

SECURITIES AND EXCHANGE COMMISSION

FORM NSAR-B

Annual report for management companies filed on Form N-SAR

Filing Date: **1994-03-01** | Period of Report: **1993-12-31**
SEC Accession No. **0000314612-94-000002**

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FILER

PRUDENTIAL NATIONAL MUNICIPALS FUND INC

CIK: **314612** | IRS No.: **133021492** | State of Incorporation: **MD** | Fiscal Year End: **1231**
Type: **NSAR-B** | Act: **40** | File No.: **811-02992** | Film No.: **94514122**

Mailing Address

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

Business Address

*199 WATER ST
NEW YORK NY 10292
2122142189*

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000 C000000 0000314612
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001 C000000 2122142189
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008 D020002 NJ
008 D030002 07101
011 A000001 PRUDENTIAL SECURITIES INCORPORATED
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011 A000002 PRUDENTIAL MUTUAL FUND DISTRIBUTORS, INC.
011 B000002 8-38739

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022 A000003 GOLDMAN, SACHS & CO.
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PAGE 5

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SIGNATURE SUSAN C. COTE'

TITLE TREASURER

For fiscal year ended (a) December 31, 1993
File number (c) 811-2992

SUB-ITEM 77L

Changes in Accounting Principles and Practices

Effective January 1, 1993, the Prudential National Municipals Fund began accounting and reporting for distributions to shareholders in accordance with Statement of Position 93-2: Determination, Disclosure, and Financial Statement Presentation of Income, Capital Gain, and Return of Capital Distributions by Investment Companies. The effect of adopting this statement was to increase paid-in capital, and decrease accumulated undistributed net realized gains on investments by \$10,952 compared to amounts previously reported through December 31, 1992. Net investment income, net realized gains, and net assets were not affected by this change.

For period ending (a) December 31, 1993
File Number (c) 811-2992

SUB-ITEM 770

Transactions Effected Pursuant to Rule 10f-3

1. Name of Issuer:
City of Atlanta, Georgia
2. Date of Purchases:
10/15/93
3. Face Amounts Purchased:
\$9,510,000
4. Dollar Amounts of Purchases:
\$9,628,010
5. Price Per Unit:
\$92.426
6. Name(s) of Underwriter(s)
or Dealer(s) from whom Purchased:
Merrill Lynch & Co.
7. Other Underwriters in Syndicate:
Bear Stearns & Co. Inc./Ward and Associates Inc.
Dean Witter Reynolds Inc.
Lehman Brothers
PaineWebber Incorporated
Prudential Securities Incorporated
Pryor, McClendon, Counts & Co., Inc.

For period ending (a) December 31, 1993
File Number (c) 811-2992

SUB-ITEM 770

Transactions Effected Pursuant to Rule 10f-3

1. Name of Issuer:
City of Chicago - Chicago O'Hare International Airport

2. Date of Purchases:
10/18/93
3. Face Amounts Purchased:
\$8,750,000
4. Dollar Amounts of Purchases:
\$9,390,850
5. Price Per Unit:
\$107.324
6. Name(s) of Underwriter(s)
or Dealer(s) from whom Purchased:
Goldman, Sachs & Co.

7. Other Underwriters in Syndicate:
Apex Securities, Inc.
Artemis Capital Group, Inc.
Carmona, Motley & Company, Inc.
Dean Witter Reynolds Inc.
First Chicago Capital Markets, Inc.
Gaeon Capital, Inc.
Hamilton Investments, Inc.
Kidder, Peabody & Co. Incorporated
Lazard Freres & Co.
Llama Company
Mesirow Financial, Inc.
Morgan Stanley & Co., Inc.
M.R. Beal & Company
Muriel Siebert & Co., Inc.
PaineWebber Incorporated
Pryor, McClendon, Counts & Co., Inc.
Reinoso & Company, Inc.
Smith Mitchell Investment Group Inc.
The Chicago Corporation
William Blair & Company

For period ending (a) December 31, 1993
File Number (c) 811-2992

SUB-ITEM 770

Transactions Effected Pursuant to Rule 10f-3

1. Name of Issuer:
New York Local Government Assistance Corporation
2. Date of Purchases:
12/10/93

3. Face Amounts Purchased:
\$9,200,000
4. Dollar Amounts of Purchase:
\$9,933,516
5. Price Per Unit:
\$107.973
6. Name(s) of Underwriter(s)
or Dealer(s) from whom Purchased:
Bear, Stearns & Co., Inc.

