compensation for its Distribution Activities regardless of the expenses incurred by PMFD for Distribution Activities. The Distributor may, however, as it currently does, voluntarily agree to limit its fee to an amount less than the annual fee. In contrast to the Existing Class A Plan, the amounts payable by the Fund under the Proposed Class A Plan would not be directly related to the expenses actually incurred by PMFD for its Distribution Activities. Consequently, if PMFD's expenses for Distribution Activities are less than the distribution and service fees it receives under the Proposed Class A Plan, it will retain its full fees and realize a profit.

Since inception of the Existing Class A Plan, the reimbursable expenses incurred thereunder by PMFD have generally equalled or exceeded the amount reimbursed by the Fund. For each of the fiscal years ended October 31, 1991, 1992 and 1993, PMFD received payments of \$3,236, \$5,653 and \$9,508, respectively, under the Existing Class A Plan representing .15% of the average daily net assets of the Class A shares, as reimbursement of expenses incurred for Distribution Activities. Although PMFD agreed to limit its fees under the Existing Class A Plan to .25 of 1% for the fiscal years ended October 31, 1991, 1992 and 1993, it in fact further limited its fee to .15 of 1% even though its direct and indirect reimbursable distribution expenses exceeded such amount. PMFD believes that it would have similarly limited its fee had the Proposed Class A Plan been in effect during the past three fiscal years, although it could have assessed the maximum annual fee of .30 of 1%. Regardless of which plan will be in effect, the Distributor has voluntarily agreed to limit its fees

for Distribution Activities to no more than .15 of 1% of the average daily net assets of the Class A shares for the fiscal year ending October 31, 1994. Other expenses incurred by PMFD for Distribution Activities have been and will continue to be paid from the proceeds of initial sales charges.

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

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

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

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

#### REQUIRED VOTE

If Proposal No. 2 is approved by shareholders, the Proposed Class A Plan will require the approval of a majority of the Fund's outstanding Class A shares and Class B shares (as defined in the Investment Company Act) voting separately. If Proposal No. 2 is not approved by shareholders, the Proposed Class A Plan will only require the approval of a majority of the Fund's outstanding Class A Shares. Under the Investment Company Act, a majority of a class' outstanding shares is defined as the lesser of (i) 67% of a class' outstanding shares represented at a meeting at which more than 50% of the outstanding shares of the class are present in person or represented by proxy, or (ii) more

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than 50% of a class' outstanding shares. If the Proposed Class A Plan is not approved as described above, the Existing Class A Plan will continue in its present form.

THE TRUSTEES RECOMMEND THAT YOU VOTE "FOR" THIS PROPOSAL NO. 3.

APPROVAL OF  
AMENDED AND RESTATED CLASS B DISTRIBUTION  
AND SERVICE PLAN  
(FOR CONSIDERATION BY CLASS B SHAREHOLDERS ONLY)  
(PROPOSAL NO. 4)

On June 3, 1993, the Fund's Trustees approved an amended and restated Class B Distribution and Service Plan pursuant to Rule 12b-1 under the Investment

Company Act and an amended and restated Class B Distribution Agreement with Prudential Securities for Class B shares of the Fund (the Proposed Class B Plan and the Proposed Class B Distribution Agreement, respectively) and recommend submission of the Proposed Class B Plan to the Fund's Class B shareholders for approval or disapproval at this Special Meeting of Shareholders. The Proposed Class B Distribution Agreement does not require and is not being submitted for shareholder approval.

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

The Trustees previously adopted a plan of distribution for the Fund's Class B shares pursuant to Rule 12b-1 under the Investment Company Act which was approved by shareholders on January 11, 1990 and last approved by the Trustees on June 3, 1993 (the Existing Class B Plan). Shareholders of the Fund's Class B shares are being asked to approve amendments to the Existing Class B Plan that change it from a reimbursement type plan to a compensation type plan. The amendments do not change the maximum annual fee that may be paid to Prudential Securities under the Existing Class B Plan, although the possibility exists that expenses incurred by Prudential Securities and for which it is entitled to be reimbursed under the Existing Class B Plan may be less than the fee Prudential Securities will receive under the Proposed Class B Plan. The

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amendments are being proposed to facilitate administration and accounting. The Trustees believe that the Proposed Class B Plan is in the best interest of the Fund and is reasonably likely to benefit the Fund's Class B shareholders. A copy of the Proposed Class B Plan is attached hereto as Exhibit D.

#### THE EXISTING CLASS B PLAN

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

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

The Existing Class B Plan may be terminated at any time without payment of any penalty by the vote of a majority of the Rule 12b-1 Trustees or by the vote of a majority of the outstanding Class B shares of the Fund (as defined in the

Investment Company Act) on written notice to any other party to such plan and will automatically terminate in the event of its assignment (as defined in the

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

#### THE PROPOSED CLASS B PLAN

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

Since inception of the Existing Class B Plan, the cumulative reimbursable expenses incurred thereunder by Prudential Securities have exceeded the amounts reimbursed by the Fund. As of December 31, 1993, the aggregate amount of distribution expenses incurred and not yet reimbursed by the Fund or recovered through contingent deferred sales charges was approximately \$87,800.

For the fiscal years ended October 31, 1991, 1992 and 1993, Prudential Securities received \$1,684,214, \$1,544,998 and \$1,621,067, respectively, from the Fund under the Existing Class B Plan, representing 1%, of the average daily net assets of the Class B shares, and spent approximately \$1,868,600, \$1,870,200 and \$2,036,000, respectively, for Distribution Activities. Since the maximum annual fee under the Existing Class B Plan is the same as under the Proposed Class B Plan, Prudential Securities would have received the same annual fee under the Proposed Class B Plan as it did under the Existing Class B Plan for the fiscal years ended October 31, 1991, 1992 and 1993.

Among the major perceived benefits of a compensation type plan, such as the Proposed Class B Plan, over a reimbursement type plan, such as the Existing Class B Plan, is the facilitation of administration and accounting. Under reimbursement plans, all expenses must be specifically accounted for by the Distributor and attributed to the specific class of shares of a fund in order to qualify for

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reimbursement. Although the Proposed Class B Plan will continue to require quarterly reporting to the Trustees of the amounts accrued and paid under the Plan and of the expenses actually borne by the Distributor, there will be no need to match specific expenses to reimbursements and no carrying forward of such amounts, as under the Existing Class B Plan. Thus, the accounting for the Proposed Class B Plan would be simplified and the timing of when expenditures are to be made by the Distributor would not be an issue. Currently, because the Existing Class B Plan is a reimbursement plan, the Distributor retains an independent expert to perform a study of its methodology for determining and substantiating which of its expenses should properly be allocated to the Fund's Class B shares for reimbursement, the cost of which is borne by the Fund and other funds for which Prudential Securities serves as Distributor. In addition, the Trustees must devote time and effort to review the Distributor's allocation methodology annually to determine its appropriateness. These considerations, combined with the fact that the cumulative expenses incurred by Prudential Securities for Distribution Activities have exceeded the amounts reimbursed by the Fund under the Existing Class B Plan, suggest that the costs and efforts associated with a reimbursement plan are unwarranted.

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

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

#### REQUIRED VOTE

The Proposed Class B Plan requires the approval of a majority of the Fund's outstanding Class B shares (as defined in the Investment Company Act) and as described in Proposal No. 3. If the Proposed Class B Plan is not approved, the Existing Class B Plan will continue in its present form.

THE TRUSTEES RECOMMEND THAT YOU VOTE "FOR" THIS PROPOSAL NO. 4.

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#### APPROVAL OF AMENDMENTS OF THE FUND'S FUNDAMENTAL INVESTMENT RESTRICTIONS REGARDING RESTRICTED AND ILLIQUID SECURITIES (PROPOSAL NO. 5)

On June 3, 1993, at the request of the Fund's Manager and Subadviser, the Trustees considered and recommends for shareholder approval revision of the Fund's fundamental investment restrictions regarding illiquid and restricted securities. The current restriction is overly confining in light of the development of an active market in those securities that, although subject to restrictions on resale, are transferable under SEC Rule 144A. The Trustees recommend elimination of the Fund's Investment Restriction No. 11, which limits the purchase of any security that is restricted as to disposition under federal securities laws. Further, the Trustees recommend modification of Investment Restrictions Nos. 6 and 14 to eliminate restrictions on investments in equity securities for which market quotations are not readily available and repurchase agreements with maturities of longer than 7 days and other illiquid assets.

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

The Fund may invest up to 15% of its net assets in illiquid securities including repurchase agreements which have a maturity of longer than seven days, securities with legal or contractual restrictions on resale (restricted securities) and securities that are not readily marketable. Restricted securities eligible for resale pursuant to Rule 144A under the Securities Act of 1933, as amended (the Securities Act), that have a readily available market are not considered illiquid for purposes of this limitation. The investment adviser will monitor the liquidity of such restricted securities under the supervision of the Trustees. Repurchase agreements subject to demand are deemed to have a maturity equal to the applicable notice period.

An open-end investment company may not hold a significant amount of restricted securities or illiquid securities because such securities may present



problems of accurate valuation and because it is possible that the investment company would have difficulty satisfying redemptions within seven days. The

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proposed investment policy is not expected by the investment adviser or the Trustees to affect the Fund's liquidity because it excludes from illiquid securities only those Rule 144A securities for which there is a readily available market.

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

The staff of the SEC has also taken the position that purchased over-the-counter options and the assets used as "cover" for written over-the-counter options are illiquid securities unless the Fund and the counterparty have provided for the Fund at its option to unwind the over-the-counter option. The exercise of such an option ordinarily would involve the payment by the Fund of an amount designed to reflect the counterparty's economic loss from an early termination, but does allow the Fund to treat the assets used as "cover" as "liquid."