7. Other Underwriters in Syndicate:
Artemis Capital Group, Inc.
Chemical Securities, Inc.
CS First Boston
First Albany Corporation
Goldman Sachs & Co.
J.P. Morgan Securities, Inc.
Lazard Freres & Co.
Lehman Brothers
Merrill Lynch & Co.
Morgan Stanley & Co. Incorporated
M.R. Beal & Company
PaineWebber Incorporated
Prudential Securities Incorporated
Roosevelt & Cross, Inc.
Samuel A. Ramirez & Co., Inc.

For period ending (a) December 31, 1993
File Number (c) 811-2992

SUB-ITEM 770

Transactions Effected Pursuant to Rule 10f-3

1. Name of Issuer:
Dormitory Authority of the State of New York
2. Date of Purchase:
12/16/93
3. Face Amount Purchased:
\$3,000,000
4. Dollar Amount of Purchase:
\$2,820,000

5. Price Per Unit:
\$94.000
6. Name(s) of Underwriter(s)
or Dealer(s) from whom Purchased:
PaineWebber Incorporated

7. Other Underwriters in Syndicate:
Artemis Capital Group, Inc.
Bear, Stearns & Co. Inc.
Dillon, Read & Co., Inc.
Goldman Sachs & Co.
Grigsby Branford & Co., Inc.
J.P. Morgan Securities, Inc.
Lehman Brothers
M.R. Beal & Company
WR Lazard, Laidlaw & Mead, Inc.

For period ending (a) December 31, 1993
File Number (c) 811-2992
Sub Item 77Q1

PRUDENTIAL-BACHE NATIONAL MUNICIPALS FUND, INC.

By-Laws

ARTICLE I

Stockholders

Section 1. Place of Meeting. All meetings of the stockholders shall be held at the principal office of the Corporation in the State of Maryland or at such other place within the United States as may from time to time be designated by the Board of Directors and stated in the notice of such meeting.

Section 2. Annual Meeting. The annual meeting of the stockholders of the Corporation shall be held in the month of April of each year on such date and at such hour as may from time to time be designated by the Board of Directors and stated in the notice of such meeting, for the transaction of such business as may properly be brought before the meeting; provided, however, that an annual meeting is not required to be held in any year in which the election of directors is not required to be acted upon by stockholders pursuant to the Investment Company Act of 1940.

Section 3. Special or Extraordinary Meetings. Special or extraordinary meetings of the stockholders for any purpose or purposes may be called by the Chairman of the Board, the President or a majority of the Board of Directors, and shall be called by the Secretary upon receipt of the request in writing signed by stockholders holding not less than 25% of the common stock issued and outstanding and entitled to vote thereat. Such request shall state the purpose or purposes of the proposed meeting. The Secretary shall inform such stockholders of the reasonably estimated costs of preparing and mailing such notice of meeting and upon payment to the Corporation of such costs, the Secretary shall give notice stating the purpose or purposes of the meeting as required in this Article and by-law to all stockholders entitled to notice of such meeting. No special meeting need be called upon the request of the holders of shares entitled to cast less than a majority of all votes entitled to be cast at such meeting to consider any matter which is substantially the same as a matter voted upon at any special meeting of stockholders held during the preceding twelve months.

Section 4. Notice of Meetings of Stockholders. Not less than ten days' and not more than ninety days' written or printed

notice of every meeting of stockholders, stating the time and place thereof (and the general nature of the business proposed to be transacted at any special or extraordinary meeting), shall be given to each stockholder entitled to vote thereat by leaving the same with him or at his residence or usual place of business or by mailing it, postage prepaid, and addressed to him at his address as it appears upon the books of the Corporation. If mailed, notice shall be deemed to be given when deposited in the United States mail addressed to the stockholder as aforesaid.

No notice of the time, place or purpose of any meeting of stockholders need be given to any stockholder who attends in person or by proxy or to any stockholder who, in writing executed and filed with the records of the meeting, either before or after the holding thereof, waives such notice.

Section 5. Record Dates. The Board of Directors may fix, in advance, a date not exceeding ninety days preceding the date of any meeting of stockholders, any dividend payment date or any date for the allotment of rights, as a record date for the determination of the stockholders entitled to notice of and to vote at such meeting or entitled to receive such dividends or rights, as the case may be; and only stockholders of record on such date shall be entitled to notice of and to vote at such meeting or to receive such dividends or rights, as the case may be. In the case of a meeting of stockholders, such date shall not be less than ten days prior to the date fixed for such meeting.

Section 6. Quorum, Adjournment of Meetings. The presence in person or by proxy of the holders of record of a majority of the shares of the common stock of the Corporation issued and outstanding and entitled to vote thereat shall constitute a quorum at all meetings of the stockholders except as otherwise provided in the Articles of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the holders of a majority of the stock present in person or by proxy shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite number of stockholders entitled to vote at such meeting shall be present. At such adjourned meeting at which the requisite amount of stock entitled to vote thereat shall be represented any business may be transacted which might have been transacted at the meeting as originally notified.

Section 7. Voting and Inspectors. At all meetings, stockholders of record entitled to vote thereat shall have one vote for each share of common stock standing in his name on the books of the Corporation (and such stockholders of record holding fractional shares, if any, shall have proportionate voting rights) on the date for the determination of stockholders entitled to vote at such meeting, either in person or by proxy appointed by instrument in writing subscribed by such stockholder or his duly authorized attorney.

All elections shall be had and all questions decided by a majority of the votes cast at a duly constituted meeting, except

as otherwise provided by statute or by the Articles of Incorporation or by these By-Laws.

At any election of Directors, the Chairman of the meeting may, and upon the request of the holders of ten percent (10%) of the stock entitled to vote at such election shall, appoint two inspectors of election who shall first subscribe an oath or affirmation to execute faithfully the duties of inspectors at such election with strict impartiality and according to the best of their ability, and shall after the election make a certificate of the result of the vote taken. No candidate for the office of Director shall be appointed such Inspector.

Section 8. Conduct of Stockholders' Meetings. The meetings of the stockholders shall be presided over by the Chairman of the Board, or if he is not present, by the President, or if he is not present, by a Vice-President, or if none of them is present by a Chairman to be elected at the meeting. The Secretary of the Corporation, if present, shall act as a Secretary of such meetings, or if he is not present, an Assistant Secretary shall so act; if neither the Secretary nor the Assistant Secretary is present, then the meeting shall elect its Secretary.

Section 9. Concerning Validity of Proxies, Ballots, etc. At every meeting of the stockholders, all proxies shall be received and taken in charge of and all ballots shall be received and canvassed by the Secretary of the meeting, who shall decide all questions concerning the qualification of voters, the validity of the proxies and the acceptance or rejection of votes, unless inspectors of election shall have been appointed by the Chairman of the meeting, in which event such inspectors of election shall decide all such questions.

ARTICLE II

Board of Directors

Section 1. Number and Tenure of Office. The business and affairs of the Corporation shall be conducted and managed by a Board of Directors of not less than three nor more than nine Directors, as may be determined from time to time by vote of a majority of the Directors then in office. Directors need not be stockholders.

Section 2. Vacancies. In case of any vacancy in the Board of Directors through death, resignation or other cause, other than an increase in the number of Directors, a majority of the remaining Directors, although a majority is less than a quorum, by an affirmative vote, may elect a successor to hold office until the next annual meeting of stockholders or until his successor is chosen and qualifies.

Section 3. Increase or Decrease in Number of Directors. The Board of Directors, by the vote of a majority of the entire Board, may increase the number of Directors and may elect Directors to fill the vacancies created by any such increase in the number of Directors until the next annual meeting or until their successors are duly chosen and qualified. The Board of Directors, by the vote of a majority of the entire Board, may likewise decrease the number

of Directors to a number not less than three.

Section 4. Place of Meeting. The Directors may hold their meetings, have one or more offices, and keep the books of the Corporation, outside the State of Maryland, at any office or offices of the Corporation or at any other place as they may from time to time by resolution determine, or in the case of meetings, as they may from time to time by resolution determine or as shall be specified or fixed in the respective notices or waivers of notice thereof.

Section 5. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time and on such notice as the Directors may from time to time determine.

The annual meeting of the Board of Directors shall be held as soon as practicable after the annual meeting of the stockholders for the election of Directors.