The proposed change would expand the Fund's ability to invest in securities which are eligible for resale pursuant to Rule 144A. Rule 144A securities generally have a readily available institutional market, and would permit the Fund to invest up to 15% of its net assets in illiquid assets. The markets for certain equity securities, corporate bonds and notes are almost exclusively institutional. These institutional investors depend on an efficient institutional market in which the unregistered security can be readily resold. In the opinion

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of the Fund's Manager, the fact that there are restrictions on resale to the general public is therefore not necessarily indicative of the liquidity of such investments. If designated as liquid (under the supervision of the Trustees), these Rule 144A securities would be exempt from the 15% limitation.

In order to take advantage of the market for Rule 144A securities, and the increasingly liquid institutional trading markets, the Manager recommends that the Fund eliminate its fundamental policies regarding illiquid and restricted securities so that Rule 144A securities that are nonetheless liquid may be purchased without regard to the current limitations. By making the Fund's policy on illiquid securities non-fundamental, the Fund will be able to respond more quickly to regulatory and market developments because a shareholder vote will not be required to define what type of securities should be deemed illiquid or to change the applicable permissible percentage limitation. If this proposal is approved by shareholders, the Manager and the Subadviser, under the supervision of the Trustees, will monitor the liquidity of specific types of securities and, based on their recommendations, the Trustees will from time to time determine

whether such securities should be deemed to be liquid with reference to legal, regulatory and market developments.

In reaching liquidity decisions, the Manager and the Subadviser will consider, INTER ALIA, the following factors:

1. the frequency of trades and quotes for the security;
2. the number of dealers wishing to purchase or sell the security and the number of other potential purchasers;
3. dealer undertakings to make a market in the security; and
4. the nature of the security and the nature of the marketplace trades (E.G., the time needed to dispose of the security, the method of soliciting offers and the mechanics of the transfer).

Investment Restriction No. 11 currently reads as follows:

The Fund may not:

11. Purchase any security restricted as to disposition under federal securities laws (foreign securities traded only in foreign markets are not regarded as restricted).

Investment Restriction Nos. 6 and 14 are proposed to be revised as follows:

The Fund may not:

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6. Purchase any securities if as a result the Fund would then have more than 5% of its total assets (taken at current value) invested in securities of companies (including predecessors) less than three years old [or in equity securities for which market quotations are not readily available] except that the Fund may invest in securities of any U.S. Government agency or instrumentality, and in any securities guaranteed by such an agency or instrumentality.

14. Make loans, except through (i) repurchase agreements [(repurchase agreements with a maturity of longer than 7 days together with other liquid assets being limited to 10% of the Fund's total assets)] and (ii) loans of Portfolio securities limited to 30% of the Fund's total assets.

[Deletions are in brackets.]

The Trustees believe that adoption of Proposal No. 5 is in the best interests of the Fund and its shareholders.

#### REQUIRED VOTE

Adoption of Proposal No. 5 requires the affirmative vote of the holders of a majority of the outstanding voting securities of the Fund. Under the Investment Company Act, a majority of the outstanding voting securities is defined as the lesser of (i) 67% of the Fund's outstanding shares represented at a meeting at which more than 50% of the Fund's outstanding shares are present in person or represented by proxy, or (ii) more than 50% of the Fund's outstanding shares. If the proposed change in investment policy is not approved, the current limitations would remain a fundamental policy which could not be changed without the approval of a majority of the outstanding voting securities of the Fund.

THE TRUSTEES RECOMMEND THAT YOU VOTE "FOR" THIS PROPOSAL NO. 5.

APPROVAL OF A MODIFICATION IN THE FUND'S INVESTMENT  
RESTRICTIONS TO CLARIFY THAT COLLATERAL ARRANGEMENTS  
WITH RESPECT TO INTEREST RATE SWAP TRANSACTIONS,  
REVERSE REPURCHASE AGREEMENTS AND DOLLAR ROLL  
TRANSACTIONS ARE NOT DEEMED TO BE THE ISSUANCE  
OF A SENIOR SECURITY OR THE PLEDGE OF ASSETS

On June 3, 1993, the Trustees approved an amendment to the Fund's investment restrictions, which, if approved by shareholders, would clarify that collateral arrangements with respect to interest rate swap transactions, reverse

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repurchase agreements and dollar roll transactions are not considered to be the issuance of a senior security or the pledge of assets. The Trustees recommend that shareholders of the Fund approve the amendment which would change Investment Restriction No. 3.