Section 6. Special Meetings. Special meetings of the Board of Directors may be held from time to time upon call of the Chairman of the Board, the President, the Secretary or two or more of the Directors, by oral or telegraphic or written notice duly served on or sent or mailed to each Director not less than one day before such meeting. No notice need be given to any Director who attends in person or to any Director who, in writing executed and filed with the records of the meeting either before or after the holding thereof, waives such notice. Such notice or waiver of notice need not state the purpose or purposes of such meeting.

Section 7. Quorum. One-third of the Directors then in office shall constitute a quorum for the transaction of business, provided that a quorum shall in no case be less than two Directors. If at any meeting of the Board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum shall be obtained. The act of the majority of the Directors present at any meeting at which there is a quorum shall be the act of the Directors, except as may be otherwise specifically provided by statute or by the Articles of Incorporation or by these By-Laws.

Section 8. Executive Committee. The Board of Directors may, by the affirmative vote of a majority of the entire Board, appoint from the Directors an Executive Committee to consist of such number of Directors (not less than three) as the Board may from time to time determine. The Chairman of the Committee shall be elected by the Board of Directors. The Board of Directors by such affirmative vote shall have power at any time to change the members of such Committee and may fill vacancies in the Committee by election from the Directors. When the Board of Directors is not in session, to the extent permitted by law the Executive Committee shall have and may exercise any or all of the powers of the Board of Directors in the management of the business and affairs of the Corporation. The Executive Committee may fix its own rules of procedure, and may meet when and as provided by such rules or by resolution of the Board of Directors, but in every case the

presence of a majority shall be necessary to constitute a quorum. During the absence of a member of the Executive Committee, the remaining members may appoint a member of the Board of Directors to act in his place.

Section 9. Other Committees. The Board of Directors, by the affirmative vote of a majority of the whole Board, may appoint from the Directors other committees which shall in each case consist of such number of Directors (not less than two) and shall have and may exercise such powers as the Board may determine in the resolution appointing them. A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. The Board of Directors shall have power at any time to change the members and powers of any such committee, to fill vacancies and to discharge any such committee.

Section 10. Telephone Meetings. Members of the Board of Directors or a committee of the Board of Directors may participate in a meeting by means of a conference telephone or similiar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means constitutes presence in person at the meeting.

Section 11. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting, if a written consent to such action is signed by all members of the Board or of such committee, as the case may be, and such written consent if filed with the minutes of the proceedings of the Board or committee.

Section 12. Compensation of Directors. No Director shall receive any stated salary or fees from the Corporation for his services as such if such Director is, otherwise than by reason of being such Director, an interested person (as such term is defined by the Investment Company Act of 1940) of the Corporation or of its investment adviser, administrator or principal underwriter. Except as provided in the preceding sentence, Directors shall be entitled to receive such compensation from the Corporation for their services as may from time to time be voted by the Board of Directors.

Section 13. Nominating Committee. The Board of Directors may by the affirmative vote of a majority of the entire Board appoint from its members a Nominating Committee composed of two or more directors who are not "interested persons" (as defined in the Investment Company Act of 1940) of the Corporation, as the Board may from time to time determine. The Nominating Committee shall be empowered to elect its own chairman who may call, or direct the Secretary of the Corporation to call meetings in accordance with the notice provisions of these By-laws otherwise applicable to meetings of the Board of Directors. The Nominating Committee shall recommend to the Board a slate of persons who are not "interested person" (as defined in the Investment Company Act

of 1940) of the Corporation, which may include members of the Nominating Committee, to be nominated for election as directors by the stockholders at each annual meeting of stockholders and to fill any vacancy occurring for any reason among the directors who are not such interested persons.

ARTICLE III

Officers

Section 1. Executive Officers. The executive officers of the Corporation shall be chosen by the Board of Directors as soon as may be practicable after the annual meeting of the stockholders. These may include a Chairman of the Board of Directors (who shall be a Director) or a Chairman of the Fund and shall include a President, one or more Vice-Presidents (the number thereof to be determined by the Board of Directors), a Secretary and a Treasurer. The Board of Directors or the Executive Committee may also in its discretion appoint Assistant Secretaries, Assistant Treasurers and other officers, agents and employees, who shall have such authority and perform such duties as the Board or the Executive Committee may determine. The Board of Directors may fill any vacancy which may occur in any office. Any two officers, except those of President and Vice-President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity, if such instrument is required by law or these By-Laws to be executed, acknowledge or verified by two or more officers.

Section 2. Term of Office. The term of office of all officers shall be one year and until their respective successors are chosen and qualified. Any officer may be removed from office at any time with or without cause by the vote of a majority of the whole Board of Directors.

Section 3. Powers and Duties. The officers of the Corporation shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time be conferred by the Board of Directors or the Executive Committee.

ARTICLE IV

Capital Stock

Section 1. Certificates for Shares. Each stockholder of the Corporation shall be entitled to a certificate or certificates for the full shares of stock of the Corporation owned by him in such form as the Board may from time to time prescribe.

Section 2. Transfer of Shares. Shares of the Corporation shall be transferable on the books of the Corporation by the holder thereof in person or by his duly authorized attorney or legal representative, upon surrender and cancellation of certificates, if any, for the same number of shares, duly endorsed or accompanied by proper instruments of assignment and transfer, with such proof of the authenticity of the signature as the Corporation or his agents may reasonably require; in the case of shares not represented by certificates, the same or similar requirements may be imposed by the Board of Directors.

Section 3. Stock Ledgers. The stock ledgers of the Corporation, containing the name and address of the stockholders and the number of shares held by them respectively, shall be kept at the principal office of the Corporation or, if the Corporation employs a Transfer Agent, at the office of the Transfer Agent of the Corporation.

Section 4. Lost, Stolen or Destroyed Certificates. The Board of Directors or the Executive Committee may determine the conditions upon which a new certificate of stock of the Corporation of any class may be issued in place of a certificate which is alleged to have been lost, stolen or destroyed; and may, in its discretion, require the owner of such certificate or his legal representative to give bond, with sufficient surety, to the Corporation and each Transfer Agent, if any, and to indemnify it and each Transfer Agent against any and all loss or claims which may arise by reason of the issue of a new certificate in the place of the one so lost, stolen or destroyed.

ARTICLE V

Corporate Seal

The Board of Directors may provide for a suitable corporate seal, in such form and bearing such inscriptions as it may determine.

ARTICLE VI

Fiscal Year

The fiscal year of the Corporation shall begin on the first day of January and shall end on the thirty-first day of December in each year.

ARTICLE VII

Indemnification

The Corporation shall indemnify directors, officers, employees and agents of the Corporation against judgments, fines, settlements and expenses to the fullest extent authorized and in the manner permitted, by applicable federal and state law.

ARTICLE VIII

Checks, Notes, Etc.

All check and drafts on the Corporation's bank account and all bills of exchange and promissory notes, and all acceptances, obligations and other instruments for the payment of money, shall be signed by such officer or officers, or agents, as shall be thereunto authorized from time to time by the Board of Directors.

ARTICLE IX

Amendment of By-Laws

The By-Laws of the Corporation may be altered, amended, added to or repealed by the stockholders or by majority vote of the entire Board of Directors; but any such alteration, amendment, addition or repeal of the By-Laws by action of the Board of Directors may be altered or repealed by stockholders.

As amended on 5/3/93

February 17, 1994

To the Board of Directors of
Prudential National Municipals Fund

In planning and performing our audit of the financial statements of Prudential National Municipals Fund (the "Fund") for the year ended December 31, 1993, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and to comply with the requirements of Form N-SAR, and not to provide assurance on the internal control structure.

The management of the Fund is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. Two of the objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are appropriately safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that it may become inadequate because of changes in conditions or that the effectiveness of the design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being

audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above as of December 31, 1993.

This report is intended solely for the information and use of management and the Securities and Exchange Commission.

PRICE WATERHOUSE
1177 Avenue of the Americas
New York, NY 10036

Board of Directors or Trustees of:

Prudential Adjustable Rate Securities Fund
The BlackRock Government Income Trust
Prudential California Municipal Fund
Prudential Equity Fund
Prudential Equity Income Fund
Prudential FlexiFund (2 Portfolios)
Prudential GNMA Fund
Prudential Global Fund
Prudential Global Genesis Fund
Prudential Global Natural Resources Fund
Prudential Government Plus Fund
Prudential Growth Fund
Prudential Growth Opportunity
Prudential High Yield Fund
Prudential IncomeVertible Fund
Prudential Intermediate Global Income Fund
Prudential Multi-Sector Fund
Prudential Municipal Bond Fund (3 Portfolios)
Prudential Municipal Series Fund (11 Portfolios)
Prudential National Municipals Fund
Prudential Pacific Growth Fund
Prudential Short-Term Global Income Fund (2 Portfolios)
Prudential Strategic Income Fund
Prudential Structured Maturity Fund
Prudential U.S. Government Fund
Prudential Utility Fund
Global Utility Fund, Inc.
Nicholas-Appelgate Fund, Inc.