The Fund currently may enter into interest rate swap transactions and dollar rolls. With respect to interest rate swaps, the Fund enters into such transactions primarily to preserve a return or spread on a particular investment or to protect against an increase in price of a security the Fund anticipates purchasing at a later date. The Fund may enter into interest rate swaps as a hedge and not as a speculative investment. The Fund enters into swaps on a net basis whereby the two payment streams are netted out and the Fund paying or receiving only the net amount of the two payments. The net amount of the Fund's obligations over its entitlements with respect to each swap transaction is accrued on a daily basis and an amount of cash, U.S. Government securities or liquid high grade debt securities having an aggregate value at least equal to the accrued excess is maintained in a segregated account by the Fund's custodian in a manner that satisfies the requirements of the Investment Company Act.

The Fund may also enter into dollar rolls in which the Fund sells securities for delivery in the current month and simultaneously contracts to repurchase similar securities at a specified date in the future from the same party. The Fund establishes a segregated account with its custodian, in a manner that satisfies the requirements of the Investment Company Act, in which it maintains cash, U.S. Government securities or other liquid high grade debt obligations equal to the value of its obligations in respect to the dollar roll.

Insomuch as segregated accounts are established for these hedging transactions, the Fund believes that such obligations do not constitute senior securities.

In today's market, swaps and dollar rolls often contain collateral arrangements whereby each counterparty will agree to pledge assets to the other to secure the amount of that party's obligations. The Trustees believe that the ability to establish collateral arrangements with respect to swap transactions and dollar rolls will expand the Fund's ability to enter into such transactions and therefore recommends that the Fund's investment restrictions be clarified to ensure that the Fund may establish such collateral arrangements. In addition, while the Fund currently does not have the ability to enter into reverse repurchase agreements, it may seek the Trustees' approval to engage in such transactions in the future and may wish to establish collateral arrangements with respect to these transactions as well.

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PROPOSED AMENDMENT TO THE FUND'S INVESTMENT RESTRICTIONS

To clarify that collateral arrangements with respect to interest rate swap transactions, reverse repurchase agreements and dollar roll transactions are not consider to be the issuance of a senior security or the pledge of assets, Investment Restriction No. 3 is proposed to be amended as described below (added language is underlined).

The Fund may not:

3. Issue senior securities, borrow money or pledge its assets, except that the Fund may borrow up to 20% of the value of its total assets (calculated when the loan is made) for temporary, extraordinary or emergency purposes or for the clearance of transactions. The Fund may pledge up to 20% of the value of its total assets to secure such borrowings. For purposes of this restriction, the purchase and sale of securities on a when-issued or

delayed delivery basis, the purchase of securities subject to repurchase agreements, collateral arrangements with respect to interest rate swap transactions, reverse repurchase agreements or dollar roll transactions or the purchase or sale of options and financial futures contracts or options thereon are not deemed to be a pledge of assets or the issuance of a senior security and neither such arrangements, the purchase or sale of options, financial futures contracts or related options, nor obligations of the Fund to Trustees pursuant to deferred compensation arrangements, are deemed to be the issuance of a senior security.

The Trustees believe that adoption of Proposal No. 6 is in the best interest of the Fund and its shareholders.

#### REQUIRED VOTE

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

THE TRUSTEES RECOMMEND THAT YOU VOTE "FOR" THIS PROPOSAL NO. 6.

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APPROVAL OF AN AMENDMENT OF THE FUND'S INVESTMENT  
RESTRICTION LIMITING THE FUND'S ABILITY TO INVEST IN A  
SECURITY IF THE FUND WOULD HOLD MORE THAN TEN PERCENT  
OF ANY CLASS OF SECURITIES OF AN ISSUER  
(PROPOSAL NO. 7)

On June 3, 1993, at the request of the Fund's Manager and Subadviser, the Trustees considered and recommends for shareholder approval modification of Investment Restriction No. 5 to delete the restriction that prohibits the Fund from the purchase of a security if the Fund would hold more than ten percent of any class of securities of an issuer.

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

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

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

The Trustees are proposing that Investment Restriction No. 5 be modified to read as follows:

The Fund may not:

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

Currently, the Fund may not hold more than 10% of the outstanding voting securities of an issuer pursuant to Section 5(b)(1) of the Investment Company Act and state securities laws. This restriction would remain in effect.

The Trustees believe that adoption of Proposal No. 7 is in the best interests of the Fund and its shareholders.

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REQUIRED VOTE

Adoption of Proposal No. 7 requires the approval of a majority of the outstanding voting securities of the Fund as defined by the Investment Company Act and described under Proposal No. 5 above. If the proposed change in investment policy is not approved, the current limitations would remain a fundamental policy which could not be changed without the approval of a majority of the outstanding voting securities of the Fund.

THE TRUSTEES RECOMMEND THAT YOU VOTE "FOR" THIS PROPOSAL NO. 7.