We have examined the accompanying description of the Prudential Dual Pricing Worksheet (the "Worksheet") application of State Street Bank and Trust Company ("State Street"), custodian and recordkeeper for the Prudential Mutual Funds (the "Funds"). Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of State Street's policies and procedures that may be relevant to a Fund's internal control structure relating to the Worksheet, (2) the control structure policies and procedures included in the description were suitably designed to achieve the control objectives specified in the description, if those policies and procedures were complied with satisfactorily, and (3) such policies and procedures had been placed in operation as of June 30, 1993. The control objectives were specified by Prudential Mutual Fund Management. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

In our opinion, the accompanying description of the aforementioned application presents fairly, in all material respects, the relevant aspects of State Street's policies and procedures that had been placed in operation as of June 30, 1993. Also, in our opinion, the policies and procedures, as described, are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described policies and procedures were complied with satisfactorily.

In addition to the procedures we considered necessary to render our opinion as expressed in the previous paragraph, we applied tests to specific policies and procedures, listed in Section I, to obtain evidence about their effectiveness in meeting the control objectives, described in Section I during the period from July 1, 1992 to June 30, 1993. The nature, timing, extent, and results of the tests are listed in Section II. In our opinion the policies and procedures that were tested, as described in Section II, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified in Section I were achieved during the period from July 1, 1992 to June 30, 1993.

The relative effectiveness and significance of specific policies and procedures at State Street, and their effect on assessments of control risk on the Funds are dependent on their interaction with the policies, procedures, and other factors present at individual Funds. We have performed no procedures to evaluate the effectiveness of policies and procedures at individual Funds in connection with this report.

The description of policies and procedures at State Street is as of June 30, 1993, and information about tests of the operating effectiveness of specified policies and procedures covers the period from July 1, 1992 to June 30, 1993. Any projection of such information to the future is subject to the risk that, because of change, the description may no longer portray the system in existence. The potential effectiveness of specified policies and procedures at State Street is subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that changes may alter the validity of such conclusions.

This report is intended solely for use by the management and Boards of Directors/Trustees of the Funds, the independent auditors of the Funds and the Securities and Exchange Commission.

DELOITTE & TOUCHE
August 13, 1993

SECTION I

Policies and Procedures Placed in Operation Prudential Dual Pricing Worksheet

Effective January 22, 1990, the Funds, offered by Prudential Securities Incorporated (formerly Prudential-Bache Securities, Inc.) and Prudential Mutual Fund Distributors, Inc., adopted a dual pricing system. The dual pricing system consists of two classes of shares (Class A and Class B) for the Funds. The Class A shares are subject to a front-end sales load and the Class B shares are subject to a contingent deferred sales charge. The two classes of shares represent interests in the same portfolio of investments of the respective Fund and are identical in all respects, except that each class is subject to different distribution expenses and has exclusive voting rights with respect to the Rule 12b-1 distribution plan pursuant to which such distribution expenses are paid.

In order to allocate income and expenses between the two classes of shares, State Street Bank and Trust Company (the Funds' custodian and recordkeeper) utilizes the Prudential Dual Pricing Worksheet (the "Worksheet") (see Exhibit I). The Worksheet is a manual supplementary application that extracts relevant data from the Funds' primary accounting system, allocates income and expenses between the two classes of shares and computes the daily net asset value and, if applicable, the dividend/distribution for each class of shares. Internal accounting controls that are relevant to the Fund can be divided into two components - controls related to the mutual fund accounting system resident at State Street Bank and Trust Company (the "primary accounting system") and controls related to the Worksheet.

The specific control objectives and policies and procedures relating to the Worksheet are described on pages 4 and 5. A description of the tests of the policies and procedures designed to obtain evidence about the operating effectiveness of those policies and procedures in achieving the specific control objectives is included in Section II.

Control Objectives and Policies and Procedures
Prudential Dual Pricing Worksheet

The Worksheet is a supplementary manual application to the Funds' primary accounting system. Certain data is extracted from the primary accounting system to allocate income and expenses and to calculate the daily net asset value and, if applicable, dividends/distributions for each class of shares. The primary accounting system includes the details of transactions in accordance with the Investment Company Act of 1940, as amended.