APPROVAL OF ELIMINATION OF THE FUND'S INVESTMENT  
RESTRICTION LIMITING INVESTMENT IN THE SECURITIES OF ANY  
ISSUER IN WHICH THE OFFICERS AND TRUSTEES OF THE FUND  
OR ITS INVESTMENT ADVISER OWN AN INTEREST  
(PROPOSAL NO. 8)

On June 3, 1993, the request of the Fund's Manager, the Trustees considered and recommends for shareholder approval elimination of the Fund's Investment Restriction No. 7, which provides that the Fund may not:

Invest in securities of any issuer if, to the knowledge of the Fund, any officer or Trustee of the Fund, the Fund's administrator or the Fund's investment adviser owns more than 1/2 of 1% of the outstanding securities of such issuer, and such officers and Trustees who own more than 1/2 of 1% own in the aggregate more than 5% of the outstanding securities of such issuer.

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

The Trustees believe that adoption of Proposal No. 8 is in the best interests of the Fund and its shareholders.

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REQUIRED VOTE

Amendment of the Fund's investment restrictions to delete Investment Restriction No. 7 requires the approval of a majority of the Fund's outstanding voting securities, as defined in the Investment Company Act and described under Proposal No. 5 above. If the proposed change in investment policy is not approved, the current limitations would remain a fundamental policy which could not be changed without the approval of a majority of the outstanding voting securities of the Fund.

THE TRUSTEES RECOMMEND THAT YOU VOTE "FOR" THIS PROPOSAL NO. 8.

RATIFICATION OF INDEPENDENT ACCOUNTANTS  
(PROPOSAL NO. 9)

The Trustees of the Fund, including the Trustees who are not interested persons of the Fund, have selected Deloitte & Touche as independent accountants

for the Fund for the fiscal year ending October 31, 1994. The ratification of the selection of independent public accountants is to be voted upon at the Meeting and it is intended that the persons named in the accompanying Proxy will vote for Deloitte & Touche. No representative of Deloitte & Touche is expected to be present at the Meeting of Shareholders.

The policy of the Trustees regarding engaging independent accountants' services is that management may engage the Fund's principal independent public accountants to perform any service(s) normally provided by independent accounting firms, provided that such service(s) meet(s) any and all of the independence requirements of the American Institute of Certified Public Accountants and the SEC. In accordance with this policy, the Audit Committee reviews and approves all services provided by the independent public accountants prior to their being rendered. The Trustees of the Fund receive a report from the Audit Committee relating to all services after they have been performed by the Fund's independent accountants.

#### REQUIRED VOTE

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

THE TRUSTEES RECOMMEND THAT YOU VOTE "FOR" THIS PROPOSAL NO. 9.

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#### OTHER MATTERS

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

#### SHAREHOLDERS' PROPOSALS

As a Massachusetts business trust, the Fund is not required to hold annual meetings of shareholders. The Trustees may call special meetings of shareholders for action by shareholder vote as may be required by the Investment Company Act of 1940 or the Fund's Declaration of Trust. A shareholder proposal intended to be presented at any subsequent meeting of the shareholders of the Fund must be received by the Fund in a reasonable time before the Trustees' solicitation relating to such meeting is made in order to be considered for inclusion in the Fund's proxy statement and form of proxy relating to that meeting. The submission by a shareholder of a proposal does not guarantee its inclusion in the proxy statement since such proposals must comply with certain federal, and possibly state, laws and regulations.

S. JANE ROSE  
SECRETARY

Dated: March , 1994

SHAREHOLDERS WHO DO NOT EXPECT TO BE PRESENT AT THE MEETING AND WHO WISH TO HAVE THEIR SHARES VOTED ARE REQUESTED TO DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.

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EXHIBIT A

PRUDENTIAL MUTUAL FUND MANAGEMENT, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 1993

ASSETS

<TABLE>

<S>	<C>
CASH AND SHORT-TERM INVESTMENTS.....	\$42,667,507
LOAN TO AFFILIATE.....	85,000,000
MANAGEMENT, ADMINISTRATION AND OTHER FEES	
RECEIVABLE.....	17,897,292
TRANSFER AGENCY AND FIDUCIARY FEES RECEIVABLE.....	3,744,874
FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS,	
NET.....	10,495,702
OTHER ASSETS.....	4,676,430
	-----
	\$164,481,805
	-----
	-----
LIABILITIES AND STOCKHOLDERS' EQUITY	
LIABILITIES:	
Due to affiliates.....	\$48,794,366
Accounts payable and accrued expenses.....	11,208,209
Income taxes payable to affiliate -- net.....	2,937,828
	-----
	62,940,403
	-----
COMMITMENTS (Note 6)	
STOCKHOLDERS' EQUITY:	
Class A common stock, \$1 par value (1,000 shares	
authorized, 850 shares outstanding).....	850
Class B common stock, \$1 par value (1,000 shares	
authorized, 150 shares outstanding).....	150
Additional paid-in capital.....	24,999,000
Retained earnings.....	76,541,402
	-----
	101,541,402
	-----
	\$164,481,805
	-----
	-----

</TABLE>

See notes to consolidated statement of financial condition.

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PRUDENTIAL MUTUAL FUND MANAGEMENT, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

PRINCIPLES OF CONSOLIDATION

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

INCOME TAXES

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

2. SHORT-TERM INVESTMENTS

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

3. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture, equipment and leasehold improvements consist of the following:

<TABLE>	
<S>	<C>
Furniture.....	\$6,481,799
Equipment.....	9,181,984
Leasehold improvements.....	3,407,213
	-----
	19,070,996
Less accumulated depreciation and amortization.....	8,575,294
	-----
	\$10,495,702
	-----
	-----

</TABLE>

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4. RELATED PARTY TRANSACTIONS

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

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

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

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

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

5. CAPITAL

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

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6. COMMITMENTS

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



<TABLE>  
<CAPTION>

Year	Minimum Rental
<S>	<C>
1994.....	\$ 2,738,000
1995.....	2,865,000
1996.....	3,375,000
1997.....	3,385,000
1998.....	3,230,000
Thereafter.....	13,800,000
	-----
	\$ 29,393,000
	-----
	-----

</TABLE>

#### 7. PENSION AND OTHER POSTRETIREMENT BENEFITS

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

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

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits," ("SFAS 112") which is effective for fiscal years beginning after December 15, 1993. Although several benefits are fully insured which result in no SFAS 112 obligation, the Company currently has an obligation and resulting

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#### 7. PENSION AND OTHER POSTRETIREMENT BENEFITS (CONTINUED)

expense under SFAS 112 for medical benefits provided under long-term disability. The Company will adopt SFAS 112 on January 1, 1994. Management believes that implementation will have no material effect on the Company's financial position.

#### 8. CONTINGENCY

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

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#### INDEPENDENT AUDITORS' REPORT

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

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

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

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

DELOITTE & TOUCHE

New York, New York  
January 26, 1994

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EXHIBIT B

PRUDENTIAL U.S. GOVERNMENT FUND

FORM OF AMENDMENT TO CERTIFICATE OF DESIGNATION

(a) Paragraphs 3 and 4 of the Certificate of Designation dated January 11, 1990 and filed with the Secretary of State of The Commonwealth of Massachusetts on January 18, 1990 (the "Certificate of Designation") are deleted in their entirety and the following six new paragraphs, numbered 3 through 8, are inserted immediately after paragraph 2, reading as follows:

3. The shares of beneficial interest of the Trust are classified into three classes, designated "Class A Shares," "Class B Shares," and "Class C Shares," an unlimited number of each of which may be issued. All Class A Shares and Class B Shares outstanding on the date on which the amendments provided for herein become effective shall be and continue to be Class A Shares and Class B Shares, respectively.

4. The holders of Class A Shares, Class B Shares and Class C Shares shall be considered Shareholders of the Trust, and shall have the relative rights and preferences set forth herein and in the Declaration of Trust with respect to Shares of the Trust, and shall also be considered Shareholders of the Trust for all other purposes (including, without limitation, for purposes of receiving reports and notices and the right to vote) and, for matters reserved to the Shareholders of one or more other classes by the Declaration of Trust or by any instrument establishing and designating a particular class, or as required by the Investment Company Act of 1940 and/or the rules and regulations of the Securities and Exchange Commission thereunder (collectively, as from time to time in effect, the "1940 Act") or other applicable laws.

5. The Class A Shares, Class B Shares and Class C Shares shall represent an equal proportionate interest in the share of such class in the Trust Property, adjusted for any liabilities specifically allocable to the Shares of that class, and each Share of any such class shall have identical voting, dividend, liquidation and other rights and the same terms and conditions, except that the expenses related directly or indirectly to the distribution of the Shares of a class, and any service fees to which such class is subject (as determined by the Trustees), shall be borne solely by such class, and such expenses shall be appropriately reflected in the

determination of net asset value and the dividend, distribution and liquidation rights of such class.

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6. (a) Class A Shares shall be subject to (i) a front-end sales charge and (ii) (A) an asset-based sales charge pursuant to a plan under Rule 12b-1 of the 1940 Act (a "Plan"), and/or (B) a service fee for the maintenance of shareholder accounts and personal services, in such amounts as shall be determined from time to time.

(b) Class B Shares shall be subject to (i) a contingent deferred sales charge and (ii) (A) an asset-based sales charge pursuant to a Plan, and/or (B) a service fee for the maintenance of shareholder accounts and personal services, in such amounts as shall be determined from time to time.

(c) Class C Shares shall not be subject to a front-end sales charge or a contingent deferred sales charge but shall be subject to (A) an asset-based sales charge pursuant to a Plan, and/or (B) a service fee for the maintenance of shareholder accounts and personal services, in such amounts as shall be determined from time to time.