The following represents the internal accounting control objectives and policies and procedures for the allocation of income and expenses and the computation of the net asset value and, if applicable, the dividend/distribution for each class of shares utilizing the Worksheet. It does not cover the internal accounting control policies and procedures surrounding the processing of information into the Funds' primary accounting system.

CONTROL OBJECTIVES

CONTROL POLICIES AND PROCEDURES

A. Capital share activity as reported by the Fund's transfer agent is recorded for each class in an accurate and timely manner by the fund.

B. Net Asset Value ("NAV") and, if applicable, the dividend/distribution for each class are accurately computed on a daily basis.

1. Daily, the transfer agent forwards reports of capital share capital share activity for each class which includes a summary of subscriptions, redemptions, exchanges and other information (the "Supersheet"). The opening day's balance for shares outstanding and for shares eligible for dividends are recorded on the Worksheet. shares eligible for dividends are recorded on

2. Estimated interim share activity for the current day not recorded in the Supersheet is received via telefax from the transfer agent and is recorded for each class on the Worksheet.

1. The prior days ending NAV per share (unrounded) for each class is agreed to the prior day's Worksheet.

2. The daily net capital stock activity for each class for the current day is agreed to the Supersheet as described in Control Procedures A.1 and 2., above.

3. Percentage Assets by Class and Percentage Dividend Assets by Class are calculated for each class based upon information from the prior day Worksheet and information recorded on the Supersheet.

CONTROL OBJECTIVES

CONTROL POLICIES AND PROCEDURES

4. Allocate investment income between classes based on the appropriate asset allocation percentage for each class.

5. Agree composite dividend income, interest income, income amortization, income equalization, management fees, other expenses, realized gains and losses, and unrealized appreciation/depreciation to the primary accounting system of the Fund.

6. Allocate expenses between classes as follows:

a. Expenses directly attributable to each class (12b-1 distribution expenses) are calculated and recorded to that class.

b. Expenses attributable to both classes are allocated in accordance with the appropriate asset allocation percentage for each class.

7. Allocate realized and unrealized gains and losses between the classes in accordance with the appropriate asset allocation percentage of each class.

8. Record dividends/distributions to shareholders of each class in the primary accounting system.

9. Aggregate the net assets for each class and agree to the total net assets per the primary accounting system.

10. For each class, reconcile the current day's NAV and, if applicable, the dividend/distribution to the previous day's NAV and dividend/distribution for each class.

11. The above procedures are reviewed by the Fund supervisor or manager.

SECTION II

Tests of Operating Effectiveness

Prudential Dual Pricing Worksheet
July 1, 1992 to June 30, 1993

We reviewed the methodology and procedures for calculating the daily net asset value and, if applicable, the dividends/distributions of the two classes of shares and the allocation of income and expenses between the two classes of shares.

The following are the detailed procedures which we performed with respect to the Worksheet. These procedures were performed for selected days encompassing all Funds subject to dual pricing during the year ended June 30, 1993, which we believe is a representative sample, to test compliance with the control policies and procedures as described in Section I.

Prudential Mutual Fund Management, Inc. is the manager of the Funds and has represented to us that adequate facilities are in place to ensure implementation of the methodology and procedures for calculating the net asset value and dividends/distributions of the two classes of shares and the allocation of income and expenses between the two classes of shares. Based on our review of the description of the policies and procedures of the Worksheet, as described in Section I, and performance of tests of operating effectiveness as described in Section II, we concur with such representation.

Agreed "Prior Day NAV Per Share" to the previous day's Worksheet and to the rounded NAV included on the Supersheet for each class.

Agreed "Shares Outstanding Beginning of the Day" to the Supersheet for each class.

Agreed "Activity/Estimate" to the estimated interim share activity reported via fax from the transfer agent for each class.

Recalculated "Current Shares Outstanding" by adding "Shares Outstanding Beginning of the Day" and "Activity/Estimate" for each class.

Recalculated for each class "Adjusted Total Assets" by multiplying "Prior Day NAV Per Share" by "Current Shares Outstanding."

Recalculated "Percentage Assets-Class A/Front End" by dividing "Adjusted Total Assets-Class A/Front End" by "Adjusted Total Assets Composite."

Recalculated "Percentage Assets-Class B/Back End" by dividing "Adjusted Total Assets-Class B/Back End" by "Adjusted Total Assets Composite."

Agreed "Dividend Shares Beginning of Day" to the Supersheet for each

class.

Agreed "Activity/Estimate" to the estimated interim share activity reported via fax from the transfer agent for each class.

Recalculated "Current Dividend Shares" by adding "Dividend Shares Beginning of Day" and "Activity/Estimate" for each class.

Recalculated for each class "Adjusted Dividend Assets" by multiplying "Prior Day NAV Per Share" by "Current Dividend Shares."

Recalculated "Percentage Dividend Assets-Class A/Front End" by dividing "Adjusted Dividend Assets-Class A/Front End" by "Adjusted Dividend Assets Composite."

Recalculated "Percentage Dividend Assets-Class B/Back End" by dividing "Adjusted Dividend Assets-Class B/Back End" by "Adjusted Dividend Assets Composite."

Agreed composite total "Dividend Income", "Interest Income", "Amortization" and "Income Equalization" to the primary accounting system.

Recalculated the allocation for each class of "Dividend Income", "Interest Income" and "Amortization" for daily dividend funds by multiplying the composite total by "Percentage Dividend Assets-Class A/Front End" and "Percentage Dividend Assets-Class B/Back End," and for non-daily dividend funds by multiplying the composite total by "Percentage Assets-Class A/Front End" and "Percentage Assets-Class B/Back End."

Recalculated "Daily Income", composite and for each class, by totaling "Dividend Income", "Interest Income", "Amortization" and "Income Equalization."

Agreed composite total "Management Fee" and "Other Fixed Expenses" to the primary accounting system.

Recalculated the allocation for each class of "Management Fee" and "Other Fixed Expenses" for daily dividend funds by multiplying the composite total by "Percentage Dividend Assets-Class A/Front End" and "Percentage Dividend Assets-Class B/Back End," and non-daily dividend funds by multiplying the composite total by "Percentage Assets-Class A/Front End" and "Percentage Assets-Class B/Back End."

Agreed the "12b-1 Fee-Class A/Front End" and "12b-1 Fee-Class B/Back End" to the respective "PC Expense Worksheet."

Recalculated "Daily Expense", composite and for each class, by totaling "Management Fee", "12b-1 Fee" and "Other Fixed Expenses."

Recalculated "Daily Net Income" for each class by subtracting "Daily Expense" from "Daily Income."

Recalculated "Dividend Rate" for each class for daily dividend funds by dividing "Daily Net Income" by "Dividend Shares Beginning of Day-Class A/Front End" and "Dividend Shares Beginning of Day-Class B/Back End."

Agreed "Daily Income" and "Income Distribution" for each class to the primary accounting system.

Recalculated "Undistributed Net Income" for each Class by subtracting "Income Distribution" from "Income Available for Distribution."

Agreed "Capital Stock Activity" for each Class to the Supersheet.

Agreed the "Capital Gain Distribution" to the amount recorded in the primary accounting system.

Agreed composite total "Realized Gain/Loss", "Unrealized Appreciation/Depreciation", "Unrealized Appreciation/Depreciation - Options" and "Unrealized Appreciation/Depreciation - Futures" to the primary accounting system.

Recalculated the allocation for each class of "Realized Gain/Loss", "Unrealized Appreciation/Depreciation", "Unrealized Appreciation/Depreciation - Options" and "Unrealized Appreciation/Depreciation - Futures" by multiplying the composite amount by the "Percentage Assets-Class A/Front End" and "Percentage Assets-Class B/Back End."

Agreed "Prior Days Net Assets" to the previous day's Worksheet.

Recalculated "Net Assets", composite and for each class, by totaling "Undistributed Net Income", "Capital Stock Activity", "Capital Gain Distribution", "Realized Gain/Loss", "Unrealized Appreciation/Depreciation", "Unrealized Appreciation/Depreciation - Options", "Unrealized Appreciation/Depreciation - Futures", and "Prior Days Net Assets."

Recalculated "NAV Per Share" dividing the "Net Assets-Class A/Front End" and "Net Assets - Class B/Back End" by "Current Shares Outstanding - Class A/Front End" and "Current Shares Outstanding - Class B/Back End", respectively.

Recalculated "Offering Price" for Class A shares by applying the "Load" percentage as stated in the fund's prospectus.