7. Subject to compliance with the requirements of the 1940 Act, the Trustees shall have the authority to provide that holders of Shares of the Trust shall have the right to convert said Shares into Shares of one or more other registered investment companies specified for the purpose in this Trust's Prospectus for the Shares accorded such right, that holders of any class of Shares of the Trust shall have the right to convert such Shares into Shares of one or more other classes of the Trust, and that Shares of any class of the Trust shall be automatically converted into Shares of another class of the Trust, in each case in accordance with such requirements and procedures as the Trustees may from time to time establish. The requirements and procedures applicable to such mandatory or optional conversion of Shares of any such class shall be set forth in the Prospectus in effect with respect to such Shares.

8. Shareholders of each class shall vote as a separate class, as the case may be, on any matter to the extent required by, and any matter shall be deemed to have been effectively acted upon with respect to any class as provided in Rule 18f-2, as from time to time in effect, under the 1940 Act, or any successor rule and by the Declaration of Trust. Except as otherwise required by the 1940 Act, the Shareholders of each class, voting as a separate class, shall have sole and exclusive voting rights with respect to the provisions of any Plan applicable to Shares of such class, and shall have no voting rights with respect to provisions of any Plan applicable solely to any other class of Shares of the Trust.

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EXHIBIT C

PRUDENTIAL U.S. GOVERNMENT FUND  
DISTRIBUTION AND SERVICE PLAN  
(CLASS A SHARES)  
INTRODUCTION

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

The Fund has entered into a distribution agreement (the Distribution Agreement) pursuant to which the Fund will employ the Distributor to distribute Class A shares issued by the Fund (Class A shares). Under the Distribution Agreement, the Distributor will be entitled to receive payments from investors of front-end sales charges with respect to the sale of Class A shares. Under the

Plan, the Fund intends to pay to the Distributor, as compensation for its services, a distribution and service fee with respect to Class A shares.

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

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

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#### THE PLAN

The material aspects of the Plan are as follows:

##### 1. DISTRIBUTION ACTIVITIES

The Fund shall engage the Distributor to distribute Class A shares of the Fund and to service shareholder accounts using all of the facilities of the distribution networks of Prudential Securities Incorporated (Prudential Securities) and Pruco Securities Corporation (Prusec), including sales personnel and branch office and central support systems, and also using such other qualified broker-dealers and financial institutions as the Distributor may select. Services provided and activities undertaken to distribute Class A shares of the Fund are referred to herein as "Distribution Activities."

##### 2. PAYMENT OF SERVICE FEE

The Fund shall pay to the Distributor as compensation for providing personal service and/or maintaining shareholder accounts a service fee of .25 of 1% per annum of the average daily net assets of the Class A shares (service fee). The Fund shall calculate and accrue daily amounts payable by the Class A shares of the Fund hereunder and shall pay such amounts monthly or at such other intervals as the Trustees may determine.

##### 3. PAYMENT FOR DISTRIBUTION ACTIVITIES

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

Amounts paid to the Distributor by the Class A shares of the Fund will not be used to pay the distribution expenses incurred with respect to any other class of shares of the Fund except that distribution expenses attributable to the Fund as a whole will be allocated to the Class A shares according to the ratio of the sales of Class A shares to the total sales of the Fund's shares over the Fund's fiscal year or such other allocation method approved by the Trustees. The allocation of distribution expenses among classes will be subject to the review of the Trustees.

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

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

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

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

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

#### 4. QUARTERLY REPORTS; ADDITIONAL INFORMATION

An appropriate officer of the Fund will provide to the 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 Trustees of the Fund such additional information as the Trustees shall from time to time reasonably request, including information about Distribution Activities undertaken or to be undertaken by the Distributor.

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

#### 5. EFFECTIVENESS; CONTINUATION

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

If approved by a vote of a majority of the outstanding voting securities of the Class A shares of the Fund, the Plan shall, unless earlier terminated in accordance with its terms, continue in full force and effect thereafter for so long as such continuance is specifically approved at least annually by a majority of the Trustees of the Fund and a majority of the Rule 12b-1 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 Trustees, or by vote of a majority of the outstanding voting securities (as defined in the Investment Company Act) of the Class A shares

of the Fund.

#### 7. AMENDMENTS

The Plan may not be amended to change the combined service and distribution expenses to be paid as provided for in Sections 2 and 3 hereof so as to increase materially the amounts payable under this Plan unless such amendment shall be approved by the vote of a majority of the outstanding voting securities (as defined in the Investment Company Act) of the Class A shares of the Fund. All material amendments of the Plan shall be approved by a majority of the Trustees of the Fund and a majority of the Rule 12b-1 Trustees by votes cast in person at a meeting called for the purpose of voting on the Plan.

#### 8. RULE 12B-1 TRUSTEES

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

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#### 10. ENFORCEMENT OF CLAIMS

The name "Prudential U.S. Government Fund" is the designation of the Trustees under a Declaration of Trust dated September 22, 1986 and all persons dealing with the Fund must look solely to the property of the Fund for the enforcement of any claims against the Fund, and neither the Trustees, officers, agents nor shareholders assume any personal liability for obligations entered into on behalf of the Fund.

Dated:

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EXHIBIT D

PRUDENTIAL U.S GOVERNMENT FUND  
DISTRIBUTION AND SERVICE PLAN  
(CLASS B SHARES)  
INTRODUCTION

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

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

A majority of the Trustees of the Fund including a majority who are not "interested persons" of the Fund (as defined in the Investment Company Act) and

who have no direct or indirect financial interest in the operation of this Plan or any agreements related to it (the Rule 12b-1 Trustees), have determined by votes cast in person at a meeting called for the purpose of voting on this Plan that there is a reasonable likelihood that adoption of this Plan will benefit the Fund and its shareholders. Expenditures under this Plan by the Fund for Distribution Activities (defined below) are primarily intended to result in the sale of Class B shares of the Fund within the meaning of paragraph (a) (2) of Rule 12b-1 promulgated under the Investment Company Act.

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

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#### THE PLAN

The material aspects of the Plan are as follows:

##### 1. DISTRIBUTION ACTIVITIES

The Fund shall engage the Distributor to distribute Class B shares of the Fund and to service shareholder accounts using all of the facilities of the Prudential Securities distribution network including sales personnel and branch office and central support systems, and also using such other qualified broker-dealers and financial institutions as the Distributor may select, including Pruco Securities Corporation (Prusec). Services provided and activities undertaken to distribute Class B shares of the Fund are referred to herein as "Distribution Activities."

##### 2. PAYMENT OF SERVICE FEE

The Fund shall pay to the Distributor as compensation for providing personal service and/or maintaining shareholder accounts a service fee of .25 of 1% per annum of the average daily net assets of the Class B shares (service fee). The Fund shall calculate and accrue daily amounts payable by the Class B shares of the Fund hereunder and shall pay such amounts monthly or at such other intervals as the Trustees may determine.

##### 3. PAYMENT FOR DISTRIBUTION ACTIVITIES

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

Amounts paid to the Distributor by the Class B shares of the Fund will not be used to pay the distribution expenses incurred with respect to any other class of shares of the Fund except that distribution expenses attributable to the Fund as a whole will be allocated to the Class B shares according to the ratio of the sale of Class B shares to the total sales of the Fund's shares over the Fund's fiscal year or such other allocation method approved by the Trustees. The allocation of distribution expenses among classes will be subject to the review of the Trustees.

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

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

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

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

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

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

#### 4. QUARTERLY REPORTS; ADDITIONAL INFORMATION

An appropriate officer of the Fund will provide to the 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 Trustees of the Fund such additional information as they shall from time to time reasonably request, including information about Distribution Activities undertaken or to be undertaken by the Distributor.

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

#### 5. EFFECTIVENESS; CONTINUATION

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

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If approved by a vote of a majority of the outstanding voting securities of the Class B shares of the Fund, the Plan shall, unless earlier terminated in accordance with its terms, continue in full force and effect thereafter for so long as such continuance is specifically approved at least annually by a majority of the Trustees of the Fund and a majority of the Rule 12b-1 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 Trustees, or by vote of a majority of the outstanding voting securities (as defined in the Investment Company Act) of the Class B shares of the Fund.

#### 7. AMENDMENTS

The Plan may not be amended to change the combined service and distribution expenses to be paid as provided for in Sections 2 and 3 hereof so as to increase materially the amounts payable under this Plan unless such



amendment shall be approved by the vote of a majority of the outstanding voting securities (as defined in the Investment Company Act) of the Class B shares of the Fund. All material amendments of the Plan shall be approved by a majority of the Trustees of the Fund and a majority of the Rule 12b-1 Trustees by votes cast in person at a meeting called for the purpose of voting on the Plan.

#### 8. RULE 12B-1 TRUSTEES

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

#### 10. ENFORCEMENT OF CLAIMS

The name "Prudential U.S. Government Trust" is the designation of the Trustees under a Declaration of Trust dated September 22, 1986 and all persons dealing with the Fund must look solely to the property of the Fund for the enforcement of any claims against the Fund, and neither the Trustees, officers, agents nor shareholders assume any personal liability for obligations entered into on behalf of the Fund.

Dated:

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

PROXY (CLASS A)

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

PRUDENTIAL U.S. GOVERNMENT FUND, INC.  
ONE SEAPORT PLAZA  
NEW YORK, NEW YORK 10292

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS. The undersigned hereby appoints Susan C. Cote, S. Jane Rose and Domenick Pugliese as proxies, each with the power of substitution, and hereby authorizes each of them to represent and to vote, as designated below, all the Class A shares of beneficial interest of Prudential U.S. Government Fund held of record by the undersigned on [ ], 1994 at the Special Meeting of Shareholders to be held on May 5, 1994, or any adjournment thereof.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ALL THE PROPOSALS LISTED BELOW.

Your Account No.:  
Your voting shares are:

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

#### 1. Election of Directors